

**HAMPSHIRE COUNTY COUNCIL****Decision Report**

<b>Decision Maker</b>	Governance Committee
<b>Date of Decision</b>	26 March 2009
<b>Decision Title</b>	Hampshire County Council internal audit strategy update 2009
<b>Decision Reference</b>	
<b>Report From:</b>	County Treasurer

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**EXECUTIVE SUMMARY****1) Summary of Decision Area**

1.1. This report summarises:

- Progress in implementing the revised audit strategy for Hampshire County Council
- Proposals for revisions to the audit strategy based on experience to date and professional and sector knowledge
- Internal audit plan for 2009 – 2012
- Minor changes to the terms of reference for internal audit

**2) Issues Covered in Report**

2.1. Proposed changes to the internal audit strategy with regard to schools.

**3) Recommendations**

It is recommended:

3.1. That the Governance Committee approves the revisions to the internal audit strategy relating to schools.

3.2. That the Governance Committee note the internal audit plan for 2009/10 to 2011/12.

3.3. That the Governance Committee approve the revised terms of reference for the internal audit service.

## MAIN REPORT

### 1) Contextual Information

- 1.1. The Audit Strategy 2008 to 2013 was approved by the Governance Committee in November 2007, following a fundamental review carried out during the Summer 2007.
- 1.2. The overall objective of the strategy is to ensure that internal audit resources are efficiently and effectively deployed to meet the requirements for internal audit outlined in:
  - CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 (the Code)
  - The Accounts and Audit Regulations 2003, including 2006 amendments.
- 1.3. The internal audit plan for 2008/09 was prepared in line with the approved strategy and we have made good progress in working towards delivering the revised audit strategy. Our experience of delivering this plan, knowledge of the sector and professional developments have not identified a need for major revision to the strategy at this early stage and in our opinion, it continues to ensure that internal audit resources are used effectively in providing an appropriate level of assurance in most areas.
- 1.4. However, based on our experience of delivering the 2008/09 plan and further benchmarking against other authorities, we propose changes to the way in which schools are audited in future. We also continue to develop our approach to delivering the revised strategy in some areas, particularly procurement and contracts and proactive counter fraud work.
- 1.5. The detailed plan for 2009/10 to 2011/12 has been prepared on that basis and is attached at appendix A for information. The plan has been discussed with senior officers and has been approved by the Treasurer.
- 1.6. The terms of reference for the internal audit service provided to Hampshire County Council were approved by the Governance Committee in March 2006. These have been reviewed and the revised terms of reference are attached at Appendix B for approval by members. Amendments are indicated by shading.

### 2) Key Issues

#### Schools Audit

- 2.1. Following our review of the internal audit strategy in 2007, our current strategy provides for a full establishment audit of primary and secondary school on a maximum cycle of six years and three years respectively. Reliance is placed on the Financial

Management Standard in School reviews (FMSiS) for assurance on management and governance processes and the scope of our work focuses on the operation of the financial systems.

- 2.2. Our risk assessment of the need for school audits takes account of a number of factors including assurance available from other sources such as attached inspectors and Education Financial Services and previous audit findings. It is also affected by changes in our audit approach such as:
- The introduction of 'system flavour' visits which look at a given system across a number of schools in a set period
  - The setting up of a separate fraud team which visits schools for proactive and reactive purposes
  - The additional visits to schools produced by the FMSiS assessment programme which reaches the final year of its roll-out to primary schools in 2009/10.
- 2.3. Based on our risk assessment, we propose further revision to the audit strategy for school audits from 2009/10 as follows:
- In keeping with the existing strategy, the programme will be constructed across the whole range of audit activity in schools, rather than focussing on traditional full establishment visits
  - Whilst the maximum period between primary school visits will be reduced from six years to five years, with secondary schools remaining at a maximum of three years, the form of the visit will be either a full establishment audit or a visit as part of a focussed themed audit
  - Where schools are visited for purposes other than to carry out the full establishment audit programme, analytical review questions will be asked at the same time at a high level to enhance the deterrent effect and awareness of audit and to check for any indications that further work is needed
  - Other forms of audit work will continue as before such as FMSiS assessments and proactive and reactive fraud work.
- 2.4. These proposals can be achieved within the current resources allocated to schools audits but with a slight shift from secondary to primary schools, thus ensuring that a reasonably frequent audit presence occurs in all schools.

### **3) Resource implications**

#### *Liaison with the Audit Commission*

- 3.1. We have had regular liaison meetings with the Audit Commission throughout 2008/09 to discuss national and local audit issues, ensure that duplication is minimised and also that reporting to the

Governance Committee is co-ordinated as far as possible. We propose to continue with this arrangement in 2009/10.

*Staff input*

- 3.2. The 2009/10 plan has been prepared on the basis of assessed audit need and there has been no significant change in the resources required to deliver the assurance work compared to 2008/09.

**CORPORATE OR LEGAL INFORMATION:**

<b>LINKS TO THE CORPORATE STRATEGY</b>		
<b>Hampshire safer and more secure for all</b>		Yes <input type="checkbox"/>
		No <input type="checkbox"/>
Corporate Business plan link no (if appropriate)	<input style="width: 100%;" type="text"/>	
<b>Maximising well-being</b>		<input type="checkbox"/>
		<input type="checkbox"/>
Corporate Business plan link no (if appropriate)	<input style="width: 100%;" type="text"/>	
<b>Enhancing our quality of place</b>		<input type="checkbox"/>
		<input type="checkbox"/>
Corporate Business plan link no (if appropriate)	<input style="width: 100%;" type="text"/>	
<b>OR</b>		
<b>This proposal does not link to the Corporate Strategy but, nevertheless, requires a decision because:</b>		
<b>Of the significance of internal audit to the good governance of the County Council.</b>		

<b>OTHER SIGNIFICANT LINKS:</b>		
<b>Links to Previous member decisions:</b>		
<b>Title</b>	<b>Ref</b>	<b>Date</b>
<b>Direct Links to Specific Legislation or Government Directives</b>		
<b>Title</b>		<b>Date</b>

<b>Section 100 D - Local Government Act 1972 - background documents</b>	
<p>The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)</p>	
<u>Document</u>	<u>Location</u>
None	

**IMPACT ASSESSMENTS:**

**1. Equalities Impact Assessment:**

- a) Race and equality impact assessment has been considered in the development of this report and no adverse impact has been identified.

**2. Impact on Crime and Disorder:**

- a) The County Council has a legal obligation under Section 17 of the Crime and Disorder Act 1998 to consider the impact of all the decisions it makes on the prevention of crime. The proposals in this report have no impact on the prevention of crime.

**3. Climate Change:**

- a) Proposals have no effect on climate change.