

Internal Audit Progress Report

November 2018

Hampshire County Council



**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

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1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards – updated 2017 [the Standards].

The role of internal audit is best summarised through its definition within the Standards, as an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the risk management, control and governance processes.’

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation’s objectives.

2. Purpose of report

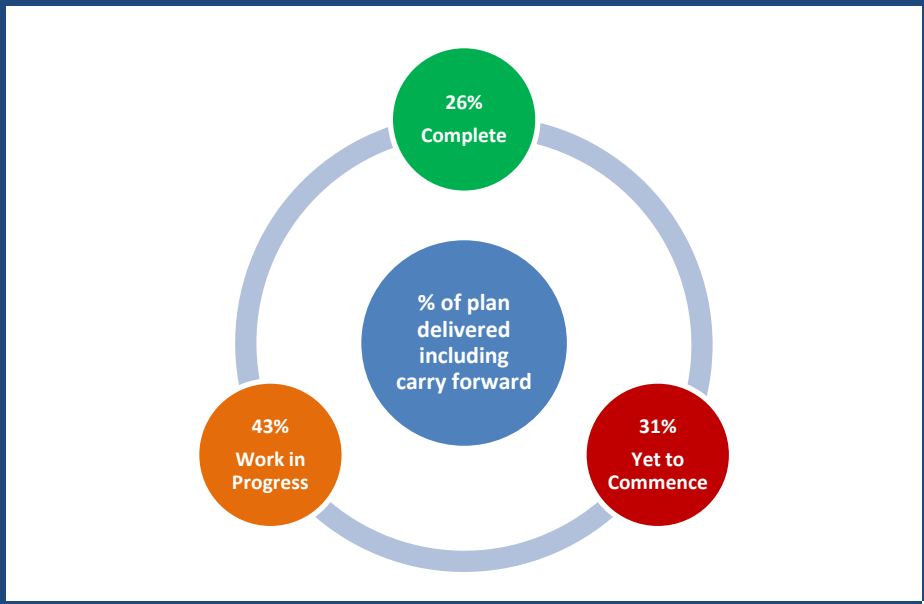
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to 'Senior Management' and 'the Board', summarising:


- The status of 'live' internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor's annual opinion

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. Assurance opinions are categorised as follows:

Substantial	A sound framework of internal control is in place and operating effectively. No risks to the achievement of system objectives have been identified.
Adequate	Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified.
Limited	Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk.
No	Fundamental weaknesses identified in the framework of internal control or the framework is ineffective or absent with significant risk to the achievement of system objectives.

3. Performance dashboard



Compliance with Public Sector Internal Audit Standards / Local Government Application Note	
	<p>An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2015. The report concluded:</p> <p><i>'It is our view that the Southern Internal Audit Partnership 'generally conforms' (top grading) to <u>all</u> of the principles contained within the International Professional Practice Framework (IPPF); Public Sector Internal Audit Standards (PSIAS); and the Local Government Application Note (LAGN).</i></p>

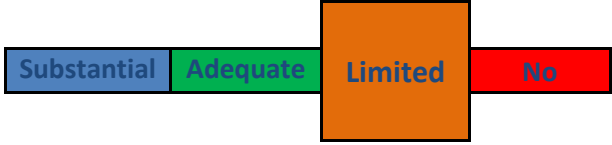

4. Status of 'Live' Reports

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Insurance Fund	19.10.16	T&G	Adequate	1(1)	0(0)	0(0)	0(0)	1(1)
Grants Granted	23.02.17	CS	Limited	9(7)	0(0)	0(0)	8(7)	1(0)
IBC Order to Cash	27.03.17	CR	Adequate	5(4)	0(0)	0(0)	4(4)	1(0)
Medicine Control LD/PD Units	09.05.17	AS	Limited	16(14)	0(0)	0(0)	14(12)	2(2)
Remote Working Solutions	26.06.17	CR	Adequate	15(3)	0(0)	1(1)	14(2)	0(0)
Property Management	25.07.17	CCBS	Adequate	1(0)	0(0)	0(0)	0(0)	1(0)
Hampshire Health Record	26.07.17	AH&C	Limited	10(1)	0(0)	0(0)	10(1)	0(0)
Procurement - Outdoor Centres	04.08.17	CCBS	Adequate	17(2)	0(0)	0(0)	16(2)	1(0)
Respite for LD and PD	28.09.17	AH&C	Adequate	6(5)	0(0)	0(0)	5(5)	1(0)
Medicine Control in OP Units	28.09.17	AH&C	Adequate	9(5)	0(0)	0(0)	8(4)	1(1)
Payroll support	01.12.17	CR	Substantial	2(1)	0(0)	2(1)	0(0)	0(0)
Special Guardianship Orders	08.01.18	CS	Limited	11(4)	0(0)	0(0)	8(2)	3(2)
Payroll	26.02.18	CR	Substantial	2(1)	0(0)	2(1)	0(0)	0(0)
Social Media Policy	22.03.18	CE	Adequate	9(6)	0(0)	2(1)	7(5)	0(0)

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Care and support planning	12.04.18	AH&C	Limited	17(11)	0(0)	2(2)	9(7)	6(2)
Disability related expenses	12.04.18	AH&C	Adequate	7(0)	0(0)	4(0)	3(0)	0(0)
Continuing healthcare	17.04.18	AH&C	Limited	18(0)	0(0)	0(0)	17(0)	1(0)
Health and safety	17.04.18	AH&C	Limited	10(6)	0(0)	1(0)	9(6)	0(0)
Database management and security	14.05.18	CR	Limited	21(3)	0(0)	6(1)	15(2)	0(0)
Procurement – strategy and governance	14.05.18	T&G	Adequate	2(0)	0(0)	0(0)	1(0)	1(0)
Care Leavers	12.06.18	CS	Adequate	8(0)	0(0)	8(0)	0(0)	0(0)
School thematic review – recruitment (follow up)	21.06.18	CS	Adequate	16(14)	0(0)	6(5)	10(9)	0(0)
Out of County Placements	27.06.18	AH&C	Limited	5(4)	0(0)	2(2)	3(1)	0(0)
Business continuity and emergency planning	28.06.18	T&G	Limited	14(1)	0(0)	6(0)	8(1)	0(0)
SAP security and maintenance	05.07.18	CR	Limited	9(0)	0(0)	1(0)	8(0)	0(0)
Network management and monitoring	06.07.18	CR	Adequate	11(1)	0(0)	3(0)	8(1)	0(0)
Integrated reablement	08.08.18	AH&C	Adequate	12(6)	0(0)	1(0)	11(6)	0(0)
Cloud Applications Governance	05.09.18	CR	Adequate	9(0)	0(0)	3(0)	6(0)	0(0)

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Debt Collection (HCC)	06.09.18	CR	Adequate	6(1)	0(0)	2(1)	4(0)	0(0)
Early Years	11.09.18	CS	Substantial	3(0)	0(0)	1(0)	2(0)	0(0)
Cash and assets	11.09.18	CCBS	Adequate	20(8)	0(0)	2(0)	18(8)	0(0)
Proactive: Blue Badges	21.09.18	ETE	Adequate	1(0)	0(0)	1(0)	0(0)	0(0)
Hampshire Transport Management	26.10.18	CCBS	Adequate	2(0)	0(0)	2(0)	0(0)	0(0)
Anton Junior School	01.11.18	CS	Limited	43(19)	0(0)	12(4)	31(15)	0(0)
Health and Safety – statutory checks	02.11.18	CBBS	Limited	6(3)	0(0)	2(0)	4(3)	0(0)

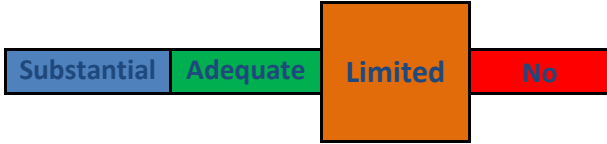
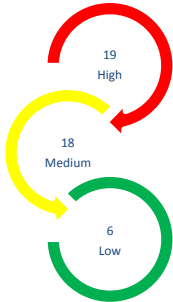
5. Executive Summaries of new reports published concluding a ‘Limited’ or ‘No’ assurance opinion

Shared Services Health and safety - statutory checks		
Directorate Sponsor: Director of CCBS	Assurance opinion:	Management Actions:
		
Summary of key observations:		
<p>The Joint Facilities Management Service (JFMS) provides a range of FM related functions to clients at HCC, Police and Fire including the health and safety checks required by legislation or recommended as good practice.</p> <p>A central record of training is held on an Access database system that provides a good level of control over ensuring that all staff have the relevant qualification to undertake their role, providing a prompt when refresher training is required.</p> <p>Whilst maintained disparately, there is currently no centralised record to readily monitor tasks to be undertaken, the date works were carried out or confirmation of completion. Facilities Managers and the Head of Facilities Management carry out spot checks at locations in their areas to gain assurance that the health and safety checks have been completed, however, no records of the spot-checks are retained, albeit, where issues are identified from the spot checks, remedial actions are advised by email which provides some evidence for the spot checks.</p> <p>No performance reporting in relation to health and safety checks are required or requested. It is considered that senior management may benefit from the assurance that checks are being carried out at the appropriate frequency and that performance measures for these are and reported and monitored. The planned enhancement of the Property Asset Management System (PAMS) application should provide the means to readily obtain reports demonstrating that checks are carried out when programmed.</p>		

Documentation utilised in some areas for the COSH Risk Assessments differed to that contained in the Corporate guidance and whilst differences related primarily to format as opposed to content there is a risk that bespoke documentation may be used and omit important legislative changes, it also creates a duplication of effort with regard creation and maintenance. We understand that there has since been a re-organisation in that Risk Safety officers are now part of the corporate structure as opposed to departmentally based which will assist continuity.

Our assurance opinion is primarily based on the lack of centralised evidence confirming that checks have been carried out rather than a specific concern that checks are not taking place. We also recognise that the Property Asset Management System is being introduced and that the successful roll out should address the issues raised regarding the evidencing of the checks.

All 'high priority' management actions raised to mitigate identified risks have been implemented.

Anton Junior School		
Directorate Sponsor: Director of Children's Services	Assurance opinion: 	Management Actions: 
<p>Summary of key observations:</p> <p>The audit review of Anton Junior School was undertaken at the request of the County Education Manager, School Improvements. The review assessed the effectiveness of controls in place with a focus on finance, governance, HR and payroll. Key areas of weakness included:</p> <p>Governance and Management:</p> <ul style="list-style-type: none"> • A number of Governors had not completed a signed declaration of pecuniary interests for 17/18; • We were unable to find a documented limit of delegated authority for the Headteacher; • Payments were approved for refreshments at annual events (Christmas and Summer celebrations) directly from school funds; and • There was an absence of Governing Body approval of key policies and procedures <p>Payroll:</p> <ul style="list-style-type: none"> • The Pay Policy was incomplete and had not been approved by the Governing Body; • There was no signature to ensure independent authorisation of monthly SAP payroll reports from the Headteacher; • Whilst the Governing Body were seen to have approved pay grade increases for certain staff they had not been provided with any evidence or information to support this decision; and • Some additional payments that the school currently makes to staff are not outlined in the school's Pay Policy as required. 		

Recruitment:

- The Deputy Headteacher is the only member of staff who is Safer Recruitment trained. Therefore, any interviews that take place without their involvement would not follow Safer Recruitment requirements; and
- Staff and Governors do not sign to confirm that they have received and read the Keeping Children Safe in Education document.

Income:

- Cash was held securely in the safe prior to banking although occasions were highlighted where the school's insurance limit was exceeded;
- Access to the safe is via a combination code and we noted that the code is not changed on a regular basis as required;
- Review of a sample of lettings invoices found that VAT is not being accounted for correctly on sports lets.

Procurement Cards:

- The Headteacher's procurement card transactions were not authorised by the Chair of Governors as required;
- A number of transactions were not reviewed by the cardholder and approved by the authoriser across the other procurement cards in place.

SAP Purchasing:

- Whilst the SAP system confirmed that all purchases were appropriately authorised, and quotes obtained where required, the purchase order was found to be raised after the invoice or goods had been received in the majority of cases.

Management actions raised to mitigate identified risks have been addressed and implemented in accordance with agreed timescales.

6. Fraud and Irregularities

In accordance with the Local Government Transparency Code 2015 there is a requirement on local authorities to publish the following information with regard counter fraud work:

Local Government Transparency Code 2015	01.04.18 – 31.10.18
Part 2 Requirements - Fraud	
Number of occasions powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers have been used	Nil
Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud	3.75 fte
Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists	7 fte*
Total amount of time spent by the authority on the investigation and prosecution of fraud (including NFI)	50 days
Total number of fraud cases investigated	7 ***

*relates to internal audit staff across the wider SIAP only (does not include other areas of the Council that may affect reported figures i.e. legal, HR, Trading Standards, departmental investigating officers etc.)

**the definition of fraud is as set out by the Audit Commission in *Protecting the Public Purse - 'the intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss.'*

*** includes 3 cases ongoing from 2017/18

7. Planning & Resourcing

The internal audit plan for 2017/18 was approved by the Council's Management Team and the Audit Committee in June 2017.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed within section 8

8. Rolling Work Programme

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ Delay)	Comment
2017-18 Carry forward									
Swanwick Lodge	CS	✓	✓	✓	✓	12.06.18	Adequate		
Care Leavers	CS	✓	✓	✓	✓	12.06.18	Adequate		
Integrated Reablement	AH&C	✓	✓	✓	✓	08.08.18	Adequate		
Public Health - Quality and Performance Group	AH&C	✓	✓	✓	✓	10.7.18	Substantial		
Shared Services 17-18 carry forward									
Statutory Checks	CR	✓	✓	✓	✓	02.11.18	Limited		
2018-19 plan									
Traded services	KM	✓							
Transformation	DoTG	✓	✓	✓					
Information management	DoTG	✓	✓	✓					

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (P Delay)	Comment
Business Continuity & Emergency planning	DoTG								
Health and Safety	DoTG								
Capital programme	Various	✓	✓	✓					
Hantsdirect -service standards	ACE								
Information security	DoTG								
Local management of shared services processes	DoTG	✓	✓	✓	✓	18.09.18	Adequate		
GDPR	DPG								
Prevent	AHC								
Assurance mapping	DoCR	N/A	N/A	✓	N/A	N/A	N/A		T21 Initiative
Annual governance statement	T&G	N/A	N/A	✓	N/A	N/A	N/A		
Annual self- assessment -PSIAS	DoCR	N/A	N/A	✓	N/A	N/A	N/A		
HR Time recording and monitoring - advice	DoCR								
SAP security	DoCR	✓							
IT Service Management	DoCR								
IT operating systems	DoCR	✓							
Wireless security	DoCR								
IT assurance mapping	DoCR								

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (P Delay)	Comment
Hosted Schools Services (HSS)	DoCR								
IT Disaster recovery	DoCR								
PCI compliance testing	DoCR	N/A	N/A	N/A	✓	13.07.18	N/A		Consultancy and assessment work
Business applications	DoCR	✓	✓	✓					
Cloud application governance	DoCR	✓	✓	✓	✓	05.09.18	Adequate		
ISO27001	DoCR	N/A	N/A	N/A	N/A	N/A	Complete		Advice / Support
Safeguarding - Children	CS								
School thematic-part time timetables	CS								
School thematic-School web content	CS	✓	✓	✓					
School thematic-GDPR Compliance	CS	✓	✓	✓					
School thematic-TBC 4	CS								
Woodcroft Primary School	CS	✓	✓	✓	✓	14.06.18	Adequate		
Anton Junior School	CS	✓	✓	✓	✓	01.11.18	Limited		
Thematic-Children's establishments	CS								
SFVS	CS	✓	N/A	✓					
Home to school transport	CS	✓	✓	✓					
Use of Agency Staff	CS	✓	✓	✓					
Early years	CS	✓	✓	✓	✓	10.9.18	Substantial		

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (P Delay)	Comment
AHC thematic-Health and Safety	AHC	✓	✓	✓					
AHC thematic-Contract management	AHC								
AHC thematic-Clients property	AHC	✓	✓	✓	✓				
AHC thematic-FNC Assessments	AHC	✓	✓						
Large scale investigations	AHC	✓	✓	✓					
Public Health - strategy	AHC	✓	✓	✓					
Integrated community equipment store and Technicians Service	AHC	✓	✓	✓	✓				
Care at Home	AHC								
Multi Agency Safeguarding Hub	AHC								
Information Governance	AHC	✓	✓	✓	✓				
Approved Mental Health Professionals - Approval and Warranting Process	AHC								
MH-Management of Nearest Relative	AHC	✓	✓	✓	✓				
MH-Management of Guardianship	AHC								
County and Local Support Plan Oversight Groups	AHC	✓							
Brokerage Team	AHC								
Payments to providers	AHC								
Developer contributions	ETE	✓	✓	✓	✓				

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (P Delay)	Comment
Traffic management	ETE								
Regeneration	ETE	✓							
M3 Enterprise LEP (Accountable Body Arrangements)	ETE								
Economic Development (Key Sites Portfolio)	ETE	✓	✓	✓					
Business units - Hampshire Transport Management	Various	✓	✓	✓	✓	26.10.18	Adequate		
Business units - County Supplies	CCBS	✓	✓	✓					
Contract management-Children's Services	CMT/ DoPG								
Contract management - Street lighting	ETE	✓	✓	✓					
Superfast Broadband programme	CCBS								
Intelligent Transport System	ETE								
Contract management - Hampshire Highways Service Contract	ETE	✓	✓	✓					
Contract management - CCBS	CCBS	✓							
Term maintenance Contract	CCBS	✓	✓						
Minor Works Framework	CCBS	✓	✓						
Hampshire Highways Service Contract (Finance)	ETE	✓	✓	✓	✓	24.07.18	substantial		

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (P Delay)	Comment
RHPP	CCBS	✓	N/A	N/A	N/A	26.06.18	N/A		Accounts review
HCC Local Transport Capital Block Funding (including pot hole funding)	ETE	✓	N/A	✓	N/A	30.09.18	Certified		
Bus Rapid Transit	ETE								
Safer Roads Fund (A27)	ETE	✓	N/A	✓	N/A	26.09.2018	Certified		
Safer Roads Fund (A32)	ETE	✓	N/A	✓	N/A	26.09.2018	Certified		
Safer Roads Fund (A36)	ETE	✓	N/A	✓	N/A	26.09.2018	Certified		
Flood resilience fund	ETE	✓	N/A	✓	N/A	Sept 2018	Certified		
LA bus subsidy grant	ETE	✓	N/A	✓	N/A	Sept 2018	Certified		
Enterprise M3 growth hub grant	ETE	✓	N/A	✓	N/A	Sept 2018	Certified		
Shared Services 18-19 plan									
Governance arrangements	CR	✓	✓	✓	✓				
ICT - user accesses	CR	✓	✓	✓					
Recruitment	CR								
OHU/ESL	CR	✓	✓	✓	✓				External clinical review
Payroll	CR	✓	✓	✓					
Workforce Development	CR	✓	✓	✓	✓				
Ill Health Retirement & Death in Service	CR	✓	✓	✓					

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (P Delay)	Comment
Sick pay	CR	✓	✓	✓					
IR35	CR								
Order to cash (OTC)	CR	✓	✓	✓					
Purchase to pay (P2P)	CR	✓	✓	✓					
Debt Collection	CR	✓	✓						
Master Data Team	CR	✓							
Commercial waste contract management	CR	✓	✓	✓					
Procurement (three reviews)	CR	✓	✓	✓					

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the County Council. Below are the variations made to the original 2018/19 audit plan approved by the Audit Committee in June 2018.

Plan Variations	
Removed from the plan	Reason
Local Bus Subsidy Support	Deferred to 2019/20 due to T19 reviews.
Case loads / waiting lists	Deferred at the request of management pending review of the social work health survey published in May 2018.
Risk management	Time moved to provide advice on assurance mapping to assist with the actions outlined in the Annual Governance Statement.
Shared services – category management	No new category plans completed since the last review.
Property management	Deferred due to major restructure taking place.
Shared services – treasury management	Deferred due to changes in the Prudential Code
Contract administration – property services	Deferred due to restructure taking place.
Additions to the plan	Reason
Cloud Applications Governance	Request by the Head of IT to review governance arrangements.