Internal Audit Progress Report

September 2017

Hampshire County Council

Southern Internal Audit Partnership

Assurance through excellence
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Contents:

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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 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 organisations objectives.

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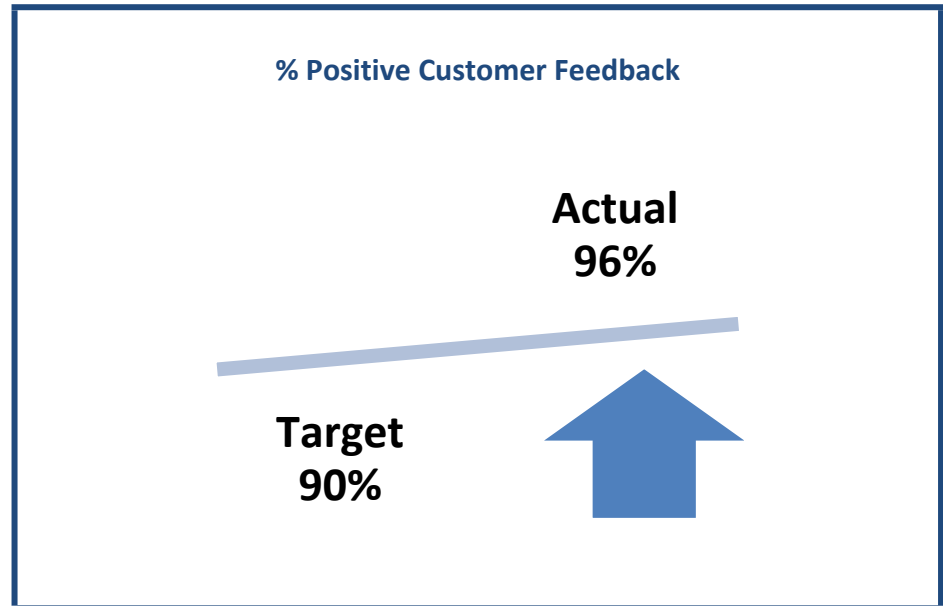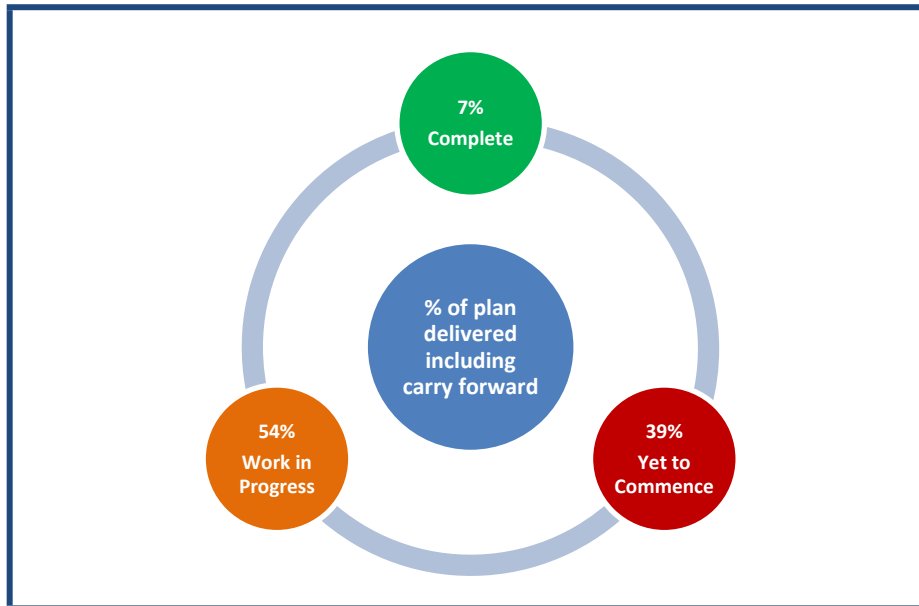
2. Purpose of report

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.

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3. Performance dashboard

7%
Complete

% of plan
delivered
including
carry forward

54%
Work in
Progress

39%
Yet to
Commence

% Positive Customer Feedback

**Actual
96%**

**Target
90%**

Compliance with Public Sector Internal Audit Standards / Local Government Application Note	
✓	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:
	*'It is our view that the Southern Internal Audit Partnership 'generally conforms' (top grading) to **all** of the principles contained within the International Professional Practice Framework (IPPF); Public Sector Internal Audit Standards (PSIAS); and the Local Government Application Note (LAGN).*

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4. Status of 'Live' Reports

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Property strategic partners	17.02.16	CCBS	Adequate	1(0)	0(0)	1(0)	0(0)	0(0)
Payroll	13.06.16	CR	Adequate	8(0)	0(0)	0(0)	7(0)	1(0)
Insurance Fund	19.10.16	T&G	Adequate	1(1)	0(0)	0(0)	0(0)	1(1)
Sold Services (Trading Standards)	25.10.16	CCBS	Adequate	5(0)	0(0)	1(0)	4(0)	0(0)
LD - Phase 2 of Transition To New Providers	02.11.16	CR	Limited	5(5)	0(0)	1(1)	4(4)	0(0)
IBC/Shared Service Debt Collection	29.11.16	CR	Limited	9(6)	0(0)	0(0)	7(6)	2(0)
Occupational Therapists	01.12.16	AS	Adequate	6 (2)	0 (0)	0(0)	5(2)	1(0)
Section 38 Road Making Agreements	20.12.16	ETE	Limited	14(3)	0(0)	0(0)	13(3)	1(0)
Virtualisation Security and Licensing	22.12.16	CR	Adequate	9(0)	0(0)	1(0)	8(0)	0(0)
Contract management – building cleaning	01.02.17	CCBS	Adequate	14(3)	0(0)	2(0)	10(3)	2(0)
Grants Granted	23.02.17	CS	Limited	10(7)	0(0)	3(0)	7(7)	0(0)
Electronic Care Monitoring (ECM)	21.03.17	AS	Limited	12(10)	0(0)	4(3)	7(6)	1(1)
Shared Services Payroll	23.03.17	CR	Substantial	1(0)	0(0)	0(0)	0(0)	1(0)
IBC Order to Cash	27.03.17	CR	Adequate	5(4)	0(0)	0(0)	4(4)	1(0)
IBC Purchase to Pay	28.03.17	CR	Adequate	3(1)	0(0)	1(0)	2(1)	0(0)
Linden Education Centre	13.04.17	CS	Limited	38(30)	0(0)	2(0)	35(29)	1(1)

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Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Contract management - RTPI	18.04.17	ETE	Adequate	5(0)	0(0)	1(0)	4(0)	0(0)
Contract management - Intelligent Transport System	18.04.17	ETE	Adequate	7(2)	0(0)	1(0)	6(2)	0(0)
Medicine Control LD/PD Units	09.05.17	AS	Limited	16(14)	0(0)	1(0)	13(12)	2(2)
Health and safety	11.5.17	T&G	Adequate	3(0)	0(0)	3(0)	0(0)	0(0)
Services for Young Children	15.05.17	CS	Adequate	2(0)	0(0)	2(0)	0(0)	0(0)
Discharge to Assess Beds	16.05.17	AS	Adequate	2(1)	0(0)	0(0)	1(1)	1(0)
Concessionary Fares	17.05.17	ETE	Adequate	6(0)	0(0)	2(0)	4(0)	0(0)
PLO and court processes	18.05.17	CS	Limited	16(0)	0(0)	1(0)	15(0)	0(0)
Governance and IT	06.06.17	CR	Substantial	3(0)	0(0)	1(0)	2(0)	0(0)
IT Business Continuity and DR	12.06.17	CR	Adequate	5(1)	0(0)	4(1)	1(0)	0(0)
Dorset Data Centre Security	20.06.17	CR	Limited	15(8)	0(0)	7(3)	8(5)	0(0)
Employer pension responsibilities	22.06.17	CR	Adequate	6(1)	0(0)	4(1)	2(0)	0(0)
Remote Working Solutions	26.06.17	CR	Adequate	15(3)	0(0)	6(2)	9(1)	0(0)
Public Service Network	05.07.17	CR	Adequate	2(0)	0(0)	1(0)	1(0)	0(0)
Multi Agency Safeguarding Hub (MASH)	10.07.17	AS	Adequate	8(2)	0(0)	4(0)	4(2)	0(0)
Implementation of the Care Act	17.07.17	AS	Limited	10(8)	0(0)	5(3)	2(2)	3(3)

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Transformation	19.07.17	T&G	Adequate	4(0)	0(0)	3(0)	1(0)	0(0)
Extra Care Housing	18.07.17	AS	Adequate	6(6)	0(0)	1(1)	5(5)	0(0)
Property Management	25.07.17	CCBS	Adequate	1(0)	0(0)	1(0)	0(0)	0(0)
Hampshire Health Record	26.07.17	AS	Limited	10(1)	0(0)	10(1)	0(0)	0(0)
Thematic Review - Procurement within Outdoor Centres	04.08.17	CCBS	Adequate	31(3)	0(0)	27(1)	4(2)	0(0)
Care at Home	04.08.17	AS	Limited	5(3)	0(0)	4(2)	1(1)	0(0)
Hampshire Music Service (income collection)	14.08.17	CS	Adequate	1(1)	0(0)	1(1)	0(0)	0(0)
IBC/Shared Services BACS	15.08.17	CR	Adequate	1(1)	0(0)	1(1)	0(0)	0(0)
Provision of substance misuse	17.08.17	AS	Adequate	3(0)	0(0)	2(0)	1(0)	0(0)
Use of Agency Staff	22.08.17	CS	Adequate	9(0)	0(0)	5(0)	4(0)	0(0)
Education for children looked after	25.08.17	CS	Adequate	7(2)	0(0)	7(2)	0(0)	0(0)

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5. **Executive Summaries of new reports published concluding a 'Limited' or 'No' assurance opinion**

No reports concluding a 'limited' or 'no' assurance opinion have been issued since the 2016/17 annual internal audit opinion was reported to CMT and Audit Committee.

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 Part 2 Requirements - Fraud	01.04.17 – 31.08.17
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	2 fte*
Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists	4 fte*
Total amount of time spent by the authority on the investigation and prosecution of fraud	70 days
Total number of fraud cases investigated	8

*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.'*

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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 (✓ on schedule ⚑ Delay)	Comment
2016/17 carry forward									
Capital programme	Various	✓	✓	✓	✓			⚑	Revised draft 24/8/17
Home to school transport	CS	✓	✓	✓	✓			⚑	Revised draft final issued – 24/08/17
School thematic - SEN	CS	✓	✓	✓	✓			⚑	Draft issued 18/5/17
Respite for learning disability / physical disability	AS	✓	✓	✓				⚑	WIP contact sick
Governance of pre-contract approvals	CCBS	✓	✓	✓				⚑	WIP

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Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ⚑ Delay)	Comment
2017/18 Plan									
Traded services (and shared outside Shared Services)	CCBS								
Equality impact assessments	T&G								
Information management	T&G	✓	✓	✓				✓	
GDPR	T&G								
Business continuity / emergency planning	T&G	✓	✓	✓				✓	
Records management	T&G	✓	✓	✓				✓	
Health and safety	T&G								
Capital programme	Various								
Hantsdirect – CART model	Assistant Chief Exec								
Hantsdirect – service standards	Assistant Chief Exec								
Information security	CR								
Local management of shared services	CR	✓	✓	✓				✓	
Social media policy	Assistant Chief Exec								

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Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ⚑ Delay)	Comment
Marketing	Assistant Chief Exec								
Use of volunteers	Assistant Chief Exec								
Risk management	T&G	✓	✓					✓	
Corporate governance framework	T&G								
Complaints and compliments	T&G	✓	✓	✓				✓	
Annual governance statement	T&G								
Annual self assessment against internal audit Standards	CIA								
Assurance mapping	CIA	n/a	n/a	✓				✓	
Financial assessments and benefits	AH&C	✓	✓					✓	
Premis	CR / CCBS	✓	✓					✓	
IT change management	CR								
Network management and monitoring	CR								
SAP operational basis support	CR	✓						✓	
Platform monitoring (Windows & Linux)	CR	✓	✓	✓				✓	
Database management & security	CR	✓	✓	✓				✓	

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Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ⚑ Delay)	Comment
Assurance mapping - IT	CR								
Identity management	CR								
Contract management - IT	CR	✓						✓	
PCI compliance testing	CR	✓	n/a	✓	n/a	n/a	n/a	✓	
Business applications	CR	✓	✓	✓				✓	
ISO27001	CR	✓	n/a	✓	n/a	n/a	n/a	✓	
Safeguarding - Children	CS								
Safeguarding - other departments	CS								
School thematic review - Pupil Premium	CS								
School thematic review - Attendance for Children in Care	CS	✓	✓	✓				✓	
School thematic review - Recruitment	CS	✓	✓	✓	✓			✓	Draft issued 8/8/17
School thematic review – Offsite activities	CS								
Woodlands Education Centre	CS	✓	✓	✓	✓			✓	
Swanwick Lodge	CS								
SFVS	CS	n/a	n/a	✓				✓	

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Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ⚑ Delay)	Comment
Home to school transport	CS / ETE								
Care Leavers	CS								
Direct payments (CS)	CS	✓	✓	✓				✓	
Unaccompanied Asylum seekers	CS								
Music Service (income collection)	CS	✓	✓	✓	✓	14/08/17	Adequate	✓	
Education Centres	CS	✓	✓	✓	✓			✓	Draft issued 20/7/17
Troubled families - claims	CS	n/a	n/a	✓				✓	
Special Guardianship Orders (SGO's)	CS	✓	✓	✓				✓	
Use of Agency Staff	CS	✓	✓	✓	✓	22/08/17✓	Adequate	✓	
Transition of children to Adults Health and Care	CS / AH&C	✓	✓					✓	
Elective Home Education (EHE)	CS	✓	✓	✓				✓	
Adult services establishments - Medicine control in residential/nursing homes (OP)	AH&C	✓	✓	✓	✓			✓	Draft issued 17/7/17
Adult services establishments - Support Plans	AH&C	✓	✓	✓	✓			✓	Draft issued 19/7/17
Adult services establishments -	AH&C	✓	✓	✓	✓			✓	Draft issued

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Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ⚑ Delay)	Comment
Community involvement / activities									17/7/17
Personalisation - self directed support	AH&C	✓	✓	✓				✓	
Integrated Reablement (CRT react, Sensory and Occupational Therapists combined)	AH&C								
Continuing healthcare	AH&C	✓	✓					✓	
Large scale investigations	AH&C								
Electronic Care Monitoring System (ECM), telehealth – home care monitoring	AH&C								
Telecare	AH&C	✓	✓	✓	✓			✓	
Out of County Placements	AH&C								
Data Quality on AIS	AH&C	✓						✓	
Regulation 17 visits	AH&C	✓	✓	✓				✓	
Adults, Health and Care Complaints Team	AH&C	✓	✓	✓	✓			✓	Draft issued 2/8/17
Health and Safety (AH&C)	AH&C	✓	✓					✓	
Information Management Steering Group	AH&C	✓	✓	✓	✓			✓	Draft issued 30/6/17

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Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ⚑ Delay)	Comment
Disability Related Expenses	AH&C	✓	✓	✓				✓	
Public Health - Quality and Performance Group	AH&C								
Economic Development and Business Engagement	ETE								
ETE Incentive bid self assessment	ETE	✓	n/a	✓	n/a	Complete		✓	Consultancy / advice
Developer contributions	ETE	✓	✓	✓				✓	
CCBS establishment thematic review	CCBS	✓	✓	✓				✓	
District working arrangements (Environmental Services)	ETE								
S38 - Road Making Agreements	ETE								
Grant funding for capital schemes	ETE	✓	✓	✓				✓	
Major Scheme Programme development	ETE	✓	✓					✓	
Business units – County Supplies	CCBS	✓	✓	✓				✓	
Economic Development Development of Business / Investment Property Portfolio	ETE								
Procurement - strategy and governance	T&G								

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Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule 🏴 Delay)	Comment
Contract management - corporate 1	Various	✓	✓					✓	
Procurement - Independent Fostering Agencies	CS								
Contract m'gt - Waste Disposal	ETE								
Contract management - Matrix	T&G	✓	✓	✓				✓	
Contract management - modular framework	CCBS								
Contract management – GEN contracts	ETE	✓	✓	✓				✓	
Mobilisation of HHSC	ETE	✓						✓	
De-Mobilisation of Term Highways contract	ETE	✓						✓	
Highways - HHSC governance	ETE	✓	✓	✓				✓	
Term maintenance Contract	CCBS								
Minor Works Framework	CCBS								
Reading / Hampshire Property Partnership	CCBS	✓	✓	✓	n/a	Complete		✓	Review of financial statements
Grant certification - HCC Local Transport Capital Block Funding (including pot hole funding)	ETE	n/a	n/a	✓				✓	

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Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ⚑ Delay)	Comment
Grant certification - HCC Local Authority Bus Subsidy grant	ETE	n/a	n/a	✓				✓	
Grant certification - Disabled Facilities Grant	AH&C	n/a	n/a	✓				✓	
Grant certification - Local Growth Fund (LEP)	ETE	n/a	n/a	✓	n/a	Grant certified		✓	
Grant certification - Bus Rapid Transit	ETE								
Shared Services 17/18 Plan									
Payroll	CR	✓						✓	
Payroll support	CR	✓	✓					✓	
Order to Cash (OTC)	CR	✓						✓	
Purchase to pay (P2P)	CR	✓						✓	
Main accounting system (SAP)	CR								
Treasury Management	CR	✓	✓	✓				✓	
Debt Collection	CR								
BACS	CR	✓	✓	✓	✓	15/08/17	*Adequate*	✓	
Governance arrangements	CR	✓	✓					✓	
Statutory Checks	CR	✓	✓					✓	
Recruitment	CR	✓	✓	✓				✓	

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Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ⚑ Delay)	Comment
Category Management	CR	✓						✓	
Contract Management	CR								
Consultancy – OCC Payroll Corrections	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 2017/18 audit plan approved by the Audit Committee in June 2017.

Plan Variations – schools not listed as variations as time was in originally	
Removed from the plan	**Reason**
Change Control (Shared Services)	Recent payroll configuration consultancy work has covered change control adequately, and the audit is not needed this year
Additions to the plan	**Reason**
Woodlands Education Centre	Requested by management / HIAS
Education Centres	Request for review following 2016/17 overspend
Consultancy - OCC payroll corrections	Requested by management
GDPR	Review of readiness for the changes which come into effect in May 2018

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