

Internal Audit Progress Report

November 2019

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 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.

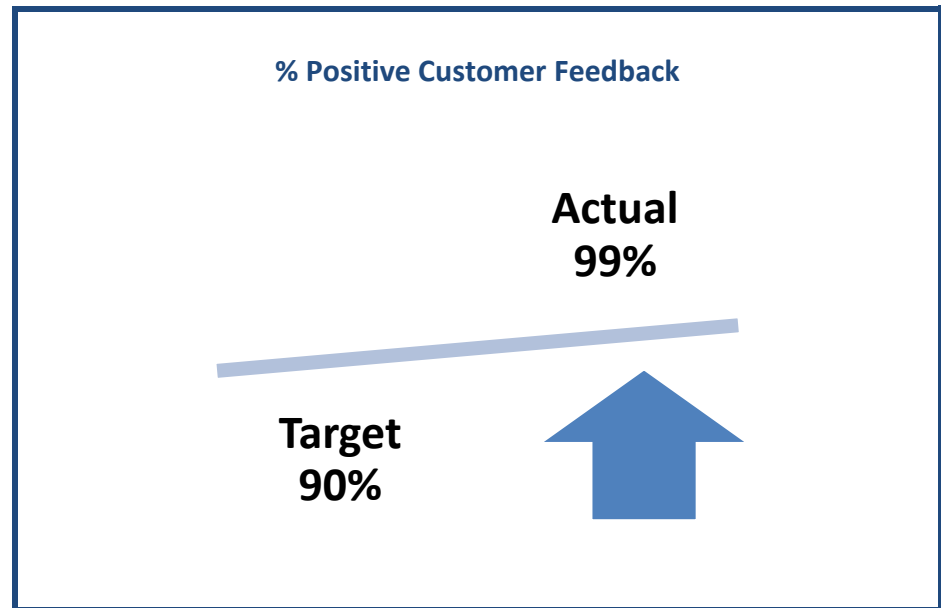
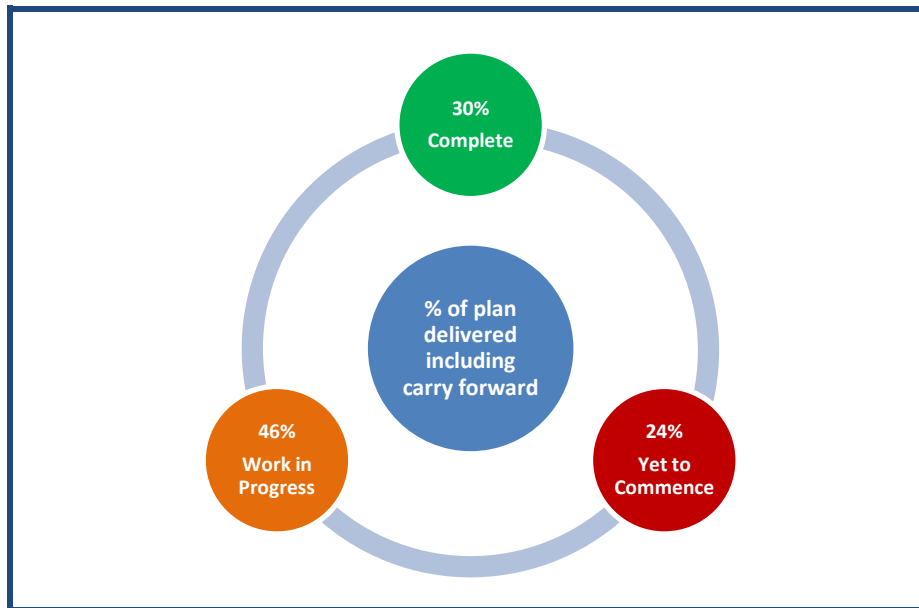
Limited

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



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' 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).*

In accordance with PSIAS, a further self-assessment was completed in April 2019 concluding that the Southern Internal Audit Partnership continues to comply with all aspects of the IPPF, PSIAS and LGAN

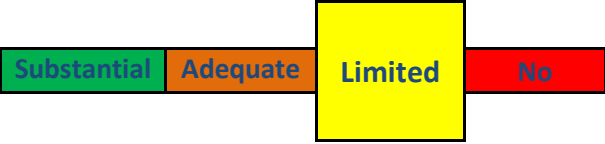
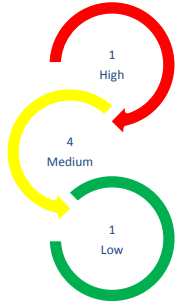
4. Status of 'Live' Reports

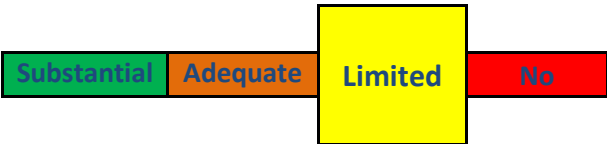
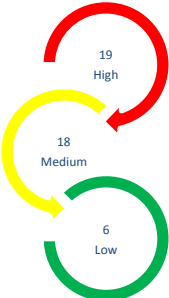
Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Respite for LD and PD	28.09.17	AH&C	Adequate	6(5)	0(0)	0(0)	5(5)	1(0)
Payroll	26.02.18	CR	Substantial	2(1)	0(0)	0(0)	1(1)	1(0)
Disability related expenses	12.04.18	AH&C	Adequate	7(0)	0(0)	0(0)	3(0)	4(0)
Health and safety	17.04.18	AH&C	Limited	10(6)	0(0)	0(0)	9(6)	1(0)
Out of County Placements	27.06.18	AH&C	Limited	5(4)	0(0)	0(0)	4(3)	1(1)
Network management and monitoring	06.07.18	CR	Adequate	11(1)	0(0)	1(0)	10(1)	0(0)
Debt Collection	06.09.18	CR	Adequate	6(1)	0(0)	0(0)	4(0)	2(1)
Health and Safety – statutory checks	02.11.18	CCBS	Limited	6(3)	0(0)	1(0)	5(3)	0(0)
Clients' monies and properties	28.11.18	AH&C	Limited	5(5)	0(0)	0(0)	2(2)	3(3)
Purchase to Pay	27.02.19	CR	Adequate	3(1)	0(0)	1(0)	2(1)	0(0)
Economic development – Key sites	26.03.19	ETE	Limited	3(0)	0(0)	0(0)	2(0)	1(0)
FNC assessments	30.04.19	AH&C	Adequate	8(4)	0(0)	0(0)	4(4)	4(0)
Home to school transport	10.07.19	CS	Limited	12(3)	0(0)	4(0)	8(3)	0(0)

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Contract management	29.07.19	AH&C	Limited	5(4)	0(0)	1(0)	4(4)	0(0)
Business continuity and disaster recovery	03.09.19	CoS	Adequate	5(0)	0(0)	5(0)	0(0)	0(0)
Emergency planning & BCP	24.09.19	CoS	Substantial	1(0)	0(0)	1(0)	0(0)	0(0)
IT interfaces	07.10.19	CR	Adequate	9(0)	0(0)	6(0)	3(0)	0(0)
Contract management thematic review	14.10.19	CCBS	Limited	6(0)	0(0)	6(0)	0(0)	0(0)
Commercial waste contract management	31.10.19	ETE	Limited	7(1)	0(0)	6(1)	1(0)	0(0)
Amenities, imprest and P-Cards	01.11.19	AH&C	Limited	18(8)	0(0)	15(5)	3(3)	0(0)
Contract management	08.11.19	ETE	Adequate	6(0)	0(0)	3(0)	3(0)	0(0)

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

Use of Agency Staff – Children’s Services		
<p>Directorate Sponsor: Director of Children’s Services</p> <p>Key Contacts: Steve Crocker</p> <p>Final Report Issued: 2 September 2019</p>	<p>Assurance opinion:</p> <div style="text-align: center;"> </div>	<p>Management Actions:</p> <div style="text-align: center;"> </div>
<p>Summary of key observations:</p> <p>The use of agency workers is essential to ensure the efficient and effective delivery of Council services. Hampshire County Council is committed to ensuring those workers engaged through an agency to work for the Council on a temporary basis are treated in compliance with the Agency Workers Regulations for which relevant and up to date policy and guidance exists.</p> <p>Testing of agency staff acquired by Children’s Services through the Council’s former framework ‘Matrix’ along with those commissioned ‘off-contract’ highlighted weaknesses in the absence of retained documentation to support the audit trail for pre-employment checks. There was also a lack of evidence to substantiate the approval to recruit agency workers (on or off-contract) and further to any contract extensions (beyond an initial 90-day).</p> <p>Additionally, there was no clarity or guidance available to managers with regard the retention of supervision files on completion of the agency workers contract.</p> <p>All management actions raised to mitigate identified risks have been implemented.</p>		

Management of Guardianship – Mental Health		
<p>Directorate Sponsor: Director of Adults' Health & Care</p> <p>Key Contacts: Graham Allen</p> <p>Final Report Issued: 28 October 2019</p>	<p>Assurance opinion:</p>  <p>The diagram shows a horizontal scale with four segments: 'Substantial' (green), 'Adequate' (orange), 'Limited' (yellow, highlighted), and 'No' (red).</p>	<p>Management Actions:</p>  <p>The diagram shows a circular flow of risk levels: 1 High (red), 4 Medium (yellow), and 1 Low (green).</p>
<p>Summary of key observations:</p> <p>A review of all service users subject to a Guardianship Order was undertaken to ensure compliance with established policies and procedures.</p> <p>Testing highlighted that in all cases there was a lack of documentation and/ or records supporting the guardianship application, renewal and discharge processes. Whilst each record retained some documentation, there was no one client reviewed for which all necessary documentation was evident. Key documents omitted from case files included:</p> <ul style="list-style-type: none"> • Completed guardianship applications forms; • Evidence of doctor's examinations; • Adequate copies of care plans; • Renewal forms; or • AIS legal events <p>There is a risk that in the absence of key documentation the authority may be unable to demonstrate that a guardianship order has been properly administered or has been made in the best interest of the client and is not a deprivation of the client's liberties.</p> <p>All management actions raised to mitigate identified risks have been implemented.</p>		

Thematic Review - Amenities Funds, Imprest and P-Cards – Adults' Health & Care		
<p>Directorate Sponsor: Director of Adults' Health & Care</p> <p>Key Contacts: Graham Allen</p> <p>Final Report Issued: 1 November 2019</p>	<p>Assurance opinion:</p>  <p>The diagram shows a horizontal scale with four colored boxes: Substantial (green), Adequate (orange), Limited (yellow), and No (red). A yellow box labeled 'Limited' is highlighted, indicating the current assurance opinion level.</p>	<p>Management Actions:</p>  <p>The diagram shows three circular arrows representing risk levels: a red arrow for '19 High', a yellow arrow for '18 Medium', and a green arrow for '6 Low'.</p>
<p>Summary of key observations:</p> <p>Visits were undertaken to a selection of six Adult Health Care (in-house) establishments to complete sample testing of transactions for amenities funds, imprest account and purchasing cards over the past 12 months.</p> <p>Amenities accounts</p> <p>Amenities accounts are reconciled monthly by the Administrative Officers and are signed by the Registered Manager. Account signatories are set up appropriately and there is sufficient segregation of duties in place. Cash and controlled stationery are held securely with only a limited number of staff having access.</p> <p>However, although staff are generally aware of the procedures that need to be followed for the day to day running of the amenities funds, there was no up to date guidance in place to ensure on-going standards and consistency of approach.</p> <p>Additionally, during testing there were examples of transactions which were unsupported by receipts, unauthorised, and documentation not appropriately signed off.</p> <p>For one establishment, that has a resident's shop, there was no transaction or stock documentation maintained, increasing the risk of loss or theft of cash / goods</p>		

Imprest accounts

Hampshire County Council guidance and procedures were used for the administration of the imprest accounts and balances were found to be set at a level which met the needs of the establishment. Additionally, cash and controlled stationery were held securely with only a limited number of staff having access.

However, during testing transactions were found which were unsupported by receipts. There were also examples of transactions which were not authorised, and documentation not signed by two members of staff. Additionally, VAT was not being treated consistently and, in some cases, had been calculated or treated incorrectly.

Two of the establishments have regularly been overdrawn on their bank account balances.

Purchasing cards

Purchasing cards are generally being used in accordance with the Corporate Policy, card holders are aware of what can and cannot be purchased with the cards.

However, across three of the establishments visited transactions were not routinely supported by a receipt (44% of cases tested). Additionally, across five establishments, VAT was not always correctly accounted for (38% of cases tested). This included VAT being reclaimed where there was no valid VAT receipt as well as cases where VAT was not reclaimed but could have been.

There were examples of transactions not being authorised in the RBS system as well as instances of the cardholder review not taking place. From an RBS system report of 50 transactions sampled, 10 had not been reviewed by the cardholder and 23 had not been approved.

All management actions are on track to be delivered in accordance with timescales and a follow-up audit has been requested during 2020

6. 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 7.

7. 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
2019-20 (Inc 18/19 Carry forward)									
Business Continuity / emergency planning	CoS	✓	✓	✓	✓	24.9.19	Adequate		
Local management - invoices	Corp	✓	✓	✓	✓				
GDPR	DPG	✓	✓	✓	✓				
IT Business continuity & disaster recovery	CR	✓	✓	✓	✓	03.09.19	Adequate		
Mental Health Management of Guardianship	AH&C	✓	✓	✓	✓	28.10.19	Limited		
Brokerage Team	AH&C	✓	✓	✓	✓	01.11.19	Adequate		
Traffic management	ETE	✓	✓	✓	✓	30.09.19	Adequate		
Contract management thematic review - CCBS	CCBS	✓	✓	✓	✓	14.10.19	Limited		
Contract management thematic review - CS	CS	✓	✓	✓	✓	05.06.19	Adequate		
Budget monitoring thematic review – CS	CS	✓	✓	✓	✓	04.07.19	Adequate		

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
ICT - user accesses	CR	✓	✓	✓					
Workforce Development	CR	✓	✓	✓	✓	N/A	N/A		Consultancy
Commercial waste contract management	CCBS	✓	✓	✓	✓	31.10.19	Limited		
Traded Services (outside SS)	CCBS								Q4
Hantsdirect – service standards	CR								Q4
Information security	CR	✓	✓						
Local management of Shared Services processes	CR								Q4
Staff agency arrangements	CR								Q4
Performance management	CR								Q4
Risk management	CoS	✓							
Insurance fund	CoS								Q4
Annual Governance Statement	CoS	✓	✓	✓	N/A	N/A	N/A		Consultancy
Annual self-assessment against internal audit standards	CR	✓	✓	✓	N/A	N/A	N/A		Assessment
Inclusion and diversity	ACE								Q4
Armed forces covenant	ACE								Q4
Premis	CCBS	✓	✓	✓	✓				
IT Capacity planning and management	CR	✓	✓	✓					

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
IT Change management	CR								Q4
SAP Development Requests	CR	✓	✓	✓					
IT Business processes and ordering process	CR	✓							
PCI compliance	CR	✓	✓	✓	N/A	N/A	N/A		Consultancy
Data storage	CR	✓	✓	✓					
Data centre security	CR	✓	✓						
Interfaces	CR	✓	✓	✓	✓	07.10.19	Adequate		
Application review – GIS	CR	✓	✓	✓					
Cyber security	CR	✓	✓						
Portfolio management	CR	✓	✓	✓					
IT Service management - asset management	CR								Q4
Safeguarding – children assurance mapping	CS								Q4
School thematic review – performance management	CS	✓	✓	✓	✓				
School thematic review – recruitment	CS								Q4
School thematic review – bad debt	CS	✓	✓	✓					
School thematic review – procurement	CS								Q4
Children’s Services establishments thematic review	CS	✓	✓						

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule R Delay)	Comment
Anton Junior follow up	CS	✓	✓	✓	✓	19.07.19	N/A		
Crescent Primary follow up	CS	✓	✓	✓	✓				
SFVS	CS	✓	✓	✓	N/A	N/A	N/A		Assessment
Care leavers	CS	✓	✓						
Supporting families – governance	CS								Q4
Hampshire Education Psychology Service	CS								Q4
Education provision for secure and hospital units	CS	✓							
Foster care payments and Early Year financial checks	CS	✓	✓	✓	N/A	N/A	N/A		Advisory
Health assessments	CS	✓	✓	✓					
AH&C thematic review - workforce development	AH&C	✓							
AH&C thematic review - medicine control	AH&C	✓	✓	✓					
AH&C thematic review - amenities funds	AH&C	✓	✓	✓	✓	01.11.19	Limited		
Direct payments	AH&C	✓							
Notification of deaths	AH&C								Q4
Help to live at home	AH&C	✓	✓	✓	✓	01.11.19	Adequate		
Client waiting lists	AH&C	✓	✓	✓					
MH professionals – approval / warranting process	AH&C	✓	✓	✓					

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Payments to providers	AH&C	✓	✓	✓	✓	01.11.19	Adequate		
Charging of short-term beds	AH&C	✓	✓	✓					
Recording in AIS	AH&C	✓	✓	✓					
Flood management	ETE	✓	✓	✓					
Traffic management	ETE								Q4
Local bus subsidy support	ETE	✓							
M3 Enterprise LEP	ETE	✓	✓	✓					
Road agreements (Advance Payment Code)	ETE	✓	✓						
Highway development planning	ETE	✓							
Governance of Integrated Transport Programme capital schemes	ETE	✓	✓						
GDPR – ETE tourism, regeneration, business growth	ETE	✓							
Highway maintenance – agency agreements	ETE	✓	✓	✓					
Engineering consultancy – bridges	ETE	✓	✓	✓	✓	18.10.19	Substantial		
Highways HQ operations centre	ETE	✓	✓	✓					
Trading Standards	CCBS	✓	✓						
Asbestos Service – Electric cars	CCBS	✓							
Scientific service	CCBS								Q4

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Hampshire catering service HC3S	CCBS	✓	✓						
Health and safety – project delivery	CCBS	✓							
Integration of property and facilities management	CCBS								Q4
Superfast broadband programme	CCBS	✓	✓						
Contract administration – property services	CCBS	✓	✓	✓					
Construction framework major	CCBS	✓	✓						
Construction framework intermediate	CCBS								Q4
Procurement thematic review - CCBS	CCBS								Q4
Procurement thematic review – CS	CS	✓	✓						
Contract management – waste disposal	ETE	✓	✓	✓	✓	✓	Substantial		
Project Integra	ETE	✓	N/A	✓	N/A	N/A	N/A		
Contract management thematic review – ETE	ETE	✓	✓	✓	✓	8.11.19	Adequate		
Contract management thematic review – CR	CR	✓							
Reading and Hampshire Property Partnership	CCBS	✓	N/A	✓	N/A	✓	N/A		
Local transport capital block funding	ETE	✓	N/A	✓	N/A	✓	N/A		Grant
Local authority bus subsidy grant	ETE	✓	N/A	✓	N/A	✓	N/A		Grant
Disabled facilities grant	AH&C	✓	N/A	✓	N/A	✓	N/A		Grant

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule R Delay)	Comment
Bus rapid transit	ETE								Q4
Safer roads fund (A27)	ETE	✓	N/A	✓	N/A	✓	N/A		Grant
Safer roads fund (A32)	ETE	✓	N/A	✓	N/A	✓	N/A		Grant
Safer roads fund (A36)	ETE	✓	N/A	✓	N/A	✓	N/A		Grant
National productivity investment fund (SE rapid transit)	ETE	✓	N/A	✓	N/A	✓	N/A		Grant
Enterprise M3 growth hub grant	ETE	✓	N/A	✓	N/A	✓	N/A		Grant
Air quality management grant	ETE								Q4
Academies SLA	CCBS	✓	N/A	✓	N/A	✓	N/A		
Local Resilience Forum Brexit Contingency Grant	ETE	✓							
Governance arrangements – Shared Services	CR								Q4
IR35	CR								Q4
Disclosure and Barring Service	CR	✓	✓						
Success factors	CR	✓	✓						
Treasury management	CR	✓	✓	✓					
Master Data Team	CR								Q4
Payroll – pension admin	CR								Q4
Procurement	CoS	✓	✓						

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule R Delay)	Comment
Building term contract management	CCBS	✓	✓						

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 2019/20 audit plan approved by the Audit Committee in June 2019.

Plan Variations	
Removed from the plan	Reason
Public Services Network	HCC is externally independently assessed on this.
Casual staff (SS)	Deferred to 20/21
County Highways Laboratory	Deferred due to transformation project in progress
Private sector partner arrangement	Defer to 2020
Coroners Service	Defer to 2020
Culture and Heritage Thematic Review	Defer to 2020
Public health peer review follow-up	Peer review did not take place as planned
Economic Development (Key Sites Portfolio)	Postpone the audit until next year once the website / portfolios are bedded in
Health & Safety	Ongoing restructure and review of internal assurances. To revisit in 2020/21 (Q2)
Additions to the plan	Reason
IT Service management/asset management	Deferred from 18/19 Plan as per client request
Air quality management grant	New grant
Academies SLA	New request for end of year accounts and Academies contributions to be audited.
Asbestos Service	New request to replace Coroners service audit