Internal Audit Progress Report

November 2020

Hampshire County Council

Southern Internal Audit Partnership

Assurance through excellence
and innovation

Contents:

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 [the Standards – updated 2017].

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.

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.
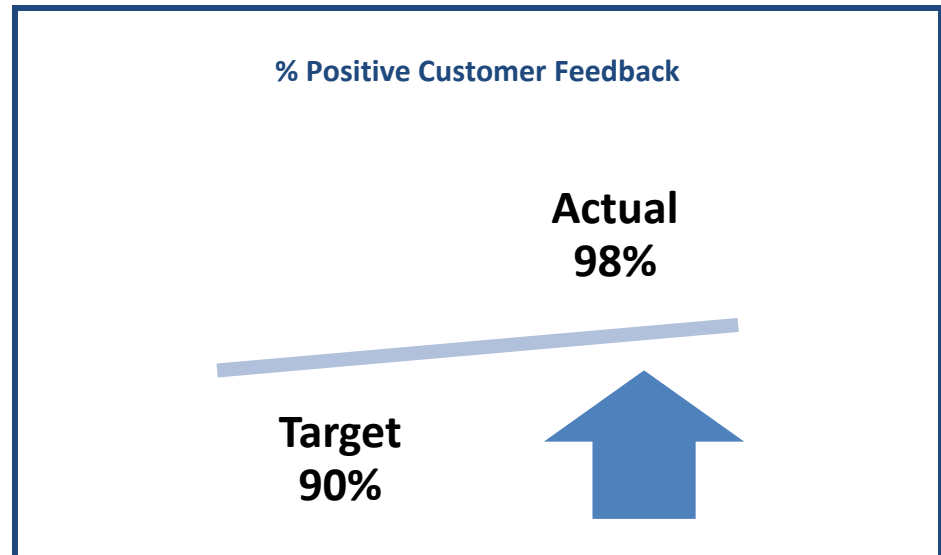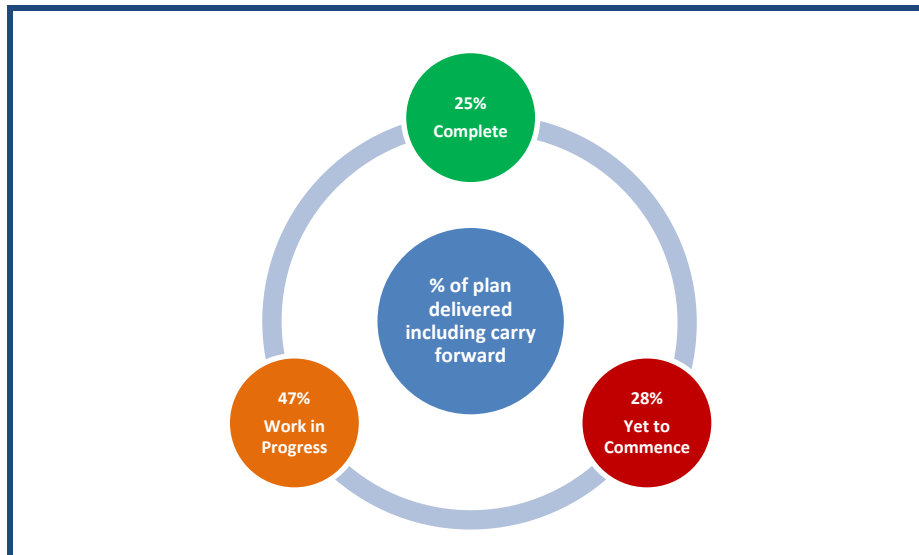
CIPFA have recently released a paper which examined the case for standardising the terminology and definitions used in internal audit engagements across the whole of the public sector and has subsequently recommended a standard set of opinions and supporting definitions for internal audit service providers to use.

To ensure we continue to conform to the best practice principles, we will be adopting the standard definitions for our 2020/21 work and moving forwards. The assurance opinions are categorised as follows:

Substantial   A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Reasonable   There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

Limited   Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

No   Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

** Some reports listed within this progress report (pre 2020-21 audit plan) refer to categorisations
used by SIAP prior to adoption of the CIPFA standard definitions, reference is provided at Annex 1*

3. Performance dashboard

25% Complete

47% Work in Progress

28% Yet to Commence

% of plan delivered including carry forward

% Positive Customer Feedback

Actual 98%

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 2020. The report concluded: '*The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against these principles.* *It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.*'

4. Status of 'Live' Reports

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions (High Priority)			
				Reported	Pending	Cleared	Overdue
Health and Safety – statutory checks	02.11.18	CR	Limited	6(3)	1(0)	5(3)	0(0)
Home to school transport	10.07.19	CS	Limited	12(3)	4(0)	8(3)	0(0)
Business continuity and disaster recovery	03.09.19	CR	Adequate	5(0)	0(0)	1(0)	4(0)
Departmental management of Shared Services Processes	25.02.20	SS	Limited	15(7)	1(0)	14(7)	0(0)
Application Review – GIS	11.03.20	CR	Adequate	6(0)	0(0)	4(0)	2(0)
Road Agreements – Advance Payments Codes (APC)	05.05.20	ETE	Adequate	5(0)	0(0)	4(0)	1(0)
Care Leavers	10.06.20	CS	Adequate	8(5)	0(0)	1(0)	7(5)
Highways Development Planning	08.07.20	ETE	Adequate	15(0)	11(0)	4(0)	0(0)
Sold Services (Legal Services)	27.07.20	CoS	Adequate	1(0)	1(0)	0(0)	0(0)
Trading Standards – Income Generation	28.07.20	CCBS	Adequate	8(0)	3(0)	5(0)	0(0)
Risk Management	05.08.20	DoTG	Limited	16(16)	6(6)	10(10)	0(0)
Equality Impact Assessments	28.08.20	CCBS	Adequate	11(0)	11(0)	0(0)	0(0)
Health Assessments	03.09.20	CS	Limited	3(3)	0(0)	0(0)	3(3)
Data Quality (Covid-19 Provision Coding)	15.09.20	AH&C	Reasonable	2(2)	1(1)	1(1)	0(0)
Data Quality (Care Packages and Cost Coding)	15.09.20	AH&C	Reasonable	2(2)	1(1)	1(1)	0(0)
Recording in AIS – Permission to Share	21.09.20	AH&C	Reasonable	4(0)	3(0)	1(0)	0(0)
Local Bus Subsidy Support	22.09.20	ETE	Reasonable	10(5)	3(1)	7(4)	0(0)
Cyber Security	03.11.20	CR	Reasonable	4(2)	1(0)	3(2)	0(0)
Asset Management System (Re-Procurement)	05.11.20	CCBS	Reasonable	5(0)	2(0)	3(0)	0(0)
Children's Services Complaints Function	09.11.20	CS	Reasonable	6(6)	3(3)	1(1)	2(2)
Individual Placement Agreements – Non-Foster Carer	16.11.20	CS	Reasonable	5(0)	5(0)	0(0)	0(0)
Appointeeship and Client Affairs	20.11.20	AH&C	Reasonable	11(0)	7(0)	4(0)	0(0)
IT Change Management	23.11.20	CR	Reasonable	4(0)	2(0)	2(0)	0(0)

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

There have been no 'Limited' or 'No' assurance reviews issued since the last progress report

6. Planning & Resourcing

The internal audit plan for 2020/21 was approved by the Council's Management Team and the Audit Committee in July 2020.

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

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 Carry forward									
GDPR	DPG	✓	✓	✓	✓				
Local management of Shared Services processes	DoCR	✓	✓	✓	✓				
Data centre security	DoCR	✓	✓	✓	✓				
Charging of short-term beds	AH&C	✓	✓	✓	✓				
Governance arrangements	SS	✓	✓	✓	✓				
Payroll – pension admin	SS	✓	✓	✓	✓				

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ⚑ Delay)	Comment
2020/21 Audit Plan									
Health and Safety	DoTG								Q4
Transformation	DoTG	✓							
Debt recovery / write off	DCE & DoCR	✓	✓	✓					
Budget monitoring	DCE & DoCR	✓							
COVID-19	Corporate								Q2 to Q4
Furlough Scheme Administration	DCE & DoCR	✓	✓	✓	✓	24.08.20	Substantial		
Risk Management	DoTG								Q4
Ethical governance	DoTG	✓	✓	✓					
Scheme of delegation	DoTG	✓							
Annual Governance Statement	DoTG	n/a	n/a	✓	n/a	n/a	Advisory		
Performance management	DCE & DoCR	✓	✓	✓					
Annual self-assessment PSIAS	DCE & DoCR	✓	✓	✓	✓	✓	n/a		
Armed forces covenant	ACE								Q4
AHC Financial assessment of benefits appeals	DoAHC	✓	✓	✓	✓	06.11.20	Limited		

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ☞ Delay)	Comment
Database Management & Monitoring	DCE & DoCR	✓	✓	✓					Q1
Server Build Process	DCE & DoCR								Q3
User Access Controls	DCE & DoCR								Q3
Vulnerability Scanning Process	DCE & DoCR								Q3
Virtualisation	DCE & DoCR	✓	✓	✓					Q1
IT Operating Systems	DCE & DoCR								Q4
Cloud	DCE & DoCR	✓	✓	✓					Q2
Application Management	DCE & DoCR	✓							Q3
Disaster Recovery	DCE & DoCR								Q4
Payment Card Industry Data Security Standard	DCE & DoCR	n/a	n/a	n/a	n/a	15.10.20	Compliant		
Safeguarding – Assurance Mapping	DoCS								Q4

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ⚑ Delay)	Comment
Schools – COVID-19 Exceptional costs claims	DoCS	✓	✓	✓					
Schools – COVID-19 Vulnerable children	DoCS	✓	✓	✓					
Schools thematic - Recruitment	DoCS								Q4
Schools – Safeguarding annual returns	DoCS	✓	✓	✓					
SFVS	DoCS	n/a	n/a	n/a	n/a	n/a	n/a		
Children's Establishments - Use of agency staff	DoCS								Q4
Music Service	DoCS								Q4
Education Psychology Service	DoCS	✓							
Use of Agency Staff in Children's Social Care	DoCS								Q4
Education provision – Secure/ Hospital units	DoCS								Q4
Hampshire Futures – Careers	DoCS	✓							
Complaints – Children's Services	DoCS	✓	✓	✓	✓	9.11.20	Reasonable		
Regional Adoption Agency	DoCS	✓	✓	✓	✓	24.08.20	Reasonable		
Individual Placement Agreements – non county foster carers	DoCS	✓	✓	✓	✓	16.11.20	Reasonable		
Direct payments for children with disabilities	DoCS	✓	✓						
AHC thematic review – use of agency staff	DoAHC								Q4
Direct payments	AH&C	✓	✓	✓					
LGA health check	DoAHC								Q4

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ⚑ Delay)	Comment
Data quality – care packages and cost coding	DoAHC	✓	✓	✓	✓	15.09.20	Reasonable		
Data quality – COVID 19 provisions	DoAHC	✓	✓	✓	✓	15.09.20	Reasonable		
Social supervision	DoAHC	✓	✓						
Contracted suppliers	DoAHC	✓	✓	✓					
Medicine control within community teams	DoAHC								Q3
Scheme of delegation and authorising spend	DoAHC	✓	✓	✓					
Business rules	DoAHC								Q4
AHC Debt recovery	DoAHC	✓	✓	✓					
Funded Nursing Care follow-up	DoAHC	✓	✓						
Business change	DoAHC								Q4
M3 Enterprise LEP (Accountable Body)	DoETE	✓	✓	✓	✓	22.10.20	Substantial		
Economic Development (Key Sites Portfolio)	DoETE								Q4
Economic and business intelligence service	DoETE	✓	✓	✓					
Highways incident management	DoETE	✓	✓	✓					
Engineering consultancy	DoETE	✓	✓	✓	✓				
Parking Service (on-street parking income)	DoETE	✓							
Hampshire waste recycling centres – permit scheme	DoETE	✓							
Minerals and waste	DoETE	✓	✓	✓	✓				

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ⚐ Delay)	Comment
Governance of Departure from Standards	DoETE	✓	✓	✓					
Public Transport Operators – COVID Financial Support	DoETE	✓	✓	✓	✓	25.08.20	Advisory		
Coroners Service	DoCCBS								Q4
Hampshire Transport Management	DoCCBS	✓	✓	✓					
Building Health and Safety compliance	DoCCBS								Q4
Risk management	DoCCBS	✓	✓	✓					
Scientific Service	DoCCBS	✓							
Marketing	DoCCBS	✓							
Outdoor Centres - business development	DoCCBS								Q4
Contract Management thematic - Adults' Health and Care	DoAHC	✓	✓	✓					
Contract Management thematic – CCBS	DoCCBS								Q4
Highways service contract	DoETE								Q4
Procurement thematic - Adults' Health and Care	DoAHC	✓	✓	✓	✓	15.09.20	Substantial		
Procurement thematic – Corporate Services	DoCR / DoTG	✓	✓	✓					
Procurement thematic – CCBS	DoCCBS	✓	✓	✓	✓				
Consultancy framework procurement	DoCCBS	✓	✓	✓	✓	02.11.20	Substantial		

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ⚑ Delay)	Comment
Asset Management System – project management for re procurement	DoCCBS	✓	✓	✓	✓	05.11.20	Reasonable		
Reading & Hampshire Property Partnership		✓	n/a	✓	n/a	✓	n/a		
Academies SLA		✓	n/a	✓					
LTP – integrated transport plan	DoETE	n/a	n/a	✓	n/a	✓	n/a		
LTP – block maintenance	DoETE	n/a	n/a	✓	n/a	✓	n/a		
LTP – incentive element	DoETE	n/a	n/a	✓	n/a	✓	n/a		
Local Bus Subsidy support grant	DoETE	n/a	n/a	✓					
National Productivity Investment Fund (SE rapid transit)	DoETE	n/a	n/a	✓	n/a	✓	n/a		
Air quality management grant	DoETE	n/a	n/a	✓	n/a		n/a		
Project integra	DoETE	n/a	n/a	✓	n/a	✓	n/a		
Growth hub funding to local enterprise partnerships (LEPS)	DoETE	n/a	n/a	✓	n/a	✓	n/a		
EU Exit business readiness engagement project	DoETE	n/a	n/a	✓	n/a	✓	n/a		
Additional growth hub funding to local enterprise partnerships (LEPS)	DoETE	n/a	n/a	✓	n/a	✓	n/a		
COVID-19 Bus Services Support Grant	DoETE	✓	n/a	✓					
PROVIT Project Grant	DoETE	✓	n/a	✓	n/a	✓	n/a		
Emergency Active Travel Fund	DoETE								Q4

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ⚑ Delay)	Comment
Disabled Facilities Grant	DoAHC	✓	n/a	✓	n/a	✓			
Test & Trace Funding Allocation									Q4
LG Income Compensation* Scheme	DoCR	✓	n/a	✓					
Shared Services									
Governance arrangements		✓	✓	✓					
Casual Staff									Q3
Recruitment (Success Factors)									Q4
Pre-employment checks		✓	✓	✓					
Good work plan		✓							
Occupational Health – info management		✓	✓						
Procurement									Q4
Education Financial Services		✓	✓	✓					
Education Personnel Services		✓							
Hampshire Pension Fund									
Pensions payroll and benefit calculations		✓	✓						
Pension refunds		✓	✓	✓	✓				
Fund management, investments and accounting for assets		✓	✓	✓	✓	03.11.20	Substantial		
UPM application review									Q4

8. **Adjustments to the plan**

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 2020/21 audit plan approved by the Audit Committee in July 2020.

Plan Variations	
Removed from the plan	**Reason**
Highways Maintenance (New Operating Model)	Request from Assistant Director - HT&E to move this review into 2021/22.
Flood Management	Request from Assistant Director - WPE to move this review into 2021/22.
HPSN2	HPSN2 contract covered in IT Contract Management audit in 2019/20.
Business risk management (property)	Changes currently being implemented, defer audit to 2021/22
Records management centre	Changes being implemented to processes and staff, defer to 2021/22
AHC thematic review – rolling quality assurance	Removed from the plan at the request of the department as it would duplicate the work carried out earlier in the year looking at Data Quality.
Insurance fund	Moved to 2021/22 due to system changes being implemented.
Additions to the plan	**Reason**
Hampshire Futures – Careers	Request from DoAHC due to change in budgetary position.
Furlough Scheme Administration	Request from Strategic HR Advisor (HoHR) to review HCC Furlough scheme
Local Government Income Compensation Scheme	Request from DoCR for audit to review HCC compensation claim.
PROVIT Project Grant	Request from EC team for review of grant claim.
Emergency Active Travel Fund	Request from ETE for review of grant claim.