



Rutland County Council

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Ladies and Gentlemen,

A meeting of the **AUDIT AND RISK COMMITTEE** will be held in the Council Chamber, Catmose on **Tuesday, 31st January, 2017** commencing at 7.00 pm when it is hoped you will be able to attend.

Yours faithfully

Helen Briggs
Chief Executive

Recording of Council Meetings: Any member of the public may film, audio-record, take photographs and use social media to report the proceedings of any meeting that is open to the public. A protocol on this facility is available at www.rutland.gov.uk/haveyoursay

A G E N D A

APOLOGIES FOR ABSENCE

1) MINUTES

To confirm the minutes of the Audit and Risk Committee held on 20th September 2016.

2) DECLARATIONS OF INTEREST

In accordance with the Regulations, Members are invited to declare any disclosable interests under the Code of Conduct and the nature of those interests in respect of items on this Agenda and/or indicate if Section 106 of the Local Government Finance Act 1992 applies to them.

3) PETITIONS, DEPUTATIONS AND QUESTIONS

To receive any petitions, deputations and questions received from Members of the Public in accordance with the provisions of Procedure Rule 217.

The total time allowed for this item shall be 30 minutes. Petitions, declarations and questions shall be dealt with in the order in which they are received. Questions may also be submitted at short notice by giving a written copy to the

Committee Administrator 15 minutes before the start of the meeting.

The total time allowed for questions at short notice is 15 minutes out of the total time of 30 minutes. Any petitions, deputations and questions that have been submitted with prior formal notice will take precedence over questions submitted at short notice. Any questions that are not considered within the time limit shall receive a written response after the meeting and be the subject of a report to the next meeting.

4) EXTERNAL AUDIT UPDATE

To receive Report No. 21/2017 from the Director for Resources
(Pages 3 - 26)

5) INTERNAL AUDIT UPDATE

To receive Report No. 27/2017 from the Head of Internal Audit
(Pages 27 - 62)

6) INTERNAL AUDIT PLANNING 2017/18

To receive Report No. 26/2017 from the Head of Internal Audit
(Pages 63 - 68)

7) ANY OTHER URGENT BUSINESS

To receive items of urgent business which have previously been notified to the person presiding.

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DISTRIBUTION

MEMBERS OF THE AUDIT AND RISK COMMITTEE:

Mrs D MacDuff (Chairman)	
Mr J Lammie (Vice-Chair)	
Mr N Begy	Mr E Baines
Mr M Oxley	Miss G Waller
Mr A Walters	

OTHER MEMBERS FOR INFORMATION

AUDIT AND RISK COMMITTEE

30 January 2017

EXTERNAL AUDIT UPDATE

Report of the Director for Resources

Strategic Aim:	All		
Exempt Information		No	
Cabinet Member(s) Responsible:		Councillor Oliver Hemsley, Portfolio Holder for Resources	
Contact Officer(s):	Debbie Mogg, Director for Resources		Tel: 01572 758358 dmogg@rutland.gov.uk
	Saverio Della Rocca, Assistant Director - Finance		Tel: 01572 758159 sdrocca@rutland.gov.uk
Ward Councillors	N/A		

DECISION RECOMMENDATIONS

That the Committee notes the update from the external auditors, KPMG LLP

1 PURPOSE OF THE REPORT

- 1.1 To update the Committee on the outcome of grants certification work for 2015/16 and to outline the approach to the external audit for 2016/17.

2 BACKGROUND AND MAIN CONSIDERATIONS

- 2.1 The report from the external auditors in Appendix 1 outlines the work undertaken in respect of grants and returns. There are no issues arising from this work.
- 2.2 The external audit plan in Appendix 2 highlights the approach to the Statement of Accounts audit and Value for Money conclusion which is very similar to the prior year. The report highlights two risks which the auditors will address as part of their work:
- Pension Fund triennial review – the information provided to the Pension Fund to feed into this review will be audited. The Council has maintained appropriate records which will be made available as part of the audit.
 - Agresso migration – the Council has transferred balances from old Agresso (version 5.5.3) to new Agresso (Milestone 6). A reconciliation of balances

transferred was undertaken and will be included in the “audit file” prepared for the auditors.

3 CONSULTATION

3.1 No formal consultation is required.

4 ALTERNATIVE OPTIONS

4.1 The Committee is asked to note the report. There are no alternatives.

5 FINANCIAL IMPLICATIONS

5.1 There are no financial implications arising from this report but the Committee should note that the audit fee remains the same as last year.

6 LEGAL AND GOVERNANCE CONSIDERATIONS

6.1 The Audit and Risk Committee is responsible for receiving the reports of external audit, acting on any relevant matters and approving of the Statement of Accounts.

7 EQUALITY IMPACT ASSESSMENT

7.1 An Equality Impact Assessment (EqIA) has not been completed as this report does not impact on Council policies and procedures.

8 COMMUNITY SAFETY IMPLICATIONS

8.1 There are no community safety implications.

9 HEALTH AND WELLBEING IMPLICATIONS

9.1 There are no health and wellbeing implications.

10 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

10.1 It is important that the Committee understand the approach and outcome of external audit work.

11 BACKGROUND PAPERS

11.1 There are no additional background papers to the report.

12 APPENDICES

Appendix 1 – Annual Report on grants and returns

Appendix 2 – External Audit Plan 2016/17

A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.



Annual Report on grants and returns 2015/16

Rutland County Council

January 2017



Contents

**The contacts at KPMG
in connection with this
report are:**

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Tony Crawley, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (andrew.sayers@kpmg.co.uk). After this, in relation to the certification of the Housing Benefit Subsidy grant claim, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

Headlines

Introduction and background

This report summarises the results of work we have carried out on the Authority's 2015/16 grant claims and returns.

This includes the work we have completed under the Public Sector Audit Appointment certification arrangements, as well as the work we have completed on other returns under separate engagement terms. The work completed in 2015/16 is:

- Under the Public Sector Audit Appointments arrangements we certified one claim – the Authority's 2015/16 Housing Benefit Subsidy claim. This had a value of £5,688,241.
- Under a separate assurance engagement we provided a Reporting Accountant's report on the Authority's 2015/16 Teachers' Pensions return. This had a value of £516,460.

Certification and assurance results

Our certification work on Housing Subsidy Benefit claim included:

- agreeing standard rates, such as for allowances and benefit incomes, to the DWP Circular communicating the value of each rate for the year;
- sample testing of benefit claims to confirm that the entitlement had been correctly calculated and was supported by appropriate evidence;
- undertaking an analytical review of the claim form considering year-on-year variances and key ratios;
- confirming that the subsidy claim had been prepared using the correct benefits system version; and
- completing testing in relation to modified schemes payments, uncashed cheques and verifying the accurate completion of the claim form.

Following the completion of our work, the claim was unqualified.

We gave an unqualified Accountant's Report on the Teachers' Pension return.

The Housing Benefit Subsidy claim was adjusted to correct minor errors identified during the certification work. This resulted in a £107 increase in the amount of subsidy due to the Authority. No amendments were made to the Teachers' Pension return.

Recommendations

There are no recommendations to the Authority arising from our work this year.

Fees

Our fee for certifying the Authority's 2015/16 Housing Benefit Subsidy grant was £4,850, which is in line with the indicative fee set by PSAA.

Our fee for the Teachers' Pension return engagement (£2,500) was agreed directly with the Authority.

Summary of reporting outcomes

Overall, we carried out work on 2 grants and returns:




- both were unqualified
- one required minor adjustment.

The fees we charged were consistent with the indicative fee set by PSAA and the fee agreed directly with you.

∞ We have made no recommendations as a result of the work carried out this year.

Detailed below is a summary of the reporting outcomes from our work on the Authority's 2015/16 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate or assurance report.

A qualification means that issues were identified concerning the Authority's compliance with a scheme's requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant paying body will require further information from the Authority to satisfy itself that the full amounts of grant claimed are appropriate.

	Qualified	Significant adjustment	Minor adjustment	Unqualified
Public Sector Audit Appointments regime				
— Housing Benefit Subsidy				
Other assurance engagements				
— Teachers' Pension Return				

The Housing Subsidy Benefit claim was adjusted to correct minor errors identified during the certification work. The resulted in a £107 increase in the amount of subsidy due to the Authority.

Fees charged

Public Sector Audit Appointments (PSAA) certification arrangements - PSAA set an indicative fee for our work on the Authority's Housing Benefit Subsidy claim in 2015/16 of £4,850. Our actual fee was the same as the indicative fee, and this compares to the 2014/15 fee for this claim of £7,180.

Grants subject to other assurance engagements - The fee for our assurance work on the Teachers' Pension Return was agreed directly with the Authority. Our fee for 2015/16 was £2,500 (2014/15 £2,500).

Recommendations

We have made no recommendations as a result of the work carried out this year. There are no recommendations from last year's work that needed to be followed up.



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External Audit Plan 2016/2017

Rutland County Council

January 2017

The Local Government Landscape



Financial Statement Audit



There are no significant changes to the Code of Practice on Local Authority Accounting in 2016/17, which provides stability in terms of the accounting standards the Authority need to comply with.

Materiality

Materiality for planning purposes has been based on last year's expenditure and set at **£1.4 million**.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and the threshold for this has been set at **£70,000**.

Significant risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as:

- Significant changes in the pension liability due to LGPS Triennial Valuation; and
- The upgrade of your Agresso financial systems.

Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding have been identified as:

- The 2016 CIPFA Code on Local Authority Accounting changes to the formats and reporting requirements for the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement, and the new Expenditure and Funding Analysis.

See pages 4 to 6 for more details.

Value for Money Arrangements work



We have identified two specific areas of focus for our continuing audit work

- Agresso financial systems upgrade, which is relevant to the 'Informed decision making' sub-criteria.
- Medium term financial planning, which is relevant to the sustainable resource deployment sub-criteria of the VFM conclusion.

We will update our assessment throughout the year and report in our ISA260.

See pages 7 to 10 for more details.

Logistics



Our team is:

- Tony Crawley –Director
- Mike Norman –Manager
- David Schofield – Assistant manager

More details are on **page 13**.

Our work will be completed in four phases from December to September and our key deliverables are this Audit Plan and a Report to those charged with Governance as outlined on **page 12**.

Our planned fee for the audit is £65,481 (£65,481 2015/2016) see **page 11**.

Introduction

Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2016/17 presented to you in April 2016, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

Our audit has two key objectives, requiring us to audit/review and report on your:

- *Financial statements (including the Annual Governance Statement)*: Providing an opinion on your accounts; and
- *Use of resources*: Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.



Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 7 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for the 2016/17 and the findings of our VFM risk assessment.





Financial Statements Audit Planning

Our planning work takes place during December 2016 to February 2017. This involves the following key aspects:

- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

Risk assessment

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

- **Management override of controls** – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- **Fraudulent revenue recognition** – We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

The diagram opposite identifies, significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.





Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

Risk : Significant changes in the pension liability due to LGPS Triennial Valuation

During the year, the Local Government Pension Scheme for Leicestershire (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2016 in line with the Local Government Pension Scheme (Administration) Regulations 2013. The Authority's share of pensions assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation.

The pension liability numbers to be included in the financial statements for 2016/17 will be based on the output of the triennial valuation rolled forward to 31 March 2017. For 2017/18 and 2018/19 the actuary will then roll forward the valuation for accounting purposes based on more limited data.

There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts. Most of the data is provided to the actuary by Leicestershire County Council, who administer the Pension Fund.

Approach : As part of our audit, we will agree any data provided by the Authority to the actuary, back to the relevant systems and reports from which it was derived, in addition to checking the accuracy of this data.

We will also liaise with the KPMG Pension Fund Audit Team, who are the auditors of the Pension Fund, where this data was provided by the Pension Fund on the Authority's behalf to check the completeness and accuracy such data.

Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

Risk : Agresso financial systems upgrade

The Authority is upgrading its Resource Management System (Agresso) during 2016/17. It is one of the Council's key IT systems and is used for the processing and recording of all financial transactions (general ledger, accounts payable, payroll, debtors and recovery, cash receipting) and key to effective financial control and reporting.

As part of the change the Authority has entered an agreement with Herefordshire Council under which it will:

- build the new system for the Authority;
- move all of the Authority's data across to this new system; and
- provide ongoing support for the system.

The new system will be located in Herefordshire's offices using their existing infrastructure and operated under a hosted system model.

There is a risk that the new system and the new arrangements are not implemented and operating effectively according to the required timetable, and that the data is not transferred between the systems completely and accurately.

Approach : We will liaise with the Authority's finance team and Internal Audit to evaluate the steps taken to effectively manage the systems' changeover. We will review, and as appropriate re-perform, the work carried out to confirm the data transferred.

Other areas of audit focus - These are those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

2016 CIPFA Code on Local Authority Accounting – the new Code includes a small number of important changes on the previous year's reporting requirements. The changes include new formats and reporting requirements for the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement, and the introduction of a new Expenditure and Funding Analysis as a result of CIPFA's 'Telling the Story' review of the presentation of local authority financial statements. We will liaise with the Authority's finance team regarding the new requirements and agree the new disclosures, including the restatement of the prior year comparators.

Financial statements audit planning (cont.)



Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

Materiality for planning purposes has been set at £1.4 million which equates to 1.9% of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision (£1.05m).

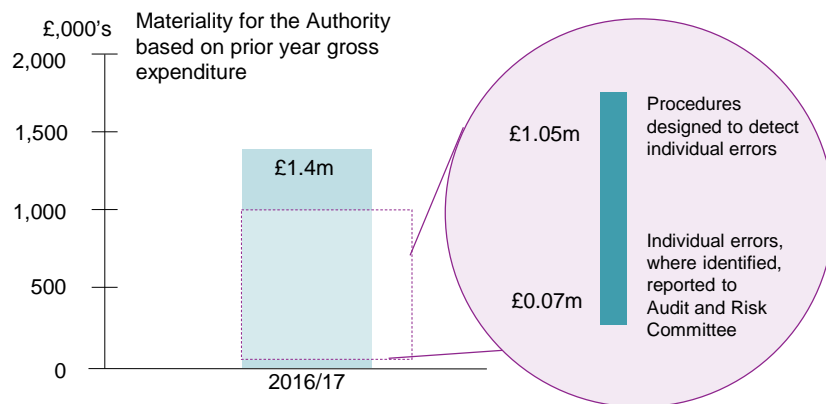
Reporting to the Audit and Risk Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Risk Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260(UK&I) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £70,000.

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Risk Committee to assist it in fulfilling its governance responsibilities.





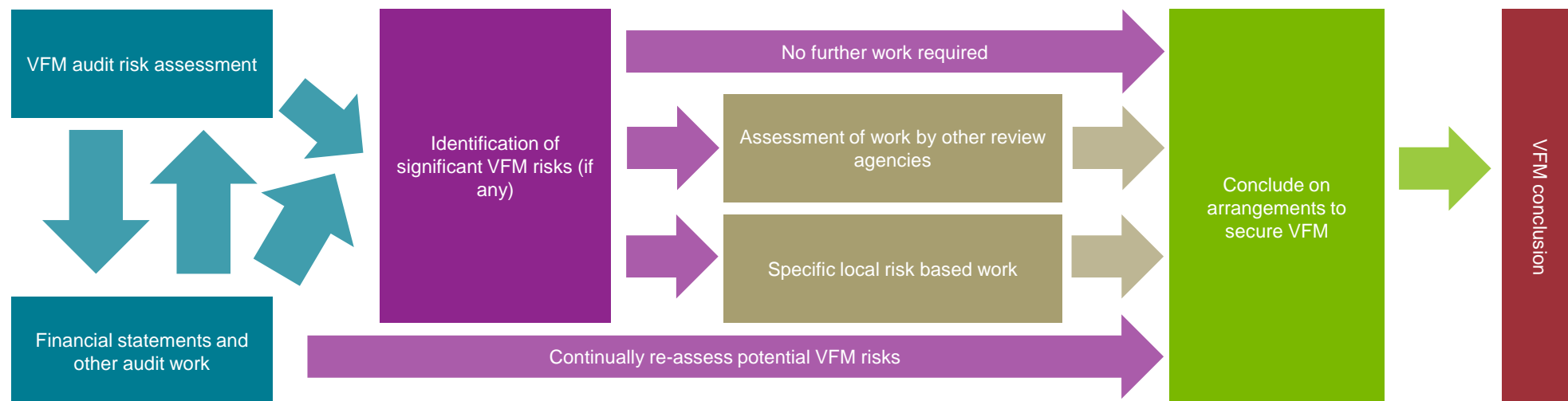
Background to approach to VFM work

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

The VFM approach is fundamentally unchanged from that adopted in 2015/2016 and the process is shown in the diagram below. The diagram overleaf shows the details of the criteria for our VFM work.

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Overall criterion

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Informed decision making

Sustainable resource deployment

Working with partners and third parties

Proper arrangements:

- Acting in the public interest, through demonstrating and applying the principles and values of sound governance.
- Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management.
- Reliable and timely financial reporting that supports the delivery of strategic priorities.
- Managing risks effectively and maintaining a sound system of internal control.

Proper arrangements:

- Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.
- Managing and utilising assets to support the delivery of strategic priorities.
- Planning, organising and developing the workforce effectively to deliver strategic priorities.

Proper arrangements:

- Working with third parties effectively to deliver strategic priorities.
- Commissioning services effectively to support the delivery of strategic priorities.
- Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for money arrangements work (cont.)



VFM audit stage	Audit approach
VFM audit risk assessment	<p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> ■ The Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks; ■ Information from the Public Sector Auditor Appointments Limited VFM profile tool; ■ Evidence gained from previous audit work, including the response to that work; and ■ The work of other inspectorates and review agencies.
Linkages with financial statements and other audit work	<p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>
Identification of significant risks	<p>The Code identifies a matter as significant 'if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.'</p> <p>If we identify significant VFM risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> ■ Considering the results of work by the Authority, inspectorates and other review agencies; and ■ Carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Value for money arrangements work (cont.)



VFM audit stage	Audit approach
<p>Assessment of work by other review agencies</p> <p>and</p> <p>Delivery of local risk based work</p>	<p>Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.</p> <p>If such evidence is not available, we will instead need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:</p> <ul style="list-style-type: none"> ■ Meeting with senior managers across the Authority; ■ Review of minutes and internal reports; ■ Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.
<p>Concluding on VFM arrangements</p> <p>21</p>	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>
<p>Reporting</p>	<p>We have completed our initial VFM risk assessment and have not at this stage identified any significant VFM risks. We have identified two specific areas of focus for our continuing audit work</p> <ul style="list-style-type: none"> - Agresso upgrade – the changes to your financial systems need to be properly managed to ensure your financial monitoring and reporting arrangements are effective. This is relevant to the 'Informed decision making' sub-criteria. - Medium term financial planning - The Authority continues to face similar financial pressures and uncertainties to those experienced by others in the local government sector. The Authority needs to have effective arrangements in place for managing its annual budget, generating income and identifying and implementing any savings required to balance its medium term financial plan. This is relevant to the sustainable resource deployment sub-criteria of the VFM conclusion. <p>We will update our assessment throughout the year should any issues present themselves and report against these in our ISA260.</p> <p>We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.</p>

Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2016/17 have not yet been confirmed.

Elector challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are:

- The right to inspect the accounts;
- The right to ask the auditor questions about the accounts; and
- The right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the PSAA's fee scales.

Our audit team

Our audit team will again be led by Tony Crawley, and the key members of the team are unchanged from last year. Appendix 2 provides more details on specific roles and contact details of the team.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Audit and Risk Committee. Our communication outputs are included in Appendix 1.

Independence and Objectivity

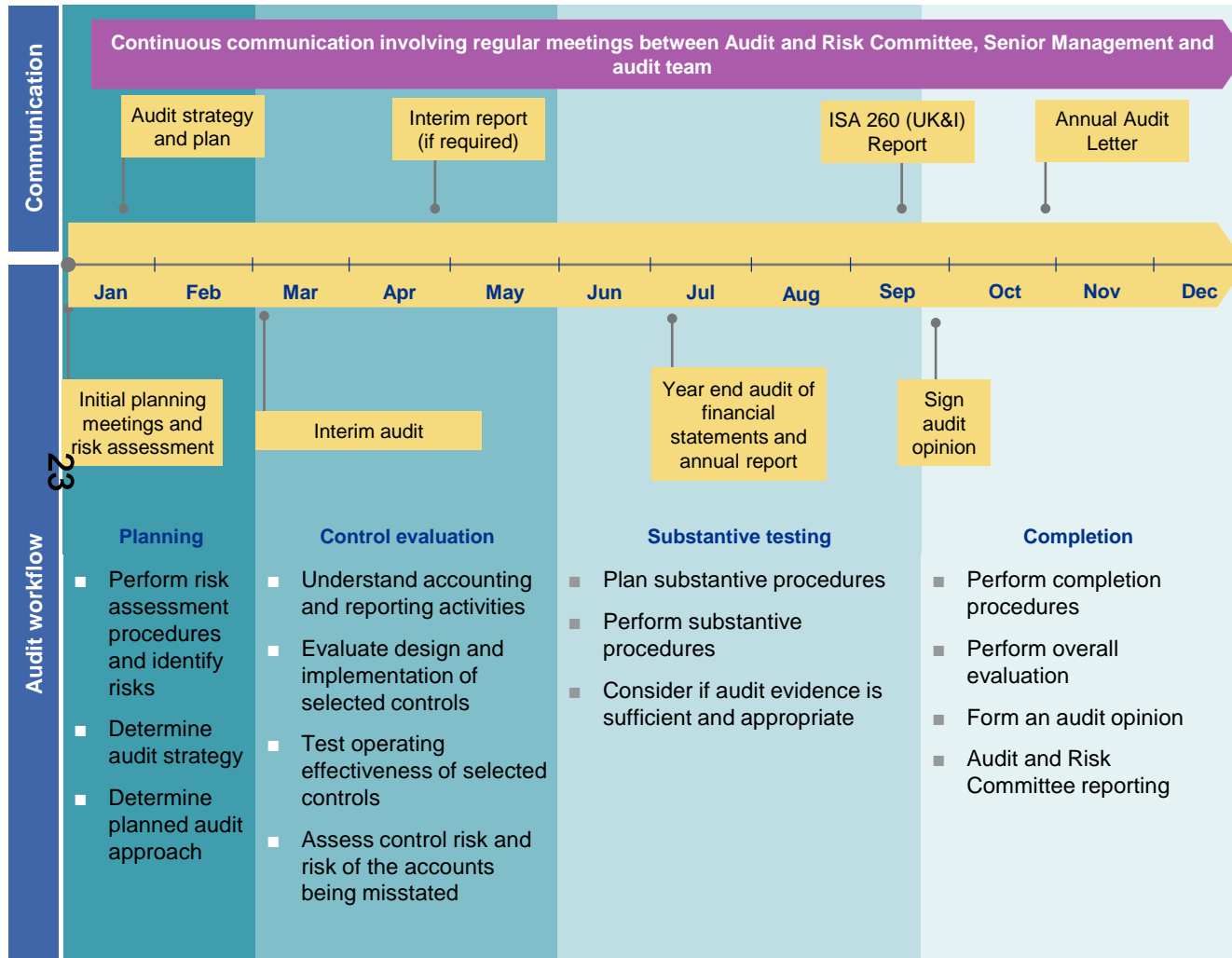
Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

Audit fee

Our Audit Fee Letter 2016/2017 presented to you in April 2016 first set out the scale fee set by PSAA for the 2016/2017 audit. This letter also set out our assumptions. The scale audit fee for 2016/17 is £65,481 (£65,481 2015/2016). We have not at this stage proposed any change to the scale fee. We have identified significant audit risks in this plan and will update the Authority if the fee needs to change to accommodate any additional audit work required in response to these risks.

Our audit fee includes our work on the VFM conclusion and our audit of the Authority's financial statements.

Appendix 1: Key elements of our financial statements audit approach



Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. We strive to deliver new quality insight into your operations that enhances our and your preparedness and improves your collective 'business intelligence.' Data and Analytics allows us to:

- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around key areas such as accounts payable and journals. We also expect to provide insights from our analysis of these tranches of data in our reporting to add further value from our audit.

Appendix 2: Audit team



Your audit team has been drawn from our specialist public sector assurance department. Our audit team were all part of the Rutland County Council audit last year.



Tony Crawley

Director

0116 256 6067

tony.crawley@kpmg.co.uk

Name	Tony Crawley
Position	Partner/Director
	'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion. I will be the main point of contact for the Audit and Risk Committee and Chief Executive.'



Mike Norman

Manager

0115 935 3544

michael.norman@kpmg.co.uk

Name	Mike Norman
Position	Manager
	'I provide quality assurance for the audit work and specifically any technical accounting and risk areas. I will work closely with Tony Crawley to ensure we add value. I will liaise with the Director for Resources and Assistant Director(Finance) and other senior managers.'



David Schofield

Assistant Manager

0116 256 6074

david.schofield@kpmg.co.uk

Name	David Schofield
Position	Assistant Manager
	'I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'



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Appendix 3: Independence and objectivity requirements

Independence and objectivity

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Audit and Risk Committee.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standards require us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Further to this auditors are required by the National Audit Office's Code of Audit Practice to:

- Carry out their work with integrity, independence and objectivity;
- Be transparent and report publicly as required;
- Be professional and proportional in conducting work;
- Be mindful of the activities of inspectorates to prevent duplication;
- Take a constructive and positive approach to their work;
- Comply with data statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information.

PSAA's Terms of Appointment includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of PSAA audit work should not take part in political activity.

- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.
- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Auditors appointed by the PSAA should not accept engagements which involve commenting on the performance of other PSAA auditors on PSAA work without first consulting PSAA.
- Auditors are expected to comply with the Terms of Appointment policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the PSAA's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the Terms of Appointment.

Confirmation statement

We confirm that as of January 2017 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.



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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Tony Crawley, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to Andrew.Sayers@kpmg.co.uk. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

AUDIT AND RISK COMMITTEE

31 January 2017

INTERNAL AUDIT UPDATE

Report of the Head of Internal Audit

Strategic Aim:	All		
Exempt Information		No	
Cabinet Member(s) Responsible:		Councillor Oliver Hemsley –Portfolio Holder for Resources	
Contact Officer(s):	Rachel Ashley-Caunt, Head of Internal Audit	Tel: 07824 537900 rashley-caunt@rutland.gcsx.gov.uk	
Ward Councillors	N/A		

DECISION RECOMMENDATIONS

1. That Members note the Internal Audit update report (Appendix A).

1 PURPOSE OF THE REPORT

- 1.1 To update Members on the progress made in delivering the 2016/17 Annual Audit Plan and key findings arising from audit assignments completed since the last Committee meeting.

2 BACKGROUND AND MAIN CONSIDERATIONS

2.1 Update on Delivery of Internal Audit Plan

The progress made to date in delivering the 2016/17 audit plan is set out in Appendix A. At the time of reporting, six reports have been finalised, two reports are in draft awaiting management comment and work is in progress on a further eight assignments.

2.2 The opinions of the reports finalised are as follows:

- a) Fostering – Limited (Full report in Appendix B)
- b) Development Control – Substantial (Summary in Appendix C)
- c) SEN Transport – Sufficient (Summary in Appendix C)

- d) Liquid Logic Implementation – Sufficient (Summary in Appendix C)
- e) OEP follow up – 8/9 recommendations implemented (Summary in Appendix C)

2.3 Implementation of Recommendations

- 2.4 Internal Audit request that officers provide updates on all open audit actions on a monthly basis.
- 2.5 Since the last Committee meeting, eleven recommendations have been implemented. At the date of reporting, there are eleven open audit actions, six of which are overdue for implementation. Three actions were due for implementation over three months ago, two of which were categorised as medium priority.

3 CONSULTATION

- 3.1 No formal consultation is required.

4 ALTERNATIVE OPTIONS

- 4.1 The Committee is asked to note the report but may wish to receive an earlier update on any limited assurance reports.

5 FINANCIAL IMPLICATIONS

- 5.1 There are no financial implications arising from this report.

6 LEGAL AND GOVERNANCE CONSIDERATIONS

- 6.1 The Audit and Risk Committee is responsible for oversight of the work of Internal Audit including approving the annual report and satisfying itself that the conclusions reached are reasonable in light of the work undertaken. It is also responsible for gaining assurance that internal audit is complying with internal audit standards.
- 6.2 There are no legal implications arising from this report

7 EQUALITY IMPACT ASSESSMENT

- 7.1 There are no equality implications

8 COMMUNITY SAFETY IMPLICATIONS

- 8.1 There are no community safety implications

9 HEALTH AND WELLBEING IMPLICATIONS

- 9.1 There are no health and wellbeing implications.

10 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

- 10.1 The latest update report, provided in Appendix A, details the findings of recent Internal Audit work and any weaknesses in the control environment highlighted by these reviews, and provides an overview of the performance of the Internal Audit

team and the implementation of actions by management. The Committee plays an important role in the oversight of Internal Audit work

11 BACKGROUND PAPERS

- 11.1 There are no additional background papers to the report

12 APPENDICES

- 12.1 Appendix A: Internal Audit Update Report
- 12.2 Appendix B: Fostering 2016/17 Final Internal Audit Report
- 12.3 Appendix C: Internal Audit reports finalised since last Committee Meeting – Executive Summaries
- 12.4 Appendix D: Implementation of Audit Recommendations
- 12.5 Appendix E: 'High' and 'Medium' Priority actions overdue for more than three months
- 12.6 Appendix F: Customer Satisfaction Statistics
- 12.7 Appendix G: Limitations and responsibilities

A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577

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RUTLAND COUNTY COUNCIL
INTERNAL AUDIT UPDATE
JANUARY 2017

Date: 31st January 2017

Introduction

- 1.1 The Welland Internal Audit Consortium provides the internal audit service for Rutland County Council and has been commissioned to provide 370 audit days to deliver the 2016/17 annual audit plan and undertake other work commissioned by the client.
- 1.2 The Public Sector Internal Audit Standards (the Standards) require the Audit and Risk Committee to scrutinise the performance of the internal audit team and – of equal significance – to satisfy itself that it is receiving appropriate assurance about the controls put in place by management to address identified risks to the Council. This report aims to provide the committee with the information, on progress in delivering planned work and on performance of the consortium, which it requires to engage in effective scrutiny.

Performance

2.1 Will the Internal Audit Plan for 2016/17 be delivered?

The Welland Internal Audit Consortium is currently under the management of LGSS. The Welland Board has set LGSS the objective of delivering at least 90% of the Internal Audit plans for 2016/17 to draft report stage by the end of March 2017.

At the date of writing, six reports have been finalised, two reports are in draft awaiting management comment and work is in progress on a further eight assignments. One follow up review of a 2015/16 Limited Assurance report has been completed in relation to Oakham Enterprise Park. Progress on individual assignments is shown in Table 1.

2.2 Are audits being delivered to budget?

Internal Audit is on target to deliver the audit plan within the commissioned days. Any overruns on individual assignments are managed within the overall budget. All assignments within the Audit Plan are currently within budget and no overspends are expected on current audits.

2.3 Is the Internal Audit team achieving the expected level of productivity?

The most recent information available (week 40) shows that the Internal Audit team are spending 96% of time on chargeable activities against a target of 90%.

2.4 Are clients satisfied with the quality of the Internal Audit assignments?

Customer satisfaction questionnaires are issued on completion of audits. At the time of reporting, four questionnaires had been returned with an average score of 'Good'. See Appendix F for further details.

2.5 Based upon recent Internal Audit work, are there any emerging issues that impact on the Internal Audit opinion of the Council's Control Framework?

Since the last Committee meeting, five audit reports have been finalised. One of the reports in relation to the **Fostering** has resulted in Limited Assurance opinion. A copy of the full report is provided in Appendix B.

Reviews of **SEN Transport** and **Liquid Logic Implementation** have provided Sufficient Assurance opinions and a review of **Development Control** resulted in a Substantial Assurance opinion. Copies of the Executive Summaries from all three reports are provided in Appendix C.

Since the Liquid Logic Implementation report was issued, Internal Audit have remained in contact with the team to seek evidence of access rights to complete the planned testing for Risk 2. At the time of reporting, some further evidence has been provided in relation to access rights and it is understood that the report functionalities required are now operational. Internal Audit has only undertaken a high level review of these on the basis that this is already under review and the team are aware of improvements that are required.

A follow up of the 2015/16 **Limited Assurance review of Oakham Enterprise Park** has been completed and the outcome is summarised in Appendix C.

Two schools in the county have been visited for an audit of compliance with the Schools Financial Value Standard and general financial management and counter fraud controls. Both schools received an opinion of Substantial Assurance for financial management. One school received an opinion of Good Assurance on counter fraud controls and the other received an opinion of Moderate Assurance – meaning that neither highlighted significant control weaknesses. Action plans have been agreed with both schools to further improve their control frameworks.

Based upon the findings and the actions agreed with management to address any identified weaknesses in the control environment, these would not currently reduce the Internal Audit Assurance opinion of the Council's overall Control Framework

2.6 Are clients progressing audit recommendations with appropriate urgency?

Outstanding audit recommendations form part of the Quarterly Performance Report considered by Cabinet. Since the last Committee meeting, eleven actions arising from audit reports have been implemented.

At the date of reporting, there are eleven open audit actions, six of which are overdue for implementation. Three actions were due for implementation over three months ago, two of which were categorised as medium priority. See Appendices D and E for further details.

2.7 Are any amendments to the Audit Plan required?

No changes to the audit plan are required.

Table 1: Progressing the annual audit plan

KEY

Current status of assignments is shown by



Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Financial Risks										
Creditors	14	0		●						Q4 – delayed for system upgrade
Debtors	14	0		●						
Local Taxation	15	13.50					●			
Benefits	15	13.96				●				
Payroll	15	0	●							Q4 – delayed for system upgrade
Main Accounting	12	0	●							
Financial System Upgrade (Consultancy support in design phase)	15	11.06				●			N/A	Consultancy support provided as required
Financial System Upgrade (System Administration)	12	0.20		●						Q4
Service Delivery Risks										

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Highways Maintenance Contract	20	27.02					●			Budget overspend due to additional work undertaken at management request
SEN Transport	12	10.4						●	Sufficient	
Fostering Service	15	22.01						●	Limited	Budget overspend due to additional sample testing required on 'connected persons'.
Contract Procedure Rules (CPR) compliance	10	7.02			●					
Taxi Licensing	15	12.04						●	Sufficient	
Section 106 Agreements	15	1.34			●					
Safeguarding Policies and Procedures and Compliance	20	10.39				●				
Development Control	15	12.77						●	Substantial	
Data Management	15	5.30				●				
LiquidLogic	15	12.94						●	Sufficient	
Digital Broadband	5	0.5			●					

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Limited Assurance Reports	12	9.09			●					Oakham Enterprise Park review completed. Reviews of External Placements and IT System Administration underway.
IT										
Asset Management	12	9.44						●	Sufficient	
Policies and Procedures	10	0		●						
Schools Financial Value Standard Assessments	-	5						●		
Client Support (Committee support, training, client liaison)	33	17.29								
Consortium Management	34	11.00								
TOTAL	370	212.27								

Notes

At the completion of each assignment the Auditor will report on the level of assurance that can be taken from the work undertaken and the findings of that work. The table below provides an explanation of the various assurance statements that Members might expect to receive.

Substantial	There is a sound control framework designed to manage or mitigate risks to the achievement of defined objectives. Testing confirms that the controls are being applied consistently.
Sufficient	The control framework is basically sound but either <ul style="list-style-type: none">• there are minor gaps or weaknesses which mean that some risks are not fully managed or mitigated; or• testing provides evidence of non-compliance sufficient to weaken the effect of some controls.
Limited	There are significant weaknesses in key elements of the control framework which mean that significant risks are not managed or mitigated. Testing demonstrates significant levels of non-compliance with prescribed processes and procedures
No	The controls identified are not sufficient to manage/mitigate identified risks to the achievement of defined objectives. Testing demonstrates high levels of non-compliance with prescribed processes and procedures.

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INTERNAL AUDIT REPORT



FOSTERING 2016/17

Issue Date:	13 th January 2016	Issued to:	Tim O'Neill - Director of People
Author:	Kelly Epps		Rebecca Wilshire - Head of Children's Social Care
			Linda Duff – Acting Team Manager
			Helen Briggs – Chief Executive (<i>final report only</i>)
			Cllr Diana MacDuff - Chair of Audit & Risk Committee (<i>final report only</i>)
			Cllr Richard Foster - Portfolio Holder for Safeguarding Children and Young People (<i>final report only</i>)
			Saverio Della Rocca – Assistant Director (Finance) (<i>final report only</i>)

FOSTERING 2016/17

EXECUTIVE SUMMARY

1. INTRODUCTION & OVERALL OPINION

Rutland Fostering Service provides a range of placements including long and short term foster care, shared care and placements with connected persons (family and friends). Internal Audit sought to provide assurance over the controls in place to support the robust management of the fostering service including payments to foster carers and compliance with good practice and relevant legislation.

The Council has a well-designed recruitment and assessment process for prospective foster carers and all enquires are followed up with detailed information and guidance provided to all applicants. Foster carer allowances and fees have been set by the Council at a higher rate than the National Minimum Allowance and all foster carer payments reviewed by Internal Audit were accurate, timely and in accordance with council policy.

A sample of nine foster carers (three mainstream and six connected persons) were selected for review. Testing highlighted lengthy delays in the approval of connected persons that has resulted in the Council not complying with the Care Planning, Placement and Case Review Regulations 2010 and placing children in an illegal placement for a period of time. *(At the time of reporting all connected persons reviewed by Internal Audit were approved and have undergone the appropriate checks and assessments.)*

Training and development of foster carers requires improvement. Whilst training records are kept by the Council, it is evident that training is not offered regularly or consistently and personal development plans are not completed to identify the training needs of foster carers.

Further work is also required to ensure that foster carer files are up to date and the necessary supervision and unannounced visits have been undertaken and evidenced. The fostering team should also continue to work with corporate support to ensure all fostering related data is held and disposed of in accordance with the Data Protection Act.

The audit was carried out in accordance with the agreed Audit Planning Record (APR), which outlined the scope, terms and limitations to the audit. It is the Auditor's Opinion that the current overall design and operation of controls provides **Limited Assurance**, as summarised below:

Internal Audit Assurance Opinion	Direction of Travel				
Limited Assurance	n/a				
Risk	Design	Comply	Recommendations		
			H	M	L
01 - Council fails to recruit, assess, support and retain a range of foster carers to safeguard and meet the need of Looked after Children in Rutland.	Sufficient Assurance	Limited Assurance	3	1	1
02 - Poor record keeping, leading to non-compliance with legislative requirements and possible reputational damage.	Sufficient Assurance	Sufficient Assurance	1	0	0
03 - Foster carer payments are not set at a reasonable level or paid in a timely manner.	Substantial Assurance	Substantial Assurance	0	0	0
Total Number of Recommendations			4	1	1

2. SUMMARY OF FINDINGS

**Risk 1: Council fails to recruit, assess, support and retain
a range of foster carers to safeguard and meet the need of Looked after Children in Rutland.**

Rutland's Fostering Service is developing a recruitment strategy that aims to increase the diversity of foster carers and to be responsive to current and predicted future demands on the service. This strategy was not completed at the time of the audit and was due to be finalised at the end of October 2016. **(See recommendation 1)**

It is evident that the fostering service has taken steps to attract prospective foster carers through a variety of marketing activities such as radio adverts, posters and using the national scheme of 'Fostering Fortnight' to raise awareness. The Council's website provides information on the fostering service, however key documentation such as the Statement of Purpose is not available and the team are aware that improvements could be made to make the website more attractive to prospective foster carers.

The success of any marketing event is always followed up and any enquiries are logged on the Council's social care system (Liquid Logic). As of 20th September 2016 the service had 20 open enquiries. Prospective foster carers are visited by a team member and provided with information and an application form.

All prospective foster carers are required to complete a three day "skills to foster" course. At the end of the course individuals are much better informed about fostering and are able to determine whether it is something they wish to pursue. Due to low numbers of prospective carers there are few training sessions held which has resulted in some lengthy delays in individuals receiving this training and there have been instances where carers have received the training after being approved. Internal Audit confirmed this to be the case during testing, however the fostering service have already taken action to address this by arranging for prospective foster carers to attend this course at neighbouring local authorities to try and reduce the delay.

Internal Audit initially selected a sample of five foster carers (three mainstream and two connected persons) for review to ensure that they were appropriately assessed and approved in accordance with the Fostering Services National Minimum Standards. Due to issues identified early in the audit testing, specifically in relation to the connected persons, the sample was subsequently extended to include a further four connected persons.

Testing highlighted some areas of good practice around evidencing fostering panel recommendations and informing foster carers of the panel's decision. The panel is also subject to an annual review and has access to medical and legal advice. Minutes of fostering panel meetings were on file where appropriate and the foster carers were invited to attend their panel meeting. Furthermore for all approved foster carers in the sample, the necessary checks, as required by Children's Act 1989, were undertaken and evidenced.

Internal Audit's review did however highlight the following control weaknesses:

- At the time of audit, in September 2016, one 'connected person' foster carer had not been approved and a child had been placed with this family member since December 2015. In accordance with the Care Planning, Placement and Case Review (England) Regulations 2010, the child's assessment must have been completed and approval given for the placement by the end of March 2016 (16 weeks) or an extension in exceptional circumstances given for a further eight weeks making the absolute deadline in May 2016. As a result the child was in an illegal placement at the time of audit. At the time of audit testing, a practice alert was raised and since then a viability assessment in respect of the carer has been completed and approved by a senior manager.
- A connected person's assessment was not completed and approved within the required 16 weeks for three out of six in the sample and there was no evidence of a temporary approval or an extension.

- Two out of three mainstream foster carers did not receive a panel recommendation of approval within the required eight months of their application. **(See recommendation 2)**

The fostering service has designed a comprehensive induction programme for all approved foster carers and there is an induction checklist that documents all the necessary steps that must be completed. Currently, foster carers and social workers do not sign the checklist to confirm they have received/delivered the induction training. In all cases reviewed by Internal Audit, evidence of a completed induction checklist could not be located. **(See recommendation 3)**

It is important for foster carers to maintain an ongoing training and development portfolio which demonstrates how they are meeting the skills required of them by the fostering service. The Fostering Services Team Assistant maintains a record of any training received on Liquid Logic. On review, it is evident that the provision and delivery of training to foster carers has been inconsistent and it could be seen that the majority of carers in the audit sample had either not received any training or no training for a long period of time.

A suitable template for a foster carer personal development plan (PDP) has been designed however it has not been implemented and none of the carers in the audit sample had a PDP on file. As a result, the Council is not meeting the Fostering Services National Minimum Standards and carers may not be receiving the support and guidance required to undertake training and development that is appropriate to their needs and experience. **(See Recommendation 4)**

The fostering service is clear and transparent with their foster carers about the level of support available to them and how to access such support. Support groups take place three times a year and a record is maintained and minutes are circulated to all carers. All carers are granted membership of The Fostering Network which provides advice, information and support to carers including a helpline both in office hours and outside of office hours. The Emergency Duty Team EDT (based in Leicester) can also offer telephone advice and has access to placement information and emergency placements with foster carers.

Each foster carer has an allocated Supervising Social Worker who provides monthly supervision and ongoing support. Due to staff changes and lack of resources, supervision meetings and unannounced visits have not been carried out on a regular and consistent basis. Evidence of regular supervision meetings between the social worker and the foster carers was not available for 22% of the sample. An unannounced visit had not taken place for three foster carers and one unannounced visit had not been documented. **(See Recommendation 5)**

All foster carers must sign a Foster Carer Agreement and terms and conditions on an annual basis. Testing highlighted that three connected persons had not signed a foster carer agreement. **(See Recommendation 5).**

A foster carer annual review is arranged by the relevant Supervising Social Worker who will collect the written views of foster children, the carer, the child's social worker and the carer's children. Of the nine cases reviewed by Internal Audit, an annual review took place in all cases where it was applicable and one annual review was in progress and awaiting a Team Manager review.

All foster carers receive a handbook which details local policy, information about fostering terms and conditions and guidance about requirements concerning care and control of children and other procedures. The handbook was last reviewed and updated in January 2016 and all carers were provided with a paper copy of the handbook. A 'Coming into Care Booklet' is given to each child in foster care. The booklet provides details of key contacts as well as the child's care plan, pathway plan, placement plan and personal education plan. A review of the booklet found it to be out of date and it provides a link to a website for more information on the child's rights which no longer exists. This

has been raised with the children's social care team and an action has been put in place to ensure that the booklet is reviewed and updated.

The Council's complaints process is documented in the fostering services' Statement of Purpose. Two unresolved complaints were open as of 1st November 2016 and sufficient evidence of the original complaint, correspondence, reports and outcomes had been retained.

The Council has commissioned "tri.x" (an online web based company) to develop their procedures manual for children's services and then keep it up to date. Updates are carried out twice a year, the next update is taking place in January 2017.

Risk 2: Poor record keeping, leading to non-compliance with legislative requirements and possible reputational damage.

The fostering service currently maintains paper files and also electronic files on Liquid Logic.

Paper files are held in the fostering services office in a locked cabinet. The key to the cabinet is kept secure in a key safe and only members of the fostering team have access. Staff are required to use sealed 'orange bags' to transport confidential information off the Council premises. This was observed in practice during the audit.

Access to liquid logic is granted only upon approval and access requires a valid username and password. Liquid logic is currently unable to produce meaningful user access reports because the reports do not show all "read only" users. Therefore Internal Audit are unable to provide any assurance that user access to fostering records online is accurate, up to date or secure. *An additional internal audit review will be conducted in 2017 to provide assurance in this area.*

The fostering procedures manual on Tri.x provides detail on what information should be obtained and how it should be recorded and the Council's draft Document Retention and Records Management Policy states how long fostering related documents should be retained for. A full review of what records the fostering service currently retains has not yet been undertaken and there is a potential risk that data is being held for longer than required leading to non-compliance with the Data Protection Act. **(See Recommendation 6)**

Quality assurance reviews of foster carer files are carried out by the Team Manager during the annual review process. Such reviews have been inconsistent due to the Team Manager post being vacant and change over in staff. As a result, the audit highlighted some instances where documentation was missing from files and/or activities had not been carried out. **(See Recommendation 5)**

Risk 3: Foster carer payments are not set at a reasonable level or paid in a timely manner.

All RCC foster carers receive a fostering allowance for each child in placement and a fee payment that is based on the skills of the foster carer. This is paid to foster carers to cover all costs in relation to looking after children and young people.

The Council has clearly set out its criteria for calculating payments in a "Foster Carer Allowances and Payments Schedule" for 2016/17 and distinguishes between the allowance paid and any fee paid. RCC allowances are based on the National Fostering Network recommended rates and are higher than the National Minimum Allowance for 2016/17 which is set by the Government.

Internal Audit reviewed a sample of 25 allowance payments and 25 fee payments paid between September 2015 and September 2016 and testing confirmed that each payment was made accurately and timely in accordance with the Council's agreed allowance and payments schedule.

The fostering service has good controls in place for processing payments to foster carers on a weekly basis. Ten weeks were selected at random for testing to ensure that a payment schedule was accurately created, appropriately approved and paid in a timely manner. All payment schedules reviewed by Internal Audit were prepared by the Team Assistant and approved by the Team Manager. Payments were made promptly at the agreed time each week and agreed to commitment records maintained by the Team Assistant.

Appropriate forms and protocols are in place for foster carers to claim expenses. Internal Audit reviewed a sample of five expense payments selected from the finance system (Agresso) and confirmed that all payments were approved by the Team Manager or Interim Service Manager for Children and Families and could be traced back to valid receipts.

3. LIMITATIONS TO THE SCOPE OF THE AUDIT

This is an assurance piece of work and an opinion is provided on the effectiveness of arrangements for managing only the risks specified in the Audit Planning Record.

The Auditor's work does not provide any guarantee against material errors, loss or fraud. It does not provide absolute assurance that material error, loss or fraud does not exist.

This audit did not include a review of safeguarding policies and procedures. A wider review on this is to be conducted by Internal Audit during 2016/17.

4. ACTION PLAN

The following Action Plan provides a number of recommendations to address the findings identified by the audit. If accepted and implemented, these should positively improve the control environment and aid the Council in effectively managing its risks.

ACTION PLAN

Rec No.	ISSUE	RECOMMENDATION	Management Comments	Priority	Officer Responsible	Due date
Risk 1	Council fails to recruit, assess, support and retain a range of foster carers to safeguard and meet the need of Looked after Children in Rutland.					
1	Rutland's Fostering Service recruitment strategy has not been completed and finalised.	<p>The Fostering Services Recruitment Strategy should be finalised, implemented and communicated to all relevant personnel.</p> <p>The strategy should be reviewed at regular intervals to ensure that it is being implemented appropriately and in a timely manner.</p>	Agreed	Low	Head of Children's Social Care	Jan 2017
2	<p>Testing highlighted significant delays in the approval of four out of six "connected persons" reviewed by Internal Audit. All of which took longer than 16 weeks as required by the Care Planning, Placement and Case Review Regulations 2010, resulting in the respective children being placed in an illegal placement for a period of time (<i>all connected person have subsequently been approved</i>).</p> <p>Furthermore, two out of three mainstream foster carers were not approved within eight months of their application, resulting in non-compliance with the Fostering Services National Minimum Standards.</p>	<p>Rutland's fostering Services should be notified as soon as the Agency Decision Maker has approved a temporary placement of a child with a connected person to allow the fostering team to carry out a connected person's assessment within the required timescales.</p> <p>A full audit trail of the Agency Decision Maker's approval and notification to the fostering team should be retained.</p>	Agreed	High	Head of Children's Social Care	Jan 2017
3	Whilst there is a comprehensive induction programme in place for new foster carers, the induction checklist is not signed by the foster carer and social worker to confirm that an induction has been received and the appropriate information/training has been given.	The induction checklist should be signed and dated by both the foster carers and the assigned social worker to evidence that an induction has been completed. Checklists should be scanned and saved on the foster carers' file.	Agreed	Medium	Head of Children's Social Care	Jan 2017

Rec No.	ISSUE	RECOMMENDATION	Management Comments	Priority	Officer Responsible	Due date
4	<p>Records of foster carer training are held in Liquid Logic, however training is not provided on a regular basis. Furthermore foster carers do not have personal development plans.</p> <p>As a result the Council is not meeting the Fostering Services National Minimum Standards and carers may not be receiving the support and guidance required to undertake training and development that is appropriate to their needs and experience.</p>	<p>All foster carers should be required to complete a Personal Development Plan on an annual basis.</p> <p>Once completed, all PDP's should be reviewed and a training and development plan should be created for all foster carers based on their requirements.</p>	Agreed	High	Head of Children's Social Care	Jan 2017
5	<p>A review of nine foster carer files highlighted that foster carer supervision meetings and unannounced visits have not been carried out in a timely manner and/or appropriately evidenced. Furthermore foster carer agreements for "three connected persons" had not been signed at the time of the audit.</p> <p>These omissions should have been picked up during Team Manager annual reviews however due staff changes and the position being vacant for a period of time these were not identified.</p>	<p>Investigations should be made with Liquid Logic to determine whether reports are available to highlight instances where activities have not taken place and/or documentation is unavailable. If so, these should be produced at regular intervals by the Team Manager and appropriate action taken where necessary.</p> <p>In the meantime, a review of foster carer files should be undertaken during staff supervision meetings.</p>	Agreed	High	Head of Children's Social Care	Jan 2017

Rec No.	ISSUE	RECOMMENDATION	Management Comments	Priority	Officer Responsible	Due date
Risk 2	Poor record keeping, leading to non-compliance with legislative requirements and possible reputational damage.					
6	<p>There is an index on each paper file that confirms what information should be kept on file however the fostering team does not have a written policy or schedule that clarifies the purpose, format and content of information to be kept on the fostering service's files, on the child's files and on case files relating to foster carers.</p> <p>A draft document retention schedule provides detail on how long data should be retained, however, the fostering team have not created a detailed document retention schedule or audited their records to see what data they hold.</p> <p>There is a risk that data is being held insecurely and/or for longer than required potentially leading to non-compliance with the Data Protection Act.</p>	<p>1) The Fostering Team should conducted a data audit to establish what data is held both in paper and electronic format.</p> <p>2) A document retention schedule should be created for all data held by fostering services based on the schedule template provided by Corporate Services.</p> <p>3) Regular reviews should then be undertaken to ensure that data is held and destroyed in accordance with the documentation retention schedule and in compliance with the Data Protection Act.</p>	Agreed	High	Head of Children's Social Care	Jan 2017

GLOSSARY

The Auditor's Opinion

The Auditor's Opinion for the assignment is based on the fieldwork carried out to evaluate the design of the controls upon which management rely and to establish the extent to which controls are being complied with. The table below explains what the opinions mean.

Level	Design of Control Framework	Compliance with Controls
SUBSTANTIAL	There is a robust framework of controls making it likely that service objectives will be delivered.	Controls are applied continuously and consistently with only infrequent minor lapses.
SUFFICIENT	The control framework includes key controls that promote the delivery of service objectives.	Controls are applied but there are lapses and/or inconsistencies.
LIMITED	There is a risk that objectives will not be achieved due to the absence of key internal controls.	There have been significant and extensive breakdowns in the application of key controls.
NO	There is an absence of basic controls which results in inability to deliver service objectives.	The fundamental controls are not being operated or complied with.

Category of Recommendations

The Auditor prioritises recommendations to give management an indication of their importance and how urgent it is that they be implemented. By implementing recommendations made managers can mitigate risks to the achievement of service objectives for the area(s) covered by the assignment.

Priority	Impact & Timescale
HIGH	Management action is imperative to ensure that the objectives for the area under review are met.
MEDIUM	Management action is required to avoid significant risks to the achievement of objectives.
LOW	Management action will enhance controls or improve operational efficiency.

Appendix C: Internal Audit reports finalised since last Committee Meeting – Executive Summaries

DEVELOPMENT CONTROL 2016/17 EXECUTIVE SUMMARY

1. INTRODUCTION & OVERALL OPINION

Development control directly supports a number of the Council's strategic aims and objectives, including creating a sustainable environment and ensuring the impact of development is effectively managed. Poor decisions can have significant long-term consequences.

Based on Internal Audit testing, systems and procedures for processing planning applications are sound. There is a strong team of appropriately qualified and highly experienced staff and specialist expertise is bought-in as required. There is a good range of procedure notes, guides and standard templates in use within the department and testing confirmed that all applications had been processed and recorded fully and accurately. All decision notices had been properly approved in accordance with the scheme of delegation and were clear and consistent with underlying records. Staffing issues in the planning support team have led to a backlog of work, although this is not currently affecting overall performance levels and officers expect to clear the backlog by January 2017. Management should continue to monitor the backlog and consider the need for additional action if not cleared within a reasonable timescale.

Matching of planning fees to individual applications can be difficult and time-consuming, but testing of a sample of cases confirmed that all fees had been correctly calculated and accounted for within the main accounting system.

Performance levels for speed of processing are good and exceed internal targets and national averages. Testing confirmed that the reported performance is consistent with underlying records although extraction of the data is adversely affected by limitations in the IT system. There are, however, plans to replace the current system in 2017. This should also be used as an opportunity to develop a broader range of performance measures in future.

Based on these findings, the framework of controls currently in place provides **Substantial Assurance** that the identified risks have been appropriately mitigated. Detailed findings are set out in section 2. The assurance opinion is based upon review of the design of controls to manage the identified risks and testing to confirm the extent of compliance with those controls, as summarised in Table 1 below.

Internal audit assurance opinion	Direction of travel				
Substantial Assurance	N/A				
Risk	Design	Comply	Recommendations		
			H	M	L
Risk 1. Systems and procedures for processing planning applications do not comply with best practice or relevant statutory and regulatory requirements.	Substantial Assurance	Substantial Assurance	0	0	0
Risk 2. Fees are not correctly calculated and/or all income due to the Council is not fully collected or recovered in a timely manner.	Sufficient Assurance	Substantial Assurance	0	0	1
Risk 3. Performance monitoring and reporting arrangements are ineffective.	Sufficient Assurance	Substantial Assurance	0	0	0
Total number of recommendations			0	0	1

Appendix C: Internal Audit reports finalised since last Committee Meeting – Executive Summaries

SEN TRANSPORT 2016/17 EXECUTIVE SUMMARY

1. INTRODUCTION & OVERALL OPINION

The Council has a duty to provide home to school transport for children with Special Educational Needs (SEN) and disabilities where this impacts upon their ability to travel to their educational establishment independently. It is evident that a number of improvements to processes and commissioning have been implemented during the last few years in order to achieve savings in the delivery of SEN transport, including the introduction of an in-house fleet. The introduction of in-house provision has not only achieved savings on the routes affected but also appears to have resulted in more competitive bids from local companies where limited competition had previously been available. The value for money of routes is subject to ongoing review throughout the year with regular consideration of savings that could be achieved.

During the last six months there has been an emphasis on greater partnership working between the SEN team and the Transport service to ensure that each service user's needs are taken fully into consideration in arranging and reviewing transport provision. This also supports progression towards independent travel and the Transport team are successfully offering a range of support to students, such as mentoring, to assist in this transition and personal development.

New forms and processes have been implemented since July 2016 and transport arrangements should only be made or amended with approval of the SEN Case Worker. The Transport team are therefore reliant upon the SEN team to make decisions based on needs and any known issues/risks. There are currently no documented procedure notes in place for these new processes followed by SEN Case Workers or the Transport team and given the risk of change in staff or absence cover, it is recommended that these be documented to ensure consistent application and embedding of these key controls.

Of the ten recent cases reviewed, one case was identified where a change form had not been completed and approved before adding a child to an existing route. This was due to an urgent transport request and it is recommended that a procedure be agreed for urgent provisions to ensure approval by the SEN team is evidenced in all cases.

A new, more comprehensive Home to School Transport policy has been approved which will address a number of areas for improvement in the existing policy. Within the new policy there is, for example, a section on appeals which is consistent with national guidance and specific procedures on SEN Transport. The draft policy was approved by Cabinet in September 2016 and is to be enforced from September 2017.

Controls are exercised to ensure that only drivers and escorts subject to DBS checks are providing the SEN transport services. These controls include photographic identification badges which are only issued on review of three yearly DBS certificates, spot checks by Council officers and pro-active reminders to operators of timescales for renewing their staff DBS certificates.

It is the Auditor's Opinion that the current overall design and operation of controls provides **Sufficient Assurance**, as summarised below:

Internal Audit Assurance Opinion	Direction of Travel				
Sufficient Assurance	n/a				
Risk	Design	Comply	Recommendations		
			H	M	L
01 - Failure to achieve value for money for the provision of SEN transport services.	Sufficient Assurance	Substantial Assurance	-	1	6
02 - Needs of service users are not considered or reviewed when commissioning transport services.	Substantial Assurance	Sufficient Assurance	-	2	1
Total Number of Recommendations			-	3	7

Appendix C: Internal Audit reports finalised since last Committee Meeting – Executive Summaries

LIQUID LOGIC IMPLEMENTATION 2016/17 EXECUTIVE SUMMARY

1. INTRODUCTION & OVERALL OPINION

LiquidLogic is the Council's new social care case management system and supports a wide range of key services to local residents. Cabinet approved award of the contract in April 2015 at a total cost of £592,900 over the 5 year initial contract period. An additional £30,000 was approved for hardware and training costs together with £65,000 for dedicated project management support.

Management intends to use the LiquidLogic implementation project as a model to develop a corporate approach to project management that can be applied to future projects across the Council. Consequently, the audit focused on providing assurance over the project management and system implementation arrangements together with a review of key system integrity controls.

Based on interviews and review of documentation, the LiquidLogic project provides a sound basis for development of a corporate model for project management. Overall governance arrangements were strong and a range of documents have been developed that can be used as templates for future projects. These should now be used to develop a corporate framework document or project management guide. A key area for improvement is the need for a formal gateway review process and a realistic assessment of resource requirements from the outset. Adoption of a full best practice model for project management is likely to be prohibitively expensive and resource intensive for an authority the size of Rutland. However, a full assessment of the resource options and associated risks should be established at an early stage so that an acceptable balance can be achieved. For LiquidLogic, resource limitations meant the level of staff engagement in the project was variable at times and data migration and testing processes were not clearly documented. Internal Audit understands that some residual data quality and system configuration issues are yet to be resolved but arrangements are in place to manage these.

The design of system access and security controls are sound, although testing of the operation of these controls was not possible at the time of the audit as reporting functionalities are not yet operational.

Based on these findings, the framework of controls currently in place provides **Sufficient Assurance** that the identified risks have been appropriately mitigated. Detailed findings are set out in section 2. The assurance opinion is based upon testing of the design of controls to manage the identified risks and testing to confirm the extent of compliance with those controls, as summarised in Table 1 below.

Internal audit assurance opinion	Direction of travel				
Sufficient Assurance	N/A				
Risk	Design	Comply	Recommendations		
			H	M	L
Risk 1 - Weak or ineffective project management and system implementation arrangements.	Substantial	Sufficient	0	1	0
Risk 2 - Weak or ineffective access controls, security arrangements and audit trails.	Substantial	Limited	0	0	1
Total number of recommendations			0	1	1

Appendix C: Internal Audit reports finalised since last Committee Meeting – Executive Summaries

LIMITED ASSURANCE REPORTS – FOLLOW UP 2016/17

OAKHAM ENTERPRISE PARK

Oakham Enterprise Park	Original report issued: January 2016	HIGH Priority Recommendations		MEDIUM Priority Recommendations		LOW Priority Recommendations	
		Made	Actioned	Made	Actioned	Made	Actioned
		4	3	0	0	5	5

Key Actions Taken:

The ongoing work with Property Services and Finance to formalise a consistent approach across the property estate is progressing well. A Commercial Lettings Policy has been designed, as well as procedure notes, process maps, a tenant's handbook, a legal instructions internal memorandum and a new application form. The documents are in draft, but generally officers have started to align their procedures with these. In order to monitor interest and ensure that the applicant's selection process is fair, a commercial lettings waiting list has now been designed and any interest in a particular OEP unit is recorded on the waiting list.

In order to seek assurance that tenant checks are being performed and leases are being correctly administered, Internal Audit reviewed a sample of ten leases that commenced since 1st April 2016. Testing highlighted the following:

- All ten cases in the sample had signed and sealed lease agreements covering rent reviews for the rental period;
- All leases had been subject to an independent review by the estates surveyor and were approved prior to signing;
- All leases were accompanied by a Statutory Declaration that was signed by the tenant giving the landlord automatic possession at the end of the lease;
- A Rent Bond or Deposit Deed was received in all cases where a rent deposit was required;
- Heads of Terms were emailed to the tenant as there was no formal Head of Terms document yet in place - the need for this is being considered;
- One tenant had not completed an application form for the renewal of an existing lease commencing in April 2016. Officers have advised that this was before new controls were fully embedded and all leases, including renewals, now require an application form;
- Evidence of tenant identification checks was not available for 30% of the sample (20% related to existing tenants and the remaining case related to a large international company). Officers have advised that new procedures should now be in place to require existing tenants to provide identification if this has not been previously supplied;
- References were not obtained for four tenants in the sample. Two cases were existing tenants, therefore no references were requested. No reference could be found for one case and lastly the decision was made not to obtain a reference for one lease commencing in June 2016 because it was considered a reputable business. Officers have advised that procedures have since been strengthened to ensure a reference is obtained in all cases; and,
- Credit checks were carried out for all leases in the sample over £5,000 as per the Council's

Appendix C: Internal Audit reports finalised since last Committee Meeting – Executive Summaries

Commercial Lettings Policy.

Officers have confirmed that cash is no longer accepted at the OEP office site. Tenants are required to pay via BACS/standing order or cheque. Other income such as eBay sales is processed via BACS or cash payments made at the Catmose customer service desk.

Open Actions:

- Pre tenancy checks should be carried out on all prospective tenants including existing tenants applying for extra storage space or extending their lease at the OEP (*partially completed*).

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Appendix D: Implementation of Audit Recommendations

	‘High’ priority recommendations		‘Medium’ priority recommendations		‘Low’ priority recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total
Actions due and implemented since last Committee meeting	0	0%	6	67%	5	71%	11	65%
Actions due within last 3 months, but <u>not implemented</u>	1	100%	1	11%	1	14%	3	18%
Actions due <u>over 3 months</u> ago, but <u>not implemented</u>	0	0%	2	22%	1	14%	3	18%
Totals	1	100%	9	100%	7	100%	17	100%

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Appendix E: 'High' and 'Medium' Priority actions overdue for more than three months

Audit Title and Year	Service Area	Outstanding Action	Status Update	Officer Responsible	Original Date	Revised Date (if provided)
Medium Priority						
Disaster Recovery & Business Continuity 2013-14	Resources	Head of Business Support to ensure, in conjunction with the Director of Places (Development & Economy), that the ICT Disaster Recovery Plan is finalised, approved, cascaded and tested.	Work in progress – details of actions included in Strategic Risk Register	Head of IT	March 2015	28 th March 2017
R- External Placements (Care Packages) 2015-16	People	Prepare project plan for development of commissioning strategy.	Work in progress (this action will be followed up during the External Placements follow up audit in February 2017)	Head of Commissioning	September 2016	February 2017 – Internal Audit follow up

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Appendix F: Customer Satisfaction Statistics

At the completion of each assignment, the Auditor issues a Customer Satisfaction Questionnaire to each client with whom there was a significant engagement during the assignment. The Head of Service and the Line Manager receive a CSQ for all assignments within their areas of responsibility. The standard CSQ asks for the client's opinion of four key aspects of the assignment. The four responses received in the year to date are set out below.

Aspects of Audit Assignments	N/A	Outstanding	Good	Satisfactory	Poor
Design of Assignment	0	1	2	1	0
Communication during Assignments	0	2	2	0	0
Quality of Reporting	0	2	2	0	0
Quality of Recommendations	0	2	1	1	0
Total	0	7	7	2	0

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Appendix G: Limitations and Responsibilities

Limitations inherent to the internal auditor's work

The consortium is undertaking a programme of work agreed by the Council's senior managers and approved by the Audit & Risk Committee subject to the limitations outlined below.

Opinion

Each audit assignment undertaken addresses the control objectives agreed with the relevant, responsible managers.

There might be weaknesses in the system of internal control that the consortium are not aware of because they did not form part of the programme of work; were excluded from the scope of individual internal assignments; or were not brought to the consortium's attention. As a consequence, the Audit & Risk Committee should be aware that the audit opinion for each assignment might have differed if the scope of individual assignments was extended or other relevant matters were brought to the consortium's attention.

Internal control

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making; human error; control processes being deliberately circumvented by employees and others; management overriding controls; and unforeseeable circumstances.

Future periods

The assessment of each audit area is relevant to the time that the audit was completed in. In other words, it is a snapshot of the control environment at that time. This evaluation of effectiveness may not be relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- the degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management; internal control and governance; and for the prevention or detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

The consortium endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.

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AUDIT AND RISK COMMITTEE

31 January 2017

INTERNAL AUDIT PLANNING 2017/18

Report of the Head of Internal Audit

Strategic Aim:	All		
Exempt Information		No	
Cabinet Member(s) Responsible:		Councillor Oliver Hemsley – Portfolio Holder for Resources	
Contact Officer(s):	Rachel Ashley-Caunt, Head of Internal Audit	Tel: 07824 537900 rashley-caunt@rutland.gcsx.gov.uk	
Ward Councillors	N/A		

DECISION RECOMMENDATIONS

1. That Members note the process being followed to develop the risk based Audit Plan for 2017/18.
2. That Members note the initial areas highlighted for potential coverage in the Internal Audit Plan 2017/18 and advise on any areas where the committee seeks assurance from the Internal Audit team during the year ahead.
3. That the Committee delegates authority to the Assistant Director (Finance) in consultation with the Chair of the Committee to approve the initial audit plan for 2017/18.

1 PURPOSE OF THE REPORT

- 1.1 The report advises Members on the process being followed to develop the Internal Audit Plan for 2017/18 and lists the initial areas proposed for consideration subject to risk assessment and prioritisation. Members are also invited to highlight any areas where they require assurance from the Internal Audit team during the next financial year.
- 1.2 The report asks that Members delegate authority to the Assistant Director (Finance) in consultation with the Chair of the Committee to approve the audit plan for 2017/18 prior to 1 April 2017. Changes to the audit plan can still be made throughout the year as the need arises.

2 BACKGROUND AND MAIN CONSIDERATIONS

2.1 Internal Audit Plan

The Internal Audit Plan sets out the assignments that will be delivered by the Internal Audit team during the financial year. In accordance with the Public Sector Internal Audit Standards (PSIAS), the Audit Plan should be risk based and developed with input from senior management and the Audit Committee.

2.2 In order to ensure that the Audit Plan for 2017/18 addresses the Council's key risks and adds value, the Head of Internal Audit is identifying and prioritising the areas for coverage by:

- Reviewing the Council's Risk Registers and Corporate Plan;
- Identifying any other sources of assurance for each of the Council's key risks, which may reduce the added value of an Internal Audit review;
- Analysing coverage of Internal Audit reviews over the last four years and the assurance opinions provided following each review, to identify any gaps or areas where follow up work would be of value;
- Identifying any areas of the Audit Universe which have not been subject to Internal Audit review during the last four years; and
- Meetings with Senior Management to discuss key risks and emerging risk areas for the year ahead and also any areas where Internal Audit support would be beneficial either in an assurance or consultancy role.

2.3 Following this process, a number of potential audit assignments have been identified and will be prioritised and refined based on risk and added value.

2.4 A list of areas highlighted during the planning process to date has been provided in Appendix A. Some further areas have been highlighted for potential coverage in 2017/18, including affordable housing, and these are being investigated further to identify the assurances that could be sought and the value that can be added by an Internal Audit review.

2.5 Members of the Audit and Risk Committee are invited to raise any areas where assurance from Internal Audit is sought during 2017/18 for inclusion and prioritisation in the development of the Audit Plan.

2.6 The Plan will remain open to ongoing review and amendment throughout the financial year to respond to any changes in risk and emerging issues.

3 CONSULTATION

3.1 The Council's senior management are being consulted on the contents of the Audit Plan for 2017/18 and this report provides an opportunity for consultation with the Audit and Risk Committee. No public consultation is required.

4 ALTERNATIVE OPTIONS

4.1 The Committee could contact the Head of Internal Audit directly following the meeting with any further areas of assurance which may arise before March 2017. The Committee could also choose to approve the audit plan at a later date rather

than give delegated authority.

5 FINANCIAL IMPLICATIONS

- 5.1 There are no financial implications arising from this report. The Audit Plan will be based upon the number of days commissioned by the Council on an annual basis.

6 LEGAL AND GOVERNANCE CONSIDERATIONS

- 6.1 The Audit and Risk Committee is responsible for oversight of the work of Internal Audit including approving the annual Audit Plan and satisfying itself that the plan provides assurance over the Council's control framework and key risks. It is also responsible for gaining assurance that internal audit is complying with internal audit standards.
- 6.2 There are no legal implications arising from this report

7 EQUALITY IMPACT ASSESSMENT

- 7.1 There are no equality implications

8 COMMUNITY SAFETY IMPLICATIONS

- 8.1 There are no community safety implications

9 HEALTH AND WELLBEING IMPLICATIONS

- 9.1 There are no health and wellbeing implications.

10 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

- 10.1 The Audit Plan for 2017/18 is being developed using a risk based approach, with input from senior management and the Audit and Risk Committee. The initial potential areas for coverage highlighted during the audit planning process to date will be refined and prioritised based on risk and value added. The Audit Plan will be presented again to the Committee in April 2017. The Plan will remain open to ongoing to review and amendment throughout the financial year to reflect and respond to changes in risks and emerging issues.

11 BACKGROUND PAPERS

- 11.1 There are no background papers to the report

12 APPENDICES

- 12.1 Appendix A: Initial areas identified during Audit Planning 2017/18 to date

Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.

Internal Audit Plan 2017/18 – Initial Areas Highlighted

Topic	Assurance provided and reason for inclusion
Corporate / Cross Cutting	
Business Continuity Management and Emergency Planning	<p>To provide assurance over the robustness and completeness of the Council's business continuity plans and the arrangements in place to fulfil the Council's duties as a Category 1 responder in the case of an incident in the local area.</p> <p>This is a key risk area for the Council and no independent sources of assurance have been provided for at least three years.</p>
Treasury Management	<p>To provide assurance that the Treasury Management function is conducted in line with statutory and regulatory requirements and best practice guidance so that investments are appropriately safeguarded and transactions and records are complete, accurate and timely.</p> <p>Last Internal Audit review in 2012/13 resulted in 'Good Assurance'.</p>
Contract Procedure Rules (CPR) compliance	To provide assurance over compliance with the Council's procurement rules across the organisation. To review a sample of procurements for evidence of compliance.
Agresso – Support and Training	To review the support and training provided for Agresso users across the Council, following the system upgrade in 2016/17.
Financial Systems	All financial systems to be subject to annual review.
Insurance	To provide assurance that controls are in place to ensure that the Council's insurance cover is set on time, at an appropriate level and is amended in reaction to any significant changes to activities.
'Limited' audits follow up	Where any audits completed in 2016/17 result in 'Limited' opinions, action plans will be agreed to resolve issues raised. This review will report on the updated status of those action plans.
Risk Management	To provide assurance over the Council's arrangements for effectively identifying, reporting, managing and monitoring risks. Public Sector Internal Audit Standards require Internal Audit to review the organisation's risk management on a regular basis, to inform the annual assurance opinion.
Procurement Cards	To provide assurance over the controls in place to prevent inappropriate, unauthorised or fraudulent use of credit cards issued to staff and to review the controls operating to monitor

Topic	Assurance provided and reason for inclusion
	expenditure and recover VAT.
Council Tax/ Business Rates – debt recovery	To provide assurance over the recovery of debts arising from Council Tax and Business Rates to ensure that income due is collected in full and in accordance with Council policies.
Deputyships and Court of Protection	Audit in 2014/15 resulted in Limited Assurance. To provide assurance over the embedding of controls implemented following the audit and the effectiveness of these in practice.
Counter Fraud	
Council Tax/NDR Fraud	To provide assurance over controls in place to prevent and detect Council Tax and NDR fraud, including pro-active measures and recovery. Area of ongoing fraud nationally, with Single Person Discount and NDR frauds being regularly reported.
Fraud Risk Register	To provide assurance over the management of the fraud risk register, including the identification and management of risks, and to review a sample of the risks identified to confirm that appropriate actions are being taken to mitigate risks and pro-actively prevent, detect and report attempted frauds.
Blue Badges	To provide assurance over controls in place to prevent and detect fraudulent abuse of blue badges. Area of ongoing fraud nationally.
Service Specific	
Safeguarding Children	To provide assurance over the implementation of the improvement plan arising from the OFSTED inspection – including specific review of areas including adoption.
Safer Recruitment	To provide assurance over the checks conducted on those working with vulnerable people (including children) on behalf of the Council, including in schools and nurseries.
Schools Formula Funding	To provide assurance over the appropriate and effective allocation of formula funding.
Direct Payments	To provide assurance over the controls exercised in the administration and monitoring of direct payments. To ensure that use of these monies is meeting the needs of the service user and is not subject to mis-use or non-compliance with terms and conditions.
Special Educational Needs (SEN)	To provide consultancy support in the review of SEN arrangements and identifying any areas for improvement to support the requirements of the Children and Families Act.
Registration	To provide assurance over the management of the registration service, including controls over the register of

Topic	Assurance provided and reason for inclusion
Services	<p>births, deaths and marriages, associated fraud risks, collection of income and compliance with legislation and good practice.</p> <p>No Internal Audit review has been conducted in this area.</p>
Waste Contract	<p>To review the management of the £1 million contract and provide assurance that this is being managed effectively to maximise value for money, monitor and challenge performance and ensure payments are in accordance with the contractual agreements.</p>
Concessionary Fares	<p>This mandatory bus concession provides free off-peak local bus travel to eligible older and disabled people. The Council is responsible for administering the scheme within the county and is required to reimburse bus operators for carrying concessionary passengers.</p> <p>To provide assurance that the concessionary fares claims from bus operators are correctly calculated and verified, given reliance placed on the quality of the data being collected by the bus operators.</p>
Highways Winter Maintenance Programme	<p>To provide assurance over the Council's compliance with the Code of Practice for Well Maintained Highways. Not currently subject to independent review and assurance.</p>
Castle Restoration	<p>Post implementation review of project. To provide assurance over the effective management of the project and whether the outcomes are consistent with the business case.</p>
Public Protection Services SLA	<p>The review the current service level agreement in place for services including licensing, environmental health etc. with Peterborough City Council. This is due to be reviewed in April 2016.</p> <p>To provide some assurance over the arrangement at a high level and review a sample of the services in further depth to confirm appropriate controls and risk management are in place</p>
Land Charges	<p>To provide assurance over arrangements to review fees and charges and to ensure maximise efficient and effective delivery of the service.</p>
IT	
IT Policies and Procedures	<p>To review new and revised IT policies to ensure all key policies are in place, fit for purpose, communicated and compliant with good practice.</p>