



**RUTLAND COUNTY COUNCIL**  
**INTERNAL AUDIT UPDATE**  
**JANUARY 2017**

**Date:** 31<sup>st</sup> 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
<b>Financial Risks</b>										
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
<b>Service Delivery Risks</b>										

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.
<b>IT</b>										
Asset Management	12	9.44						●	Sufficient	
Policies and Procedures	10	0		●						
<b>Schools</b> Financial Value Standard Assessments	-	5						●		
Client Support (Committee support, training, client liaison)	33	17.29								
Consortium Management	34	11.00								
<b>TOTAL</b>	<b>370</b>	<b>212.27</b>								

## 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.

<b>Substantial</b>	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.
<b>Sufficient</b>	The control framework is basically sound but either <ul style="list-style-type: none"><li>• there are minor gaps or weaknesses which mean that some risks are not fully managed or mitigated; or</li><li>• testing provides evidence of non-compliance sufficient to weaken the effect of some controls.</li></ul>
<b>Limited</b>	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
<b>No</b>	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.