



RUTLAND COUNTY COUNCIL
INTERNAL AUDIT UPDATE
JANUARY 2014

Date: 21st January 2014.

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 2013/14 Annual Audit Plan and undertake other work on behalf of the client.
- 1.2 The Public Sector Internal Audit Standards (the Standards) require the Audit & 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 we deliver the Audit Plan?

Yes. The Head of Consortium provided the Welland Board, at its last meeting, with a work plan for the final quarter of 2013/14 which demonstrated that the resources are in place to deliver the remainder of the Plan by the end of the financial year. Each remaining assignment has been allocated to a specific Auditor or audit contractor. The agreed scheduling is shown in Appendix 2 and it is intended that Discussion Drafts will have been issued for all assignments by 31st March. This will represent a significant improvement on the position at the end of 2012/13.

The most recent performance reports, for the year to 3rd January 2014 (week 40) show that the Council has received 80% of its commissioned days. Remaining days are sufficient to complete the remaining assignments.

2.2 Are we delivering to budget?

There have been some overruns on individual assignments. It was recognised, and reported to the last meeting of the Committee (report 218/2013) that assignments would take longer than originally planned. This is because Audit Managers have been spending more time in coaching and providing direct support to the Auditors to ensure that they understand the new way of working and can provide a quality service to clients. The Committee approved modifications to the Plan to reduce the number of assignments required and the Head of Consortium has worked with client officers, and particularly with the Assistant Director (s151 Officer) to ensure that those assignments were scoped so that they were deliverable within budget but provided the range of assurance necessary to support an Audit Opinion in the Annual Report of Internal Audit. Appendix 2 provides a detailed analysis of actual time spent on assignments to date.

2.3 Are we delivering on time?

There have been delays in completing individual assignments. This is because the Head of Consortium was committed to work needed to implement the Improvement Plan and was not available to review Auditors work on a timely basis. Time spent on

training and coaching also meant that it took Auditors longer than originally planned to complete the fieldwork element of assignments. Report 7/2014 demonstrates that the work required of the Head of Consortium to deliver the Improvement Plan is substantially complete and will not impact further on his availability to review work and approve the issue of audit reports.

2.4 Is productivity satisfactory?

The most recent information available (week 40) demonstrates that the Consortium is meeting its target of spending 90% of time on chargeable activities.

2.5 Are we satisfying customers?

Customer Satisfaction Questionnaires are only issued after the completion of audit assignments. It is therefore too soon to have any hard evidence about clients' satisfaction with the new working arrangements. Feedback obtained informally suggests that auditees find that the new approach causes less impact on their own delivery of service and that auditees appreciate the opportunity to ensure that Auditors focus on matters that are of concern to them. One auditee commented that the new style methodology had raised issues for consideration that had not been identified in previous reviews by both internal and external audit.

2.6. Are there any emerging issues from audit work that impact on the Council's Control Framework?

Executive Reports issued in respect of Payroll; Treasury Management; and Adult Mental Health have raised no significant issues of concern. The Executive Report in respect of Blue Badges flagged up a corporate issue relating to the use and retention of personal data: the issue has been discussed with the Head of Governance and work is in hand to ensure that corporate arrangements for Data Protection meet fully the current statutory and regulatory requirements.

Discussion Drafts in respect of Council Tax Fraud and Taxi Licensing have raised no significant issues to date and there are no issues arising from other assignments in progress.

2.7 How are Audit Recommendations being progressed?

Outstanding Audit Recommendations now form part of the Quarterly Performance Report considered by Cabinet. There are currently eight outstanding recommendations arising from old style audits. None relate to matters of material concern, being best characterised as housekeeping issues. New working practices are designed to produce fewer but more material recommendations and new arrangements are being developed to involve Directors in promotion of timely implementation.

2.8 Other Matters

The Consortium has now substantially implemented the Improvement Plan adopted in response to the RSM Tenon review: it remains only to commission software changes so that report templates reflect the new ways of working and reporting.

Changes will be implemented as part of the next scheduled system upgrade, early in 2014/15, to avoid unnecessary costs. Full details on the Plan's implementation are set out in report number 7/2014.

Consultation on the Internal Audit Plan for 2014/15 has begun. One to one meetings are being held with Heads of Service as an initial stage in the identification of the risks about which assurance will be required in the coming year. The Committee will receive a draft Internal Audit Plan for approval in April but Members are invited to indicate whether there are any changes that they would wish to see in terms of the allocation of resources between different types of risk (currently categorised as Financial; Fraud; Governance & Performance; IT; or Service Delivery) or whether there are specific issues about which assurance would be valued. Any guidance received will be reflected in the draft Plan.

One of the Consortium's Auditors resigned in November 2013 to take up employment in the private sector. The Welland Board agreed to a cost-neutral proposal to use salary savings and recovered training expenses to employ an experienced audit contractor until the end of the financial year. One reason for the proposal was to allow time to evaluate whether the Consortium's current staffing structure remains appropriate to the new working arrangements.

Appendix 1: Limitations and Responsibilities

Limitations inherent to the internal auditor's work

The Consortium has prepared the Annual Report of Internal Audit and undertaken a programme of work agreed by the Council's senior managers and approved by the Audit and Risk Committee subject to the limitations outlined below.

Opinion

The Opinion is based, primarily, on work undertaken as part of the agreed 2012/13 Audit Plan. Each audit assignment undertaken addressed the control objectives agreed with the relevant, responsible managers.

There might be weaknesses in the system of internal control that we are not aware of because they did not form part of our programme of work; were excluded from the scope of individual internal assignments; or were not brought to our attention. As a consequence, the Audit and Risk Committee should be aware that the Opinion might have differed if our programme of work, or the scope of individual assignments was extended or other relevant matters were brought to our attention

Internal Control

Internal control systems, 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

Our assessment of the Council's control framework is for the year ended 31st March 2013. This historic 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 our work should not be relied upon to disclose all fraud or other irregularities that might exist.

Appendix 2: Progressing the Annual Audit Plan

Key

Current status of assignments is shown by ●

Status at the date of the last Committee is shown by □

Assignment	Budget	Actual	Start Date	Planning	Field Work Started	Field Work Complete	Discussion Draft	Executive Report	Assurance Rating	Comments
Financial Risks	71									
Capital Budgets	8		Jan							
Community Care Finance	3		March							
Creditors	12	1	□		●					
Debtors	5		March							
Main Accounting System	8		Feb							
New Benefit Arrangements	10		Jan							
New Local Tax Arrangements	10		Jan							
Payroll	10	15	□					●	Substantial	Over Assurance
Treasury Management	5	8	□					●	Substantial	Auditor Training
Fraud Risks	42									
Council Tax Fraud	7	15				□	●		Substantial	Auditor Training
Procurement Fraud	12		Feb							
Managing NFI	20	23				□	●		N/A	Consultancy Exercise
Fraud Awareness Training	3		□	●						
Governance & Performance Risks	20									
Contracts & Contract Procedural Rules	10		March							
Human Resources	5		Feb							
Managing Absence	5		Feb							

