



RUTLAND COUNTY COUNCIL  
INTERNAL AUDIT UPDATE  
APRIL 2014

Date: 8<sup>th</sup> April 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?**

Sickness absence has required some changes to the delivery plan and the commissioning of additional support from audit contractors. Three assignments allocated to contractors (Contracts & Contract Procedure Rules; ICT Projects and Procurement Fraud) will not reach the Discussion Draft stage by 31<sup>st</sup> March but will be completed by the end of April: use of contractors, paid from the Consortium's reserve means that the delays in those assignments will not impact on delivery of the 2014/15 Audit Plan. At the date of reporting, the bulk of planned assignments being delivered by the Consortium's own auditors are at or beyond Discussion Draft stage and it is anticipated that all will reach that stage by or within a few days of 31<sup>st</sup> March. Appendix 2 shows anticipated progress on the Plan as at 31<sup>st</sup> March: an update to Appendix 2 will be tabled at the meeting.

There have been two adjustments to the Plan since the last meeting of the Committee. The audit of Reablement has been deferred to allow the auditees to prepare for the People Directorate Review: the deferral of this assignment allowed the Consortium to deliver an unplanned assignment – provision of certification necessary in respect of the £2.8 million of grant funding relating to Transport4Rutland works. In addition, responsibility for counter-fraud training has been transferred to Head of Governance.

The most recent performance reports, for the year to 28<sup>th</sup> February 2014 (week 48) show that the Council has received 93% of its commissioned days: this includes time spent on the completion of the 2012/13 Plan; on the Improvement Plan; and on other work to support clients and this Committee. The Consortium has made provision to deliver sufficient additional days to deliver all commissioned assignments by making use of various budget savings to buy in audit contractors; by cutting out various non-chargeable work and through more direct and effective management of Auditor's time. In total the Council will receive about 50 days more than it commissioned, but there will be no additional cost to the Council because procurement was cost neutral.

## **2.2 Are we delivering to budget?**

There have been some overruns on individual assignments. Assignments using the new way of working developed this year have taken longer than originally planned for example Treasury Management and Payroll. 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.

Appendix 2 provides a detailed analysis of actual time spent on assignments to date and shows how time has been spent on the completion of the previous year's work and other unplanned work.

## **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 on 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. The delivery of the bulk of the Plan by the 31<sup>st</sup> March represents more timely delivery than has been achieved in previous years.

## **2.4 Is productivity satisfactory?**

The most recent information available (week 48) demonstrates that the Consortium is meeting its target of spending 90% of time on chargeable activities. This is the target set for productivity.

## **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 more than limited objective evidence about clients' satisfaction with the new working arrangements. However, the CSQs received so far have rated our performance as Good. In addition, feedback obtained both in the CSQs and informally, indicates that auditees find the new way of working clearer and less time consuming than in previous years. 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; another that reports were clearer and better focussed.

To ensure that the reports issued are fair, accurate and meet client expectations, we have adopted robust processes for quality assurance and client sign-off.

- The managers subject to audit are given an opportunity to satisfy themselves that a Discussion Draft accurately represents the facts and provides a fair assessment of the control framework;
- Draft Reports go to Heads of Service, and then to Directors so that any issues arising can be addressed. In the case of reports containing contentious issues Directors may consult with the Chief Executive and/or Members.

- The Director signs-off a Final Report which is shared with the Chief Executive, the Section 151 Officer and Members

No report is published prior to formal sign-off by the responsible Director or their nominees.

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

Executive Reports issued in respect of Adult Mental Health, Blue Badges, Council Tax Fraud, Investments, HR Procedures, Payroll and Taxi Licensing raised no significant issues of concern about the Control Framework. The Blue Badge audit identified issues around the retention of personal data which is being addressed by management; the audit of Taxi Licensing raised issues around the exercise of discretion which have been addressed.

Copies of those Executive Reports cleared for release by the client Director since the last meeting of the Committee have been provided as Appendix B to the cover report. The Appendix contains reports on Blue Badges, Council Tax Fraud, HR Procedures, Investments and Taxi Licensing.

Discussion Drafts in respect of Benefits, Creditors, Debtors, Food Hygiene, Licensing, Main Accounting System and Managing Absence have raised no significant issues to date.

## **2.7 How are Audit Recommendations being progressed?**

Outstanding Audit Recommendations now form part of the Quarterly Performance Report considered by Informal Cabinet. There are currently seven 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. There are currently five outstanding recommendations arising from new style audits – none of which are overdue.

## **2.8 Other Matters**

The Consortium has now substantially completed the actions set out the Improvement Plan adopted in response to the RSM Tenon review: it remains only for the Consortium to:

- agree with the Welland Board the way in which future Quality Assurance Assessments are to be undertaken; and
- 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.

The Board is now working to satisfy itself that the actions taken by the Consortium have delivered the desired outcomes.

Interviews for the vacant Audit Manager post take place on 28<sup>th</sup> March: two highly qualified candidates have applied for the post and it should be possible to update Members on the outcome of the recruitment exercise at the meeting.

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## ***Appendix 1: Limitations and Responsibilities***

### ***Limitations inherent to the internal auditor's work***

The Consortium is required to produce an Annual Report of Internal Audit based on 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***

The Opinion is based, primarily, on work undertaken as part of the agreed 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 & Risk Committee should be aware that the Opinion delivered at the end of each year might differ 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 backward looking for the year ending 31<sup>st</sup> March. 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

Anticipated Position as at 31<sup>st</sup> March 2014.

### Key

Current status of assignments is shown by ●

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

Assignment	Budget	Actual	Not Started	Planning	Field Work Started	Field Work Complete	Discussion Draft	Draft Executive Report Issued	Final Report Issued	Assurance Rating	Director Authorising Report Publication
<b>Financial Risks</b>	<b>71</b>	<b>58</b>									
Capital Budgets	8	4	□				●				
Community Care Finance	3	1	□				●				
Creditors	12	13			□		●				
Debtors	5	4	□				●				
Main Accounting System	8	5	□				●				
New Benefit Arrangements	10	4	□				●				
New Local Tax Arrangements	10	4	□			●					
Payroll	10	15						□	●	Substantial	AD - Finance
Investments	5	8						□	●	Substantial	Director of Resources
<b>Fraud Risks</b>	<b>39</b>	<b>39</b>									
Council Tax Fraud	7	15					□		●	Substantial	Director of Resources
Procurement Fraud	12	0	□		●						
Managing NFI	20	24					□		●	N/A – See Note 1 Below	
<b>Governance &amp; Performance Risks</b>	<b>20</b>	<b>3</b>									
Contracts & Contract Procedural Rules	10	0	□		●						
Human Resources	5	2	□						●	Substantial	Director of Resources
Managing Absence	5	1	□					●			

Assignment	Budget	Actual	Not Started	Planning	Field Work Started	Field Work Complete	Discussion Draft	Draft Executive Report Issued	Final Report Issued	Assurance Rating	Director Authorising Report Publication
IT Risks	25	3									
Disaster Recovery	8	1		□	●						
IT Service Desk	9	1		□	●						
New Projects	8	1		□	●						
Service Delivery Risks	34	50									
Adult Mental Health	6	7						□ ●		Sufficient	
Blue Badges	5	10						□	●	Limited	Chief Executive
Food Hygiene	7	7			□		●				
Licensing Services	7	6			□		●				
Nurseries	4	10			□				●	N/A – See Note 2 Below	
Taxi Licensing	5	10					□		●	Limited	Director for Places
Unplanned Work	181	190									
Transport4Rutland Grant Certificate		0							●	N/A – See Note 3 Below	
Completion of 2012/13 work		85									
Advice & Assistance		16									
Recommendation Follow Up		9									
Committee Work		17									
Meetings with Clients		7									
Improvement Plan		56									
<b>TOTAL</b>	<b>370</b>	<b>343</b>									

**Notes.**

1. Managing NFI was a consultancy exercise undertaken to support responsible managers in the investigation of “matches” generated by the annual NFI exercise to determine whether they provided any evidence of fraud. The exercise identified no evidence of non-benefit fraud. The investigation of benefit matches led to one interview under caution.
2. The Nurseries assignment was undertaken to provide the Head of Service –Lifelong Learning with information about the quality of records maintained by nurseries receiving grant funding. The external focus of the assignment means that it is inappropriate to issue any assurance rating.
3. The provision of the grant certificate by the CAE was a necessary condition to obtain the grant funding. No report was issued.