



RUTLAND COUNTY COUNCIL

INTERNAL AUDIT UPDATE

APRIL 2015

Date: 07 April 2015

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 2014/15 annual audit plan and undertake other work commissioned.
- 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 we deliver the Audit Plan?

LGSS has been given the objective of delivering at least 90% of the internal audit plan for 2014/15 by the end of March 2015. At the time of reporting 87% of the audit plan has been completed to at least draft report stage and it is expected that the target of 90% will be achieved.

At the date of writing, sixteen final reports have been issued; four assignments are at draft report stage; and work is in progress on a further three assignments. Progress on individual assignments is shown in Appendix 2.

2.2 Are we delivering to budget (in terms of days)?

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. Explanations for any budget overruns are provided in Appendix 2.

2.3 Are we delivering on time?

Fieldwork has been completed for nine audits and commenced for two audits since the previous report and all assignments are on track to be finalised within the overall timescales reported to the Welland Internal Audit Board.

2.4 Is productivity satisfactory?

The most recent information available (week 49) shows that the Internal Audit team are spending 85% of time on chargeable activities against a target of 90%. Time spent on non-chargeable activities has been higher than anticipated due to the implementation of a new software system and induction of new staff during the year. This figure also excludes the productivity of contractors, who are only paid for chargeable work.

2.5 **Are we satisfying customers?**

Customer satisfaction questionnaires are issued on completion of audits. At the time of reporting, eight questionnaires had been returned with scores of 'good' or 'outstanding' across all aspects of the audit. See Appendix 3 for further details.

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

Since the last Committee meeting the following audit reports have been finalised:

- **Local Taxes (Substantial Assurance)**

The audit review provided assurance that staff in the Revenues and Benefits team are highly experienced and have a thorough understanding of the systems, policies and procedures for managing the collection of local taxes. There is a comprehensive set of procedure notes for key aspects of the system and an effective range of controls to minimise the risk of fraud and error, including appropriate separation of duties where necessary. It was highlighted that arrangements could be strengthened further by improving system access controls and providing better documentary evidence for some aspects of the control framework.

Actions have been put in place to ensure evidence of user access approval to the Civica system is retained, Revenues and Benefits are notified of leavers in a timely manner and password configurations for Civica are changed to be in line with the Council's ICT Security Policy.

- **Early Years Performance Management & Funding (Sufficient Assurance)**

The governance arrangements for the Early Years Service were reviewed and found to be well designed. It was confirmed that there are appropriate mechanisms in place to review and monitor the performance of the service.

The audit report highlighted that controls over the accuracy and timeliness of funding claims and payments for two, three and four year old children could be improved. During sample testing, Internal Audit identified errors resulting in overpayments totalling circa £12.8K in the Autumn 2014/15 claim. The majority of these inaccuracies were caused by human error and were subsequently detected by Rutland County Council (RCC) but as the payments had already been processed, this required additional time and resource to resolve. These overpayments have been recovered.

It has also been agreed to perform spot checks on nursery settings to enable RCC to identify and rectify areas of concern, ensure accuracy and encourage providers to be extra diligent when submitting claims. Internal Audit reviewed the Autumn 2014/15 claim at five early years settings and found instances where a child's date of birth had not been evidenced, parent declaration forms had not been completed and the eligibility of two year olds receiving funding had not been appropriately evidenced on application .

- **Nursery Provision** (Sufficient Assurance)

This review focused on the adequacy of governance arrangements for schools with nursery settings. Internal Audit found that although the Council no longer has direct responsibility for ensuring schools and settings comply with safeguarding requirements, it has developed an appropriate framework of support to help schools and other early years providers ensure proper standards are in place.

For the five nurseries operating on school sites, local arrangements have been established for recharging costs and there was evidence of appropriate operational policies and procedures in some cases. However, financial and governance arrangements are not currently formalised into legally enforceable contracts or agreements. Management has agreed to ensure that any schools with early years settings on site draw up a formal contract.

- **Data Management** (Sufficient Assurance)

The audit confirmed that aspects of the Council's arrangements for data and information governance are in the early stages of development. Consequently, the audit focused on the basic systems and procedures in place for ensuring compliance with key aspects of the legislation (Freedom of Information (FOI) and Data Protection).

The report confirmed clear operating procedures have been developed and supported by a number of standard forms and templates. There is also evidence of senior officer commitment within the Council and various training and awareness initiatives are in place, however the quality of record keeping required improvement in some areas. Actions have also been put in place to update the Data Protection Policy, strengthen the process for Subject Access requests (SAR) and to retain evidence all FOI response reviews conducted by the Head of Corporate Governance.

2.7 **Are clients progressing audit recommendations with appropriate urgency?**

Outstanding audit recommendations now form part of the Quarterly Performance Report considered by Informal Cabinet.

At the date of reporting, there are 28 outstanding recommendations and nine of these are overdue for implementation. Three of the overdue recommendations are classified as high priority; however Internal Audit has been provided with assurance that work is in progress in all cases.

- A review of the Agresso system identified that Managers should be required to periodically review user access rights. The Performance and Application Support Team is assessing outstanding work and developing a plan for this to be completed, following staff leaving the Application Support team.

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- A review of safe driving at work required management to develop a process to ensure that driver and vehicle documentation is examined, and records retained, prior to authorisation being granted for new employees to drive their own vehicles whilst at work. Draft procedures are being finalised following input from the Health and Safety Advisor and will be completed by 25th March.
- An action regarding the development of arrangements to involve ICT in new projects has been raised. This is being progressed as part of a wider review of policies, procedures and system management that is being undertaken by the Interim Head of ICT. The recent change in Interim Head of IT has delayed this work. The aim is to complete the review of this documentation by the end of April.

Appendix 1: 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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Appendix 2: Progressing the annual audit plan

KEY

Current status of assignments is shown by 

Assignment	Budget	Actual	Not Started	Planning	Field Work Started	Field Work Complete	Draft Report	Executive Report	Assurance Rating	Comments
Financial Risks										
Community Care Finance – Court of Protection & Deputyship	15	15						●	Limited	Final
Community Care Finance – Assessment Arrangements and Fairer Charging Policy	10	16.1						●	Sufficient	Due to change in audit personnel, additional substantive testing was required.
Benefits	15	6.3				●				
Local Taxes	15	14.2						●	Substantial	Final
Payroll	10	15.5						●	Sufficient	Scope of audit extended and additional testing undertaken following identification of an error in the initial sample.
Creditors	10	13.2						●		Further clarification needed on a number of controls, which required additional time.

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Assignment	Budget	Actual	Not Started	Planning	Field Work Started	Field Work Complete	Draft Report	Executive Report	Assurance Rating	Comments
Debtors	10	7.1					●			
Agresso	20	20.3						●	Limited	Final
ICT Risks										
ICT Asset Management	15	1.1			●					
Service Desk & Change Management	15	12.5					●			
Fraud Risks										
Recruitment and Payroll Fraud	15	13.3						●	Sufficient	Final
NDR Fraud	15	10.9						●	Sufficient	Final
Money Laundering Policy	5	4						●	Consultancy	Complete
Governance & Performance Risks										
Data Management	25	14.8						●	Sufficient	Final
Safe Driving at Work	10	9.2						●	Limited	Final
Contract Management	25	20.3						●	Sufficient	Final
Service Delivery Risks										
Housing Options	10	9.9						●	Substantial	Final
Home to School	10	14.1						●	Sufficient	Additional time

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Assignment	Budget	Actual	Not Started	Planning	Field Work Started	Field Work Complete	Draft Report	Executive Report	Assurance Rating	Comments
Transport										required to request evidence from providers and conduct further testing.
Early Years Funding	20	15.4						●	Sufficient	Final
Nursery Provision	15	13.1						●	Sufficient	Final
School Improvement Programmes	20	12.4					●			
School Admissions Service	10	9.9						●	Substantial	Final
Continuing Health Care Funding	10	0.8			●					
Unplanned Work										
Contingency	15	0								
Management, supervision, review and follow-up	30	24.4								
TOTAL	370	293.8								

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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.

Assurance ratings in the range Substantial or Sufficient indicate that an acceptable level of internal control has been identified.

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Appendix 3: Customer Satisfaction

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 8 responses received in the year to date are set out below.

Client Response/Assignment	No of areas rated as...				
	N/A	Outstanding	Good	Satisfactory	Poor
Community Care Finance - Court of Protection & Deputyship			4		
Community care finance - assessment arrangements and fairer charging policy		2	2		
NDR fraud		1	3		
Data management			4		
Contract management		1	3		
School admissions service		4			
Early years funding		3	1		
Local Taxes		3	1		
Total		14	18		
Aspects of Audit Assignments	Analysis of results by theme				
	N/A	Outstanding	Good	Satisfactory	Poor
Design of Assignment		2	6		
Communication during Assignments		4	4		
Quality of Reporting		3	5		
Quality of Recommendations		5	3		
Total		14	18		