



RUTLAND COUNTY COUNCIL
INTERNAL AUDIT UPDATE
SEPTEMBER 2014

Date: 23 September 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 2014/15 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 we deliver the Audit Plan?

The Welland Board set the consortium an interim target of delivering between 40% and 45% of planned assignments to at least discussion draft stage by the end of September. That was a challenging target, particularly in light of the need to complete outstanding 2013/14 assignments.

Following the retirement of the Head of Consortium the Welland Board has appointed Local Government Shared Services (LGSS) to manage the consortium on an interim basis until 31st March 2015. After an initial review of audit plans and resources, LGSS reported to the most recent board meeting a projection that approximately 36% of the plan would be delivered to discussion draft stage by 30th September.

Whilst this is slightly below the initial target, it is a significant improvement on the previous year (8%). LGSS has been given the objective of delivering at least 90% of the internal audit plans for 2014/15 by the end of March 2014. It is expected that this target will be achieved.

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

2.2 Are we delivering to budget?

At the date of reporting, one assignment had exceeded the allocated time budget. Explanations for any budget overruns are provided in Appendix 2.

2.3 Are we delivering on time?

Specific target completion dates have been set for five assignments so far. Some slippage has occurred for four of these assignments although they remain on track to be finalised within the overall timescales reported to the Board.

2.4 Is productivity satisfactory?

The most recent information available (week 20) shows that we are spending 87% of time on chargeable activities against a target of 90%.

2.5 Are we satisfying customers?

Customer satisfaction questionnaires are issued on completion of audits. At the time of writing this report one questionnaire had been returned with a score of 'good' across all aspects of the audit.

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

A separate report has been prepared on limited assurance audits finalised since the last committee. Our 2014/15 audit of *Safe Driving at Work* provided only limited assurance due to the lack of controls to ensure compliance with health and safety legislation. The report included four high priority and three medium priority recommendations.

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 11 outstanding recommendations and three of these are overdue for implementation. None of the overdue recommendations are classified as high priority and work is in progress in all cases.

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.

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	Discussion Draft	Executive Report	Assurance Rating	Comments
Financial Risks										
Community Care Finance – Court of Protection & Deputyship	15	7.4						●		No assurance rating specified as the report remains draft at the time of writing.
Community Care Finance – Assessment Arrangements and Fairer Charging Policy	10	2.3			●					
Benefits	15	0	●							
Local Taxes	15	0	●							
Payroll	10	12.9					●			Scope of audit extended and additional testing following identification of an error in the initial sample.
Creditors	10	0	●							
Debtors	10	0	●							

Assignment	Budget	Actual	Not Started	Planning	Field Work Started	Field Work Complete	Discussion Draft	Executive Report	Assurance Rating	Comments
Agresso	20	17.5					●			
ICT Risks										
Corporate ICT	45	0	●							
Fraud Risks										
Recruitment and Payroll Fraud	15	13.2						●	Sufficient	Final
NDR Fraud	15	5.4				●				
Governance & Performance Risks										
Data Management	25	0	●							
Safe Driving at Work	10	9						●	Limited	Final
Contract Management	25	0	●							
Service Delivery Risks										
Housing Options	10	1.6			●					
Home to School Transport	10	3.7			●					
Early Years Funding	20	0.1	●							
Nursery Provision	15	1,7			●					

Assignment	Budget	Actual	Not Started	Planning	Field Work Started	Field Work Complete	Discussion Draft	Executive Report	Assurance Rating	Comments
School Improvement Programmes	20	0.1	●							
School Admissions Service	10	8.1					●			
Community Infrastructure Levy	5	0	●							
Continuing Health Care Funding	5	0	●							
Carer Support Arrangements	5	0	●							
Unplanned Work										
Management, supervision, review and follow-up	30	11.2								
TOTAL	370	94.2								

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.