

Report 20/2015

Appendix A



RUTLAND COUNTY COUNCIL
INTERNAL AUDIT UPDATE
JANUARY 2015

Date: 20 January 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 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?

LGSS has been given the objective of delivering at least 90% of the internal audit plans for 2014/15 by the end of March 2015. It is expected that this target will be achieved.

At the date of writing, the plan is 57% completed to draft stage: twelve final reports have been issued; one assignment is at draft report stage; and work is in progress on a further three assignments. Fieldwork will be undertaken on the remaining seven audits in the final quarter. Progress on individual assignments is shown in Appendix 2.

2.2 Are we delivering to budget?

Internal audit is on target to deliver the audit plan within the 370 days budget. 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 commenced on four audits since the previous report and all assignments are 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 83% of time on chargeable activities against a target of 90%. Productivity has fallen slightly this quarter due to the implementation of the upgraded internal audit software (Galileo).

2.5 Are we satisfying customers?

Customer satisfaction questionnaires are issued on completion of audits. At the time of reporting, three questionnaires had been returned with scores of 'good' or 'outstanding' 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 Audit and Risk Committee meeting. The audits of the *Agresso system* and *Client Finances – Deputyships and Court of Protection* have received limited assurance opinions during this period. Management actions have been agreed to address all of the findings and implementation of these actions will be monitored by Internal Audit.

2.7 Are clients progressing audit recommendations with appropriate urgency?

Outstanding audit recommendations now form part of the Quarterly Performance Report.

At the date of reporting, there are 27 outstanding recommendations and seven of these are overdue for implementation. None of these are classified as high priority based on work completed to date. Internal Audit has been provided with assurance that 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	Draft Report	Final 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	15.9						Sufficient	Due to change in audit personnel, additional substantive testing was required.
Benefits	15	0							
Local Taxes	15	0							
Payroll	10	15.5						Sufficient	Scope of audit extended and additional testing undertaken following identification of an error in initial sample.

Assignment	Budget	Actual	Not Started	Planning	Field Work Started	Draft Report	Final Report	Assurance Rating	Comments
Creditors	10	0	●						
Debtors	10	0	●						
Agresso	20	20.1					●	Limited	Final
ICT Risks									
Corporate ICT	45	0		●					
Fraud Risks									
Recruitment and Payroll Fraud	15	13.3					●	Sufficient	Final
NDR Fraud	15	10.9					●	Sufficient	Final
Money Laundering Policy	5	4.1					●	Consultancy	Complete
Governance & Performance Risks									
Data Management	25	3.5			●				

Assignment	Budget	Actual	Not Started	Planning	Field Work Started	Draft Report	Final Report	Assurance Rating	Comments
Safe Driving at Work	10	9.2					●	Limited	Final
Contract Management	25	20					●	Sufficient	Final
Service Delivery Risks									
Housing Options	10	9.9					●	Substantial	Final
Home to School Transport	10	13.6					●	Sufficient	Additional time required to request evidence from providers and conduct further testing.
Early Years Funding	20	13			●				
Nursery Provision	15	12.6				●			
School Improvement Programmes	20	3			●				
School Admissions	10	9.8					●	Substantial	Final

Assignment	Budget	Actual	Not Started	Planning	Field Work Started	Draft Report	Final Report	Assurance Rating	Comments
Service									
Continuing Health Care Funding	5	0		●					
Carer Support Arrangements	5	0	●						
Unplanned Work									
Management, supervision, review and follow-up	30	14							
TOTAL	370	203.4							

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.