

# Rutland County Council

Catmose, Oakham, Rutland, LE15 6HP

Telephone 01572 722577 Email [governance@rutland.gov.uk](mailto:governance@rutland.gov.uk)

Ladies and Gentlemen,

A meeting of the **AUDIT AND RISK COMMITTEE** will be held in the Rutland County Museum, Catmos Street, Oakham on **Tuesday, 28th September, 2021** commencing at 7.00 pm when it is hoped you will be able to attend.

Yours faithfully

Mark Andrews  
**Chief Executive**

Recording of Council Meetings: Any member of the public may film, audio-record, take photographs and use social media to report the proceedings of any meeting that is open to the public. A protocol on this facility is available at [www.rutland.gov.uk/my-council/have-your-say/](http://www.rutland.gov.uk/my-council/have-your-say/)

Although social distancing requirements have been lifted there is still limited available seating for members of the public. If you would like to reserve a seat please contact the Governance team at [governance@rutland.gov.uk](mailto:governance@rutland.gov.uk). The meeting will also be available for listening via Zoom using the following link:

<https://us06web.zoom.us/j/98350673807>

## **A G E N D A**

### **1. APOLOGIES**

### **2. MINUTES**

To confirm the minutes of the Audit and Risk Committee held on 20 July 2021.  
(Pages 5 - 10)

### **3. DECLARATIONS OF INTEREST**

In accordance with the Regulations, Members are invited to declare any disclosable interests under the Code of Conduct and the nature of those interests in respect of items on this Agenda and/or indicate if Section 106 of the Local Government Finance Act 1992 applies to them.

#### **4. PETITIONS, DEPUTATIONS AND QUESTIONS**

To receive any petitions, deputations and questions received from Members of the Public in accordance with the provisions of Procedure Rules 93 and 94.

The total time allowed for this item shall be 30 minutes. Petitions, declarations and questions shall be dealt with in the order in which they are received. Questions may also be submitted at short notice by giving a written copy to the Committee Administrator 15 minutes before the start of the meeting.

The total time allowed for questions at short notice is 15 minutes of the total time of 30 minutes. Any petitions, deputations and questions that have been submitted with prior formal notice will take precedence over questions submitted at short notice. Any questions that are not considered within the time limit shall receive a written response after the meeting and be the subject of a report to the next meeting.

#### **5. QUESTIONS WITH NOTICE FROM MEMBERS**

To consider any questions received from Members of the Council in accordance with the provisions of Procedure Rule 95.

#### **6. NOTICES OF MOTION**

To consider any Notices of Motion from Members submitted under Procedure Rule 97.

#### **7. APPOINTMENT OF VICE-CHAIR**

To appoint a Vice-Chair of the Committee for the remainder of the 2021/22 municipal year.

#### **8. STATEMENT OF ACCOUNTS**

To Receive Report No. 121/2021 from the Strategic Director of Resources (Report to Follow)

#### **9. EXTERNAL AUDITOR'S REPORT**

To receive Report No. 122/2021 from the Strategic Director of Resources (Report to Follow)

#### **10. FUTURE OF EXTERNAL AUDIT**

To receive Report No. 123/2021 from the Strategic Director of Resources (Pages 11 - 16)

#### **11. REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)**

To receive a verbal update from the Strategic Director of Resources.

#### **12. INTERNAL AUDIT UPDATE**

To receive Report No. 124/2021 from the Strategic Director of Resources  
(Pages 17 - 34)

**13. ANY OTHER URGENT BUSINESS**

To receive items of urgent business which have previously been notified to the person presiding.

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**DISTRIBUTION**

**MEMBERS OF THE AUDIT AND RISK COMMITTEE:**

Councillor R Powell (Chairman)

Councillor P Ainsley

Councillor N Begy

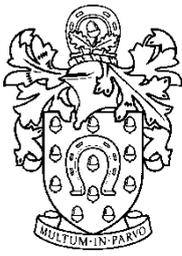
Councillor A MacCartney

Councillor E Baines

Councillor G Brown

**OTHER MEMBERS FOR INFORMATION**

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# Rutland County Council

Catmose Oakham Rutland LE15 6HP

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Minutes of the **MEETING of the AUDIT AND RISK COMMITTEE** held via Zoom on Tuesday, 20th July, 2021 at 7.00 pm

<b>PRESENT:</b>	Mrs R Powell (Chair) Mr G Brown Mr A Lowe	Mr P Ainsley (as substitute) Mrs S Harvey (as substitute) Ms A MacCartney
<b>ABSENT:</b>	Mr E Baines	Mr I Razzell
<b>OFFICERS PRESENT:</b>	Mr Saverio Della Rocca Miss Sue Bingham Rachel Ashley-Caunt Joanna Morley Tom Delaney	Strategic Director for Resources Business Support Manager and Data Protection Officer Head of Welland Internal Audit Consortium Governance Manager Governance Officer
<b>IN ATTENDANCE:</b>	Mrs K Payne	Portfolio Holder

## 1 APOLOGIES

Apologies for absence were received from Councillor E Baines who was substituted by Councillor S Harvey, and from Councillor I Razzell who was substituted by Councillor P Ainsley.

## 2 MINUTES

The minutes of the meeting held on 20 April 2021 were agreed and confirmed as a true record of the proceedings.

## 3 DECLARATIONS OF INTEREST

Councillor S Harvey declared a non-pecuniary interest in item 12 – Strategic Risk Register as a member of the Ofsted Improvement Board which was referred to in the Risk Register.

#### **4 PETITIONS, DEPUTATIONS AND QUESTIONS**

No petitions, deputations or questions had been received.

#### **5 QUESTIONS WITH NOTICE FROM MEMBERS**

No questions with notice from Members had been received.

#### **6 NOTICES OF MOTION**

No motions from Members had been received.

#### **7 TERMS OF REFERENCE**

The Chair introduced the Committee's Terms of Reference and Members were invited to make comments or raise any issues. It was noted that the Terms of Reference referenced a role for the Committee in overseeing the Council's Constitution and officers confirmed that in practice this role was undertaken by the Constitutional Review Working Group (CRWG). The Chair also felt there were opportunities to streamline some aspects of the Terms of Reference.

#### **RESOLVED:**

That the Terms of Reference for the Audit and Risk Committee be **NOTED** and that the Chair will ask the Constitutional Review Working Group whether references to overseeing the Constitution can be updated.

#### **8 ACCOUNTS UPDATE**

The Committee received a verbal update from Mr Della Rocca, Strategic Director for Resources and Section 151 Officer on the Annual Statement of Accounts. It was confirmed that the Council had been able to publish the Statement of Accounts by the end of June deadline, which had been amended from the usual end of May deadline due to the impact of the COVID-19 Pandemic. It was noted that although the accounts were open to public inspection via appointment there had been no requests as of yet to do so.

It was explained that although the accounts would be brought to the committee for formal approval at a later date, the Chair would be meeting with the Finance Manager to review the accounts and other Members were able to view the accounts online and contact officers at any time.

#### **9 EXTERNAL AUDITORS' QUESTIONS UPDATE**

The Committee received a report from Mr Della Rocca, Strategic Director for Resources and Section 151 Officer on behalf of the external Auditors, Grant Thornton, in order to report to the Committee their response to an objection to the Council's 2018/2019 Accounts. It was noted there had been no further correspondence from the member of the public who had raised the objection.

In response to questions, it was clarified that the external auditors response had cost the Council £5,024. Mr Della Rocca explained that all objections must be responded to and there would inevitably be a cost for the external auditors' time. Furthermore, the Council was unable to object to these costs as they were justified by the external auditors to their appointing body, Public Sector Audit Appointments prior to submission to the Council. Additionally, the need for the appointing body to approve the fees was also a factor in the significant delay on responding to the objection.

#### **RESOLVED:**

That the Committee **NOTE** the External Auditors' note on the questions relating to the accounts.

## **10 INFORMATION GOVERNANCE ANNUAL REPORT**

Mr Della Rocca, Strategic Director for Resources and Section 151 Officer presented the report with the assistance of Sue Bingham, Business Support Manager and Data Protection Officer. The report provided an overview of the Council's activity in respect of how it had discharged its responsibilities in matters relating to Information Governance, including information regarding Compliments, Comments and Complaints over the last financial year from 1 April 2020 to 31 March 2021. It was highlighted that the report covered a wider range of topics than the previous year and it was hoped Members would find the report a useful insight into the time and work the Council undertook in delivering some of its statutory objectives in addition to those set in the Council's Strategic Aims.

Several concerns were raised by Members regarding the seemingly low level of complaints and whether certain services avoided the recording of complaints in favour of classifying contact as a service request. It was explained that although the Council Offices had been closed in this year due to the COVID-19 Pandemic most complaints were normally received by email rather than in person before the pandemic. Regarding the classification of complaints it was explained that even where a service request was being dealt with customers would still have the opportunity to subsequently raise a complaint if they so wished. It was highlighted there would always need to be input from service areas to help diagnose contacts as complaints or service requests rather than classify all contacts as complaints, and in many cases service areas would also need to be involved in order to deliver the best outcomes for customers.

In response to subsequent question on the recording of service requests, it was highlighted by Mr Della Rocca and the Portfolio Holder Councillor K Payne that there was currently no central point through which all communication went and could be measured. However, the upcoming online service MyAccount would be part of the Council's streamlining of services and would allow the recording and monitoring of service requests, however this was subject to customers predominantly using MyAccount and many service areas being available.

It was also confirmed that the six complaints upheld against the Council referenced in the report had not incurred financial costs as the recourses had primarily consisted of apologies for administrative errors or communication failures. It was suggested that future versions of the report could include additional revenue where it had needed to be spent in undertaking the work set out in the report.

### **RESOLVED:**

That the Committee **Note** the information contained in the report.

## **11 ANNUAL GOVERNANCE STATEMENT**

The Committee received a report from Mr Della Rocca, Strategic Director for Resources and Section 151 Officer which presented an early draft of the Council's Annual Governance Statement for Members to consider and advise of any issues ahead of the Statement being presented for final approval later in the year. Members were invited to either raise any issues at the meeting or contact officers in writing within the next month.

A Member raised whether there should be ongoing reference to emergencies based on the current Statement's references to the COVID-19 Pandemic response. It was explained that all emergencies and their responses were all unique and therefore the Statement would always need to be adjusted to account for this.

It was observed that there was a large amount of narrative that could make the overall Statement seem repetitive. It was observed by another Member that the many changes in the decision-making processes due to the COVID-19 Pandemic could account for much of the additional narrative and it was important these changes were documented in the Statement.

**RESOLVED:**

That the Committee considers the draft Annual Governance Statement fairly represents the governance framework in place at the Council, subject to the Strategic Director for Resources addressing the issues and comments raised by Members at and outside the meeting.

## **12 STRATEGIC RISK REGISTER**

The Committee received a report from Mr Della Rocca, Strategic Director for Resources and Section 151 Officer which presented the Strategic Risk Register to the Committee and provided assurances that strategic risks were being managed. It was highlighted that these risks were always changing and since publication of the agenda there had been changes regarding business continuity due to the number of workers required to self-isolate which was echoed by Members as an area of concern when taken alongside general staff turnover.

In response to a question about differences between the Strategic Risk Register and operational risk registers used by services, Mr Della Rocca agreed to raise the issue but explained that the pandemic had halted plans to deliver greater coordination and the pandemic had also had a large impact on some service areas to maintain their individual risk registers. It was agreed that the risk management framework, including expectations around risk registers at directorate level, be considered at a future meeting.

In response to a question regarding the adequacy of control measures on risk 73, the risk of being unable to recruit to key services or maintain resilience, it was explained that this risk was also addressed by control measures under risk 3, on delivering key services should a significant business disruption occur. Furthermore, this risk was a moving issue and services approached it in different ways such as by considering new delivery models which would remove the risk.

It was also clarified that Risk 74 relating to financial stability should be coloured in line with the other risks and this would be amended in a future register.

**RESOLVED:**

That the Committee **NOTE** the content of the Risk Register and the actions underway to address the risks.

## **13 INTERNAL AUDIT UPDATE REPORT**

Rachel Ashley-Caunt, Head of Internal Audit, presented the report which updated Members on the progress made in delivering the 2021/22 Annual Audit Plan agreed at the end of the previous financial year, and outcomes from audit assignments completed since the last Committee meeting.

In response to a question on general differences in the actions and timelines between the various audits, it was explained that this was down to the efficiency of the individual service areas when working with the Internal Audit team.

In response to questions regarding the large delay in audits relating to Highways which pre-dated the beginning of the COVID-19 Pandemic, it was explained that staff turnover and the complexity of the contracts had made agreeing audit actions and timelines complicated but the Strategic Director of Places had recently become the agreed lead officer for these audits to help drive the required improvements.

It was suggested the Strategic Director should attend a future meeting to account for any further delays and that the Chair would raise the Committee's concerns with the Council's Senior Management Team for a response.

**RESOLVED:**

That the Committee **NOTE** the Internal Update report.

**14 INTERNAL AUDIT ANNUAL REPORT 2020/21**

Rachel Ashley-Caunt, Head of Internal Audit, presented the report which provided the Committee with the Head of Internal Audit's Assurance Opinion for 2020/21 and the Annual Report detailing the basis for this opinion for review and approval.

It was clarified that all audit actions were taken into account when making the overall opinion and any audits remaining open would impact on this, and that Audit reports were shared with Members and available online outside of Committee meetings.

**RESOLVED:**

That the Annual Internal Audit Report be **APPROVED**.

**15 ANY OTHER URGENT BUSINESS**

There was no other urgent business for consideration.

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**The Chairman declared the meeting closed at 8.44 pm.**

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## AUDIT AND RISK COMMITTEE

28 September 2021

### FUTURE OF EXTERNAL AUDIT

#### Report of the Strategic Director for Resources

Strategic Aim:	All	
Exempt Information	No	
Cabinet Member(s) Responsible:	Mrs K Payne, Portfolio Holder for Finance, Governance and Performance, Change and Transformation	
Contact Officer(s):	Saverio Della Rocca, Strategic Director for Resources (s.151 Officer)	01572 758159 sdrocca@rutland.gov.uk
Ward Councillors	N/A	

#### DECISION RECOMMENDATIONS

That the Audit and Risk Committee endorses the recommendation to Council to opt into the national sector-led arrangements and nominates Public Sector Audit Appointments Limited (PSAA), to appoint the external auditor on its behalf.

## 1 PURPOSE OF THE REPORT

- 1.1 To ask the Committee to consider the options for appointing the external auditor and to endorse a recommendation to Council to opt into the national sector-led arrangements.

## 2 BACKGROUND AND MAIN CONSIDERATIONS

### 2.1 Overview

- 2.1.1 In July 2016, the Secretary of State specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015.

- 2.1.2 In 2016 the Council had a decision to make in respect of the appointment of the external auditor. Its options included:

- undertake an individual auditor procurement and appointment exercise;

- undertake a joint audit procurement and appointing exercise with other bodies, those in the same locality for example; or
- join PSAA's sector led national scheme.

2.1.3 The Council chose option 3 and opted into the national scheme. The **first appointing period** spans the five consecutive financial years commencing 1 April 2018. It covers the audits of accounts for the financial years 2018/19 to 2022/23. The outcome of this was that the PSSA ran a procurement exercise and Grant Thornton were appointed from 2018/19 to be the Council's external auditors until 22/23.

2.1.4 The Council is now faced with a similar decision and if it wishes to again opt into the national scheme it must do so by 11<sup>th</sup> March 2022. All of the above options require a local auditor to be appointed not later than 31 December in the financial year preceding the financial year of the accounts to be audited. So for the audit of the accounts of the 2023/24 financial year, there must be a local auditor appointed by 31 December 2022. The alternative options are explored in detail in Section 4.

## 2.2 External audit – what does the Council want?

2.2.1 In thinking about how the external auditor might be appointed officers have set out what the Council wants from its external audit service which one might consider when considering future appointment arrangements:

- **Value for money** – the Council wants a good quality service for a competitive fee. The main fee has reduced from £181k in 2007/08 to £65k in 2016/17 and today, for 2020/21 is £77,420 with additional costs for the new Value for Money work. The current service continues to be good. One of the key benefits of the current national arrangements is that firms bid for a block of work rather than individual audits and this has been one of the main factors in reducing fees. Based on fee reductions achieved and the outcome of the Redmond Review and pressures on external auditors it is unlikely that further savings can be made whichever option is chosen.
- **High quality audit** – the Council values its audit opinion as it is one assessment of how it is carrying out its public stewardship role. The Council would want to maintain high quality as a means of reassuring residents that they can have confidence in this opinion.
- **Independence** – the Council believes that the auditor must be independent and be seen to be independent. Whilst auditors are required to be independent under their own professional standards, the current arrangement whereby auditors have been appointed by a third party does add an extra layer of assurance e.g. the Section 151 Officer cannot simply terminate the contract of the auditor.
- **Minimal administration and procurement cost** – the Council does not appoint its own auditor and hence does not incur any direct cost. It would be looking to keep the cost of any new process to a minimum.

2.2.2 The Committee might think there are other factors that should be considered and these should be borne in mind in respect to any decision.

### **3 CONSULTATION**

3.1 The decision is a matter for Full Council and no formal external consultation is required. As the Audit and Risk Committee oversees the work of external audit on behalf of Council the Committee is asked to endorse the recommended option. The Portfolio Holder (Finance) and Cabinet are also supportive.

### **4 ALTERNATIVE OPTIONS**

#### **4.1 Option 1. Opt in to national arrangements**

4.1.1 The Council could continue to opt into the sector lead procurement of the external audit service. Using Public Sector Audit Appointments as the Appointing Person has many benefits.

- PSAA has considerable expertise and experience in the role of appointing person. The Government have appointed PSAA for a second five-year period – MHCLG’s Spring statement refers to its “strong technical expertise and the proactive work...done to help to identify improvements”
- It has a dedicated team who are very familiar at working within the context of the relevant regulations to appoint auditors, manage contracts with audit firms, and set and determine audit fees
- PSAA is a not-for-profit organisation whose costs are around 4% of the scheme with any surplus distributed back to scheme members – so it provides value for public money
- It conducts local audit related research to raise awareness and successfully lobbies for change to address challenges, e.g. imminent legislation change to allow for a more streamlined and flexible fees setting regime which will increase the accuracy scale fee on a timelier basis
- It provides a transparent and independent auditor appointment to bodies spending public money
- It avoids the need to undertake an auditor procurement and ongoing contract management activities (such as fee variation management), saving local time and effort
- It has delivered cost reduction in the audit market;
- It provides the best opportunity to secure the appointment of a qualified, registered auditor - there are currently only eight suppliers accredited to undertake local audit - a local procurement would be “fishing in the same pool” of suppliers as PSAA’s procurement
- It avoids the necessity (as required by the Act) to establish an Auditor Panel with an independent chair to oversee the procurement and running of the contract. The Panel must have a minimum of three members of whom the majority are independent of the organisation

- It gives Free access to our Local Audit Quality Forum and other webinar events on relevant topics, whereas bodies making local arrangements can participate for a small fee

4.1.2 This option would meet the Council's criteria above and is the preferred option. If the Council chooses not to join the sector lead route, there are two possible alternatives:

## 4.2 **Option 2. Undertake own procurement**

4.2.1 The Council could form its own auditor panel (see above) and undertake its own procurement arrangements. However, it should note that the specification of a local audit is fixed. It is determined by the requirements of the:

- NAO's Code of Audit Practice which sets the scope of the audit;
- the Code of Practice on Local Authority Accounting published by CIPFA which sets the format of the financial statements;
- HM Treasury in respect of the arrangements for Whole of Government Accounts; and
- FRC who regulate the work of auditor in the application of International Auditing Standards.

4.2.2 One of the risks would be that the small size of the audit contract may not be attractive to the bidders, who in reality will be from the same list used as PSAA (the local auditor register includes 'registered' firms that must be used). So the Council may not see many bidders and therefore could see a rise in fee but this is uncertain. This approach also raises the question as to whether there is an available and willing source of independent members across Rutland to appoint to the auditor panel, recognising that there will need to be a majority of independent members, including the chair on the panel. The panel will have limited responsibilities and in reality will meet infrequently, and the role may not be seen as attractive. This option would require work, is likely to increase cost and offers little benefit.

## 4.3 **Option 3. Joint procurement**

4.3.1 The Council could seek to form a joint auditor panel and a joint procurement arrangement with neighbouring authorities (this could be within Leicestershire or elsewhere) so that there is a single auditor panel and single external audit contract for the entire area (however defined). This would aim to take advantage of better purchasing power and provide a more attractive offer for the external auditor bidders. This is particularly important as local authority audit is a specialised activity. However, at the LLR Section 151 officers meeting, there has been no appetite for such an arrangement as most are intending to opt in to the sector led arrangements.

4.3.2 There would still be some additional bureaucracy associated with creation and management of a joint auditor panel, although it would avoid the need for each body to source its own independent members. This approach would require delegations from (or feasibly to) this Council from other Councils to form a lead authority for the appointment of the panel and for future governance and procurement purposes. There would also need to be joint arrangements in place to introduce and manage an allowance scheme for the panel. Whilst more attractive

than option 2, it is only viable if the Council can find other Councils going down this route.

#### **4.4 Summary**

4.4.1 Option 1 effectively replicates existing arrangements for the Council. Options 2 and 3 will require officer time to introduce these arrangements. There will be costs associated with advertising and then interviewing for the independent members and running a procurement exercise. Subsequently there could be the cost of an allowance scheme. Officers believe the existing national collective scheme that PSAA runs is the preferable route.

4.4.2 To assist Members in their deliberations PSAA have produced a set of FAQ's available on the link below.

<https://www.psaa.co.uk/contact-us/frequently-asked-questions/>

#### **5 FINANCIAL IMPLICATIONS**

5.1 The current cost of audit is c£77K (main fee). It is assumed that the fees to be set by PSAA will be similar but this will not be known until the outcome of the procurement exercise. There is a risk that fees will increase but this risk is believed to be greater under options 2 and 3.

5.2 Should the Council undertake its own procurement, then additional costs would be incurred through the procurement exercise, setting up a panel including payments to members and dealing with contracts etc. It is difficult to estimate costs but these could be in the region of £10k.

#### **6 LEGAL AND GOVERNANCE CONSIDERATIONS**

6.1 The authorities to whom the invitation is issued must then individually decide whether to accept the invitation. The decision to accept the invitation may only be accepted by Full Council as stated in Regulation 19 of the Local Authority (Appointing Person) Regulations 2015.

#### **7 EQUALITY IMPACT ASSESSMENT**

7.1 An Equality Impact Assessment (EqIA) has not been completed for the following as this report does not impact on Council policies and procedures.

#### **8 COMMUNITY SAFETY IMPLICATIONS**

8.1 There are no community safety implications.

#### **9 HEALTH AND WELLBEING IMPLICATIONS**

9.1 There are no health and wellbeing implications.

#### **10 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS**

10.1 It is important that the Council has appropriate external audit arrangements in place. Opting into the sector led approach is considered to be the preferred option.

**11 BACKGROUND PAPERS**

11.1 There are no additional background papers to the report.

**12 APPENDICES**

12.1 None

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**AUDIT AND RISK COMMITTEE**

28 September 2021

**INTERNAL AUDIT UPDATE**

**Report of the Strategic Director for Resources**

Strategic Aim:	All	
Exempt Information	No	
Cabinet Member(s) Responsible:	Mrs K Payne, Portfolio Holder for Finance, Governance and Performance, Change and Transformation	
Contact Officer(s):	Rachel Ashley-Caunt, Head of Internal Audit	Tel: 07824 537900 rashley-caunt@rutland.gov.uk
Ward Councillors	N/A	

**DECISION RECOMMENDATIONS**

- 1) That Members note the Internal Audit update report (Appendix A).
- 2) That Members approve the proposed amendment to the Audit Plan to reallocate ten audit days (originally assigned to assessing compliance with the Financial Management Code) to resource initial work on a consultancy review of the recording and tracking of service requests.

**1 PURPOSE OF THE REPORT**

- 1.1 To update Members on the progress made in delivering the 2021/22 Annual Audit Plan and outcomes from audit assignments completed since the last Committee meeting.

**2 BACKGROUND AND MAIN CONSIDERATIONS**

**2.1 Update on Delivery of Internal Audit Plan**

- 2.1.1 The progress made to date in delivering the 2021/22 audit plan is set out in Appendix A.

**2.2 Implementation of Recommendations**

- 2.2.1 Internal Audit request that officers provide updates on all open audit actions on a monthly basis.
- 2.2.2 There are currently three actions rated as 'Medium' or 'High' priority which are more than three months overdue for implementation but have not yet been fully implemented.
- 2.2.3 It is standard practice for any audit reports receiving lower than Satisfactory Assurance opinions to be presented to the Audit and Risk Committee in full. To date, no such reports have been finalised from the 2021/22 Audit Plan.

### **3 CONSULTATION**

- 3.1 No formal consultation is required.

### **4 ALTERNATIVE OPTIONS**

- 4.1 The Committee is asked to note the report but may wish to receive an earlier update on any limited assurance reports.

### **5 FINANCIAL IMPLICATIONS**

- 5.1 There are no financial implications arising from this report.

### **6 LEGAL AND GOVERNANCE CONSIDERATIONS**

- 6.1 The Audit and Risk Committee is responsible for oversight of the work of Internal Audit including approving the annual report and satisfying itself that the conclusions reached are reasonable in light of the work undertaken. It is also responsible for gaining assurance that internal audit is complying with internal audit standards.
- 6.2 There are no legal implications arising from this report.

### **7 DATA PROTECTION IMPLICATIONS**

- 7.1 A Data Protection Impact Assessments (DPIA) has not been completed because there are no risks/issues to the rights and freedoms of natural persons.

### **8 EQUALITY IMPACT ASSESSMENT**

- 8.1 There are no equality implications.

### **9 COMMUNITY SAFETY IMPLICATIONS**

- 9.1 There are no community safety implications.

### **10 HEALTH AND WELLBEING IMPLICATIONS**

- 10.1 There are no health and wellbeing implications.

### **11 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS**

- 11.1 The latest update report, provided in Appendix A, details the findings of recent Internal Audit work and any weaknesses in the control environment highlighted by

these reviews, and provides an overview of the performance of the Internal Audit team and the implementation of actions by management. The Committee plays an important role in the oversight of Internal Audit work.

## **12 BACKGROUND PAPERS**

12.1 There are no additional background papers to the report

## **13 APPENDICES**

13.1 Appendix A: Internal Audit Update Report

13.2 Appendix B: Implementation of Audit Recommendations

13.3 Appendix C: 'High' and 'Medium' Priority actions overdue for more than three months

13.4 Appendix D: Customer satisfaction statistics

13.5 Appendix E: Limitations and responsibilities

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**RUTLAND COUNTY COUNCIL**  
**INTERNAL AUDIT UPDATE**  
**SEPTEMBER 2021**

## ***Introduction***

- 1.1 Internal audit has been commissioned to provide 360 audit days to deliver the 2021/22 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 Internal Audit service, which it requires to engage in effective scrutiny.

## ***Performance***

### **2.1 Will the Internal Audit Plan for 2021/22 be delivered?**

Internal Audit is set the objective of delivering at least 90% of the plan to draft report stage by the end of March 2022. At the time of reporting, 45% of the audit plan is either complete or in progress. Internal Audit is on target to meet the 90% target.

### **2.2 Are audits being delivered to budget?**

Internal Audit is on target to deliver the Audit Plan within the 360 days budget. Any overruns on individual assignments are typically managed within the overall budget.

### **2.3 Is the Internal Audit team achieving the expected level of productivity?**

The most recent information available (week 22) shows that the Internal Audit team are spending 94% of time on chargeable activities against a target of 90%.

### **2.4 Are clients satisfied with the quality of the Internal Audit assignments?**

Customer satisfaction questionnaires are issued on completion of audits. Scores given by audit clients during the year to date are shown in Appendix D.

### **2.5 Based upon recent Internal Audit work, are there any emerging issues that impact on the Internal Audit opinion of the Council's Control Framework?**

During the financial year to date, reports on **Health and Safety** and **Development Management** have been finalised and no significant areas of weakness have been identified which would impact upon the Internal Audit opinion. A number of grant certifications have also been completed during this period. The status of each planned assignment is provided in Table 1.

### **2.6 Are any changes to the Audit Plan required?**

There is one amendment to the Audit Plan proposed for the approval of the Audit & Risk Committee. In light of queries raised by the Committee at the July 2021 meeting, it is proposed that an assignment be added to the Audit Plan which will seek assurance over the tracking of service requests being received by the Council. This would look

at the various means by which the Council can receive requests from service users and how these are recorded - to measure demand and monitor performance in resolving these requests. It is proposed that the 10 days allocated for work on the Financial Management Code be reallocated to resource the initial phase of this work. Further audit days may be required and the sourcing of any further days would be discussed and agreed with the s151 Officer and Chair of the Audit & Risk Committee, as required.

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

At the date of reporting, there are 6 open audit actions which are overdue for implementation. Of these, 3 actions were due for implementation over three months ago and were categorised as 'High' or 'Medium' priority. See Appendices B and C for further details.

**Table 1: Progressing the annual audit plan**

**KEY**

Current status of assignments is shown by ●

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Key Corporate Controls and Policies												
Creditors	15	-	●									Year end
Payroll	12	-	●									Year end
Local taxation	15	-	●									Year end
Contract Procedure Rules Compliance	10	-	●									Year end
Contract management	15	10				●						
Health and safety	12	12						●	●	●	●	
Cyber security	15	-	●									
Corporate Governance and Counter Fraud												
Risk management	10	9.5				●						
Financial management code	10	-	●									Recommend removal from plan

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Corporate Objective: Sustainable growth												
Waste contract procurement	15	-		●								
Development management	12	12						●	Good ●	Good ●	Minor ●	
Planning income	10	0.5			●							
Corporate Objective: Safeguarding and Health and Wellbeing												
25 Care assessments	15	0.5		●								
Integrated LD (Learning Disability) and ASD (Autistic Spectrum Disorders) Lifetime Offer	15	8			●							
Payments to Early Years providers	12	12						●	Good ●	Good ●	Minor ●	
Corporate Objective: Sound financial and workforce planning												
Asset management	12	-	●									
Corporate Objective: Reaching our potential												
COVID-19 Recovery	15	-		●								

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Other Assurances												
Grant Claims	40	21			●				N/A – certification			
Client Support (Committee support, training, client liaison, advice/assistance, follow ups)	35	14										
Contingency	30	3										
Internal Audit Management & Development	35	11										
<b>TOTAL</b>	<b>360</b>	<b>114</b>										

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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.

Compliance Assurances		
Level	Control environment assurance	Compliance assurance
<b>Substantial</b> ●	There are minimal control weaknesses that present very low risk to the control environment.	The control environment has substantially operated as intended and no, or only minor, errors have been detected.
<b>Good</b> ●	There are minor control weaknesses that present low risk to the control environment.	The control environment has largely operated as intended although some errors have been detected.
<b>Satisfactory</b> ●	There are some control weaknesses that present a medium risk to the control environment.	The control environment has mainly operated as intended although errors have been detected.
<b>Limited</b> ●	There are significant control weaknesses that present a high risk to the control environment.	The control environment has not operated as intended. Significant errors have been detected.
<b>No</b> ●	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.	The control environment has fundamentally broken down and is open to significant error or abuse.

Organisational Impact		Definition
<b>Major</b>		The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.
<b>Moderate</b>		The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.
<b>Minor</b>		The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.

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### Category of Recommendations

The Auditor prioritises recommendations to give management an indication of their importance and how urgent it is that they be implemented. By implementing recommendations made managers can mitigate risks to the achievement of service objectives for the area(s) covered by the assignment.

Priority	Impact & Timescale
<b>High</b>	 Action is imperative to ensure that the objectives for the area under review are met.
<b>Medium</b>	 Requires actions to avoid exposure to significant risks in achieving objectives for the area.
<b>Low</b>	 Action recommended to enhance control or improve operational efficiency.

**Appendix B: Implementation of Audit Recommendations**

	High priority recommendations		Medium priority recommendations		Low priority recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total
Actions due and <b>implemented</b> since last Committee meeting	-	-	-	-	-	-	-	-
Actions due within last 3 months, but <b><u>not implemented</u></b>	-	-	-	-	1	33%	1	<b>17%</b>
Actions due <b><u>over 3 months</u></b> ago, but <b><u>not implemented</u></b>	1	100%	2	100%	2	67%	5	<b>83%</b>
Totals	1	100%	2	100%	3	100%	6	100%

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**Appendix C: 'Medium' and 'High' priority actions overdue for more than three months**

Audit Title and Year	Service Area	Outstanding Action	Status Update	Officer Responsible	Original Date	Revised Date (if provided)
<b>Medium priority</b>						
Highways Contract Management 2019-20	Places	KPIs should include a clear audit trail to the source data	September 2021 - The remedial action required of this recommendation is complete. However, to ensure confidence that the controls have been embedded from an operational perspective, management have adopted a thorough process with Internal Audit of reviewing actions and formally agreeing to close them down. A further review, to consider closing this action will take place in October 2021.	Senior Highways Manager	31/01/2020	To be audited in October 2021
Highways Contract Management 2019-20	Places	Officers managing option C jobs should be given training on open book contracts	September 2021 – To be delivered by end of calendar year, subject to availability of the trainer.	Senior Highways Manager	31/03/2020	31/12/2021
<b>High priority</b>						
Highways Contract	Places	All variations above tolerance should be approved in advance	September 2021 - The remedial action required of this recommendation is complete. However, to ensure confidence that the controls have been embedded from an	Senior Highways Manager	31/01/2020	To be audited in October 2021

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Audit Title and Year	Service Area	Outstanding Action	Status Update	Officer Responsible	Original Date	Revised Date (if provided)
Management 2019-20			operational perspective, management have adopted a thorough process with Internal Audit of reviewing actions and formally agreeing to close them down. A further review, to consider closing this action will take place in October 2021.			

### **Appendix D: 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 three responses received during the year to date are set out below.

<b>Aspects of Audit Assignments</b>	<b>N/A</b>	<b>Outstanding</b>	<b>Good</b>	<b>Satisfactory</b>	<b>Poor</b>
Design of Assignment	-	1	2	-	-
Communication during Assignments	-	3	-	-	-
Quality of Reporting	-	1	2	-	-
Quality of Recommendations	-	2	1	-	-
<b>Total</b>	-	<b>7</b>	<b>5</b>	-	-

## ***Appendix E: Limitations and responsibilities***

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

Internal Audit undertakes 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 Internal Audit 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 Internal Audit'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.

Internal Audit 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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