



RUTLAND COUNTY COUNCIL

INTERNAL AUDIT UPDATE

30<sup>th</sup> JANUARY 2018

Date: 30<sup>th</sup> January 2018

## ***Introduction***

- 1.1 LGSS provides the internal audit service for Rutland County Council and has been commissioned to provide 370 audit days to deliver the 2017/18 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 2017/18 be delivered?**

LGSS is set the objective of delivering at least 90% of the Internal Audit plans to draft report stage by the end of March 2018.

At the date of writing, thirteen audit assignments have been completed, one report is at draft report stage and work is underway or complete on five further assignments. As such, at this time 83% of the Plan is either complete or in progress. It is envisaged that all reports will be issued in draft by the end of March.

### **2.2 Are audits being delivered 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.

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

The most recent information available (week 40) 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. At the time of reporting, seven questionnaires had been returned with average scores of 'Good' or 'Outstanding'. See Appendix D for further details.

### **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?**

Since the last Committee meeting, seven audit reports (**Business Continuity and Emergency Planning, Affordable Housing, Treasury Management, Waste Contract, Direct Payments, SEND, Benefits and Castle Restoration Project**) have been finalised. The status of each assignment is provided in Table 1. All reports are available to Members via the Intranet.

The work on the Highways Contract audit is complete and Internal Audit has been advising the Council on implementation of actions arising. As soon as the Council has been able to clarify the outstanding issues and respond to the matters highlighted, full details will be reported to the Audit and Risk Committee. In order to support the additional days spent by Internal Audit during the year to date on this review, it is recommended that an amendment to the audit plan be approved to reallocate the consultancy days on the Barleythorpe Business Centre and include a review of the business centre in the 2018/19 audit plan.

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

Outstanding audit recommendations form part of the Quarterly Performance Report considered by Cabinet. Since the last Committee meeting, ten actions arising from audit reports have been implemented.

At the date of reporting, there are 23 actions which are overdue for implementation. Of these, 19 actions were due for implementation over three months ago, three of which were categorised as 'High' priority and six as 'Medium' priority. See Appendix B for further details. All actions which are over three months overdue and 'High' or 'Medium' priority are detailed in Appendix C. It should be noted that all three of the 'High' priority overdue actions and some 'Medium' priority actions relate to actions from the Data Management audit – given the new GDPR (General Data Protection Regulations) legislation which will be introduced in May 2018 it is reasonable that these will now be addressed as part of the GDPR project, to ensure the solutions implemented are 'future proof'. Progress has also been reported on all other overdue actions and Internal Audit will continue to monitor progress.

**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	14	0		●								
Debtors	14	0	●									Q4
Payroll	15	0		●								
Main Accounting	12	1.5			●							
Local Taxation	15	15.3					●					
Benefits	15	15.2						●	Substantial	Good	Minor	
Contract Procedure Rules Compliance	10	2.7			●							
Business Continuity Management and Emergency Plan	15	14.6						●	Good	Good	Minor	
Treasury Management	10	13.5						●	Substantial	Good	Minor	
Corporate Governance and Counter Fraud												
Cyber Security	12	0.2			●							
Risk Management	10	10.7						●	Substantial	Satisfactory	Minor	

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Fraud Risk Register	15	0		●								
Council Tax Fraud and NDR Fraud	15	23.60						●	Substantial	Good	Minor	
Corporate Objective: Sustainable growth												
Waste Contract	18	18.1						●	Satisfactory	Satisfactory	Minor	
Affordable Housing – Monitoring	15	7.6						●	N/A			
Barleythorpe Business Centre	5	0	●									To defer
Corporate Objective: Safeguarding												
Safeguarding Children	15	0		●								
Safer Recruitment	15	9.1				●						
Deputyships and Court of Protection	12	15.3						●	Substantial	Good	Minor	
Direct Payments	15	11.6						●	Good	Substantial	Minor	
Corporate Objective: Sound financial and workforce planning												
Castle Restoration	12	12.9						●	Substantial	Substantial	Minor	
Corporate Objective: Reaching our potential												
SEN (Consultancy)	8	8						●	N/A			
Other Assurances												
Grant Claims	7	5.5						●	N/A			

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Limited Assurance Reports – Follow up	10	0.2			●							
Social Media Review	n/a	n/a						●	N/A			
Client Support (Committee support, training, client liaison, advice/assistance)	33	14.2										
Special Investigations/Consultancy	n/a	29.7										
Consortium Management	33	12.43										
<b>TOTAL</b>	<b>370</b>	<b>241.93</b>										

## 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.

<b>Organisational Impact</b>		
<b>Level</b>		<b>Definition</b>
<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.

### 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.

<b>Priority</b>		<b>Impact &amp; Timescale</b>
<b>Essential</b>	●	Action is imperative to ensure that the objectives for the area under review are met.
<b>Important</b>	●	Requires actions to avoid exposure to significant risks in achieving objectives for the area.
<b>Standard</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		Directorate
	Number	% of total	Number	% of total	Number	% of total	Number	% of total	
Actions due and <b>implemented</b> since last Committee meeting	1	25%	5	38%	4	25%	10	30%	Places 20% People 20% Resources 60%
Actions due within last 3 months, but <b><u>not implemented</u></b>	-	-	2	15%	2	12%	4	12%	Places 100%
Actions due <b><u>over 3 months</u></b> ago, but <b><u>not implemented</u></b>	3	75%	6	46%	10	63%	19	58%	Places 16% People 16% Resources 68%
Totals	4	100%	13	100%	16	100%	33	100%	

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

Audit Title and Year	Service Area	Outstanding Action	Status Update	Officer Responsible	Original Date
<b>High Priority</b>					
Data Management 2016-17	Resources	Records Management Policy - Accountabilities	The GDPR Project Board are updating the Retention Policy in line with new Regulations which come into force in May 2018. "Information Champions" have been selected from each department to deal with information governance issues within their area.	Director of Resources	31/05/2017
Data Management 2016-17	Resources	Data reviews	As above – to be reviewed under GDPR project.	Director of Resources	31/05/2017
Data Management 2016-17	Resources	Network folders - access	As above – to be reviewed under GDPR project.	Director of Resources	30/06/2017
<b>Medium Priority</b>					
Data Management 2016-17	Resources	Induction and awareness	This is an action for the GDPR Project Board and will be updated in line with the Regulations coming into force in May 2018.	Director of Resources	31/05/2017
Debtors 2016-17	Resources	Resolve the credit payments highlighted	Payment will not be made until CCG account is up to date.	Finance Manager	31/05/2017
Creditors 2016-17	Resources	Recover old outstanding credit balance	Working with service area to resolve.	Finance Manager	30/09/2017
CPR Compliance 2016-17	Resources	Management to ensure compliance with CPRs	Review of CPRs underway and compliance to be reviewed again in current audit.	Director of Resources	30/06/2017

Audit Title and Year	Service Area	Outstanding Action	Status Update	Officer Responsible	Original Date
Digital Broadband 2016-17	Place	Communications Plan	Dec 17 - In Progress - 'Temporary hold on PR & Comms press releases until Phase 3 change process is completed'.	PLACES DIRECTOR (D&E)	22/05/2017
Safeguarding Policies and Procedures and Compliance 2016-17	People	A standard approach for recording strategy discussions or meetings needs to be defined and communicated to all relevant officers	Dec 17 - In Progress - 'Final review of changes required by Senior group'.	Head of Adult Social Care	30/09/2017

## **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 seven responses received in 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	0	1	6	1	0
Communication during Assignments	0	2	6	0	0
Quality of Reporting	0	3	5	0	0
Quality of Recommendations	0	1	7	0	0
<b>Total</b>	<b>0</b>	<b>7</b>	<b>24</b>	<b>1</b>	<b>0</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 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.

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.