



**RUTLAND COUNTY COUNCIL**  
**INTERNAL AUDIT ANNUAL REPORT**  
**2017/18**

## 1. Background

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to provide an annual Internal Audit opinion and report that can be used by the organisation to inform its governance statement. The Standards specify that the report must contain:
- an Internal Audit opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework (i.e. the control environment);
  - a summary of the audit work from which the opinion is derived and any work by other assurance providers upon which reliance is placed; and
  - a statement on the extent of conformance with the Standards including progress against the improvement plan resulting from any external assessments.

## 2. Head of Internal Audit Opinion 2017/18

- 2.1 This report provides a summary of the work carried out by the Internal Audit service during the financial year 2017/18 and the results of these assignments. Based upon the work undertaken by Internal Audit during the year, the Head of Internal Audit's overall opinion on the Council's system of internal control is that:

Satisfactory Assurance can be given that there is generally a sound system of internal control, designed to meet the organisation's objectives and that controls are generally being applied consistently. The level of assurance, therefore, remains at a generally consistent level from 2016/17.

Controls relating to the key financial systems reviewed during the year were all concluded at a level of at least Good Assurance.

The Council has received no opinions of Limited Assurance during the financial year and 44% of opinions have been of the highest rating of Substantial Assurance.

The implementation of audit recommendations during the year has generally been strong, with 85% of those actions from 2017/18 audit reports which were due for implementation being completed in accordance with the agreed timescales.

No systems of controls can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

The basis for this opinion is derived from an assessment of the individual opinions arising from assignments from the risk-based Internal Audit plan that have been undertaken throughout the year. This assessment has taken account of the relative materiality of these areas and management's progress in addressing any control weaknesses. Each assurance assignment results in an opinion on the design of the control environment

and an opinion on compliance with the controls in practice. A summary of Audit Opinions is shown in Tables 1 and 2:

**Table 1 – Summary of Audit Opinions 2017/18 for **design of control** environment:**

Area	Substantial	Good	Satisfactory	Limited	No
Financial Systems	5	1	-	-	-
Governance & Counter Fraud	3	1	1	-	-
Corporate Objectives	4	1	2	-	-
<b>Total</b>	<b>12</b>	<b>3</b>	<b>3</b>	<b>-</b>	<b>-</b>
<b>Summary</b>	<b>66%</b>	<b>17%</b>	<b>17%</b>	<b>-</b>	<b>-</b>

**Table 2 – Summary of Audit Opinions 2017/18 for **compliance** with controls:**

Area	Substantial	Good	Satisfactory	Limited	No
Financial Systems	2	4	-	-	-
Governance & Counter Fraud	-	3	2	-	-
Corporate Objectives	2	3	2	-	-
<b>Total</b>	<b>4</b>	<b>10</b>	<b>4</b>	<b>-</b>	<b>-</b>
<b>Summary</b>	<b>22%</b>	<b>56%</b>	<b>22%</b>	<b>-</b>	<b>-</b>

### 3. Review of Audit Coverage

#### Audit Opinion on Individual Audits

3.1 The Committee is reminded that the following assurance opinions can be assigned:

Table 3 – Assurance Categories:

Level of Assurance	Definition
Substantial	There are minimal control weaknesses that present very low risk to the control environment. The control environment has substantially operated as intended and either no or minor errors have been detected.
Good	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.
Satisfactory	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.
Limited	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.
No	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.

3.2 Audit reports issued in 2017/18, other than those relating to consultancy support, resulted in the provision of one of the above assurance opinions. All individual reports represented in this Annual Report are final reports and, as such, the findings have been agreed with management, together with the accompanying action plans.

#### Summary of Audit Work

3.3 Table 4 details the assurance levels resulting from all audits undertaken in 2017/18 and the date of the Committee meeting at which the outcome was presented.

3.4 All assignments have been delivered in accordance with the agreed Audit Planning Records and provide assurance in relation to the areas included in the specified scope.

Table 4 – Summary of Audit Opinions 2017/18:

Audit Area	Design of Control Environment	Compliance	Organisational Impact	Committee Date
<b>Financial Systems</b>				
Creditors	Good	Good	Minor	April 2018
Debtors	Substantial	Substantial	Minor	April 2018
Local Taxation	Substantial	Substantial	Minor	April 2018
Benefits	Substantial	Good	Minor	January 2018
Payroll	Substantial	Good	Minor	July 2018
Main Accounting	Substantial	Good	Minor	April 2018
<b>Governance &amp; Counter Fraud</b>				
Cyber Security	Satisfactory	Satisfactory	Moderate	July 2018
Risk Management	Substantial	Satisfactory	Minor	September 2017
Fraud Risk Register	Substantial	Good	Minor	April 2018
Council Tax Fraud and NNDR Fraud	Substantial	Good	Minor	September 2017
Business Continuity Management and Emergency Plan	Good	Good	Minor	January 2018
<b>Delivery of Corporate Objectives</b>				
Treasury Management	Substantial	Good	Minor	January 2018
Waste Contract	Satisfactory	Satisfactory	Minor	January 2018
Safeguarding Children	Substantial	Good	Minor	April 2018
Safer Recruitment	Satisfactory	Satisfactory	Moderate	April 2018
Deputyship and Court of Protection	Substantial	Good	Minor	September 2017
Direct Payments	Good	Substantial	Minor	January 2018
Castle Restoration	Substantial	Substantial	Minor	September 2018

- 3.5 The Committee should note that the majority of these findings have previously been reported as part of the defined cycle of update reports provided to the Audit and Risk Committee.
- 3.6 The Internal Audit Plan for 2017/18 included 12 days for further review of any areas receiving Limited Assurance opinions during 2016/17 to provide assurance that actions had been taken and risks are being suitably managed.

#### **Implementation of Internal Audit Recommendations**

- 3.7 Internal Audit follow up on progress made against all recommendations arising from completed assignments to ensure these have been fully and promptly implemented. The Head of Internal Audit provides a summary at each Audit and Risk Committee on progress made and actions outstanding. Table 5 provides details of the implementation of recommendations made during 2017/18.

Table 5 - Implementation of Audit Recommendations 2017/18:

	Category 'High' recs	Category 'Medium' recs	Category 'Low' recs	Total
Agreed and Implemented	0	8	9	17 (47%)
Agreed and not yet due for implementation	0	10	6	16 (44%)
Agreed and due within last 3 months, but not implemented	0	0	2	2 (6%)
Agreed and due over 3 months ago, but not implemented	0	1	0	1 (3%)
<b>TOTAL</b>	<b>0</b>	<b>19</b>	<b>17</b>	<b>36</b> <b>(100%)</b>

3.8 In addition to those actions which remain outstanding from the 2017/18 audit reports, a further 16 actions remain outstanding and overdue from 2016/17 audit reports. A summary of all overdue recommendations is shown in Table 6:

Table 6 - Summary of Overdue Recommendations as at 31<sup>st</sup> March 2018

Audit Title	Audit year	High		Medium		Low	
		Over 3 months	Under 3 months	Over 3 months	Under 3 months	Over 3 months	Under 3 months
Waste Contract	17/18	-	-	1	-	-	-
Direct Payments	17/18	-	-	-	-	-	1
Benefits	17/18	-	-	-	-	-	1
Digital Broadband	16/17	-	-	1	-	1	-
Debtors	16/17	-	-	1	-	-	-
Data Management	16/17	1	-	-	-	2	-
Safeguarding Policies and Procedures	16/17	-	-	1	-	-	-
Financial System Upgrade	16/17	-	-	-	-	1	-
Contract Procedure Rules Compliance	16/17	-	-	1	-	2	-
Highways Maintenance	16/17	-	-	3	-	-	-
Creditors	16/17	-	-	1	-	-	-
Liquid Logic	16/17	-	-	-	-	1	-
<b>Totals</b>		<b>1</b>	<b>0</b>	<b>9</b>	<b>0</b>	<b>7</b>	<b>2</b>

3.9 The level of implementation is reported to the Audit and Risk Committee throughout the year.



## 4.0 Internal Audit Contribution

4.1 It is important that Internal Audit demonstrates its value to the organisation. The service provides assurance to management and Members via its programme of work and also offers support and advice to assist the Council in new areas of work.

### Delivery of 2017/18 Audit Plan

4.2 The team has delivered **100%** of the assignments within the 2017/18 Audit Plan.

### Internal Audit Contribution in Wider Areas

4.3 Key additional areas of Internal Audit contribution to the Council in 2017/18 are set out in Table 7:

Table 7 – Internal Audit Contribution

Area of Activity	Benefit to the Council
Independent investigation support as required.	Instant access to experienced, independent investigators.
Independent verification of claims and ongoing support for the DCLG's Troubled Families Programme.	Assurance over the claims for outcomes achieved and the sharing of good practice on recording and assessing baselines and outcomes for the programme.
Maintaining good working relationships with External Audit so that Internal Audit work can assist them in forming their opinion on the Annual Accounts and duplication is avoided where possible.	Reduce audit burden, saving costs.
Presence at Rutland County Council offices and provision of ad-hoc advice and support.	Raising the profile of internal audit and good controls. Improving engagement with officers.
Training for the Audit and Risk Committee on 'effective audit committees', development of the audit plan and the Annual Governance Statement.	Assisting in maximising the effectiveness of the Committee.

## Performance Indicators

4.4 Internal Audit maintains several key performance indicators (KPIs) to enable ongoing monitoring by management and Committees. Outturns against these indicators in relation to work delivered for Rutland County Council are provided in Table 8:

Table 8 – Internal Audit KPIs 2017/18

Indicator description	Target	Actual
Delivery of the agreed annual Internal Audit Plan to at least draft report stage by 31 <sup>st</sup> March 2018	90%	92%
Overall delivery of the agreed annual Internal Audit Plan by deadline for Annual Report	100%	100%
Customer Feedback – rating on a scale of 1 to 4 (average)  Whereby:  1 = Poor, 2 = Satisfactory, 3 = Good and 4 = Outstanding	3.2 (average)	3.4 (average)

## 5. Professional Standards

5.1 The Public Sector Internal Audit Standards (PSIAS) were adopted by the Chartered Institute of Public Finance and Accountancy (CIPFA) from April 2013. The standards are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of Internal Audit across the public sector.

5.2 The objectives of the PSIAS are to:

- Define the nature of internal auditing within the UK public sector;
- Set basic principles for carrying out internal audit in the UK public sector;
- Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and
- Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

5.3 A detailed self-assessment against the PSIAS has been completed by the Head of Internal Audit, a copy of which can be provided on request. The outcome of the assessment was that the Internal Audit service is operating in general **compliance** with the Standards.