



RUTLAND COUNTY COUNCIL
INTERNAL AUDIT UPDATE
JULY 2018

Date: 24th July 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 2018/19 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 2018/19 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 2019.

At the date of writing, one audit report has been finalised and work is underway or complete on two further assignments.

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 12) 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, five questionnaires had been returned with scores of 'Good' or 'Outstanding'. See Appendix C 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, one audit report (**Playground Inspections**) has been finalised. This resulted in an assurance opinion of Substantial Assurance for design of controls and Good Assurance for compliance – no significant areas of weakness have been identified which would impact upon the Internal Audit opinion. The status of each assignment is provided in Table 1.

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, 28 actions arising from audit reports have been implemented.

At the date of reporting, there are 20 open audit actions which are overdue for implementation. Of these, 5 actions were due for implementation over three months ago and were categorised as 'High' or 'Medium Priority'. See Appendix B 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	-	●									
Debtors	14	-	●									
Payroll	15	-	●									
Main Accounting	12	-	●									
Local Taxation	15	-	●									
Benefits	17	-	●									
Contract Procedure Rules Compliance	10	-	●									
Procurement Cards	8	-		●								
Debt Recovery (consultancy)	7	5.2			●							
Corporate Governance and Counter Fraud												
Fraud Risk Register	15	-	●									
GDPR	15	0.5		●								
Corporate Objective: Sustainable growth												

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Highways Winter Maintenance	15	12.6				●						
Green Waste Charging	10	-	●									
Use of Specialist Resources in planning	10	-	●									
Corporate Objective: Safeguarding and Health and Wellbeing												
External Placements	15	-	●									
Public Health Contract Management	15	-	●									
Safeguarding in Schools	14	-		●								
Playground Inspections	10	9.5						●	Substantial ●	Good ●	Minor ●	
Community Safety	14	0.9										Proposed amendment to plan
Corporate Objective: Sound financial and workforce planning												
Key Supplier Failure	12	0.1		●								
Delegated Services	17	-	●									
Financial risks in social care	12	-	●									
Corporate Objective: Reaching our potential												
King Centre	12	-	●									

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	5	2.8			●							
Client Support (Committee support, training, client liaison, advice/assistance)	33	5.5										
Internal Audit Management & Development	33	4.2										
TOTAL	370	41.3										

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
Substantial ●	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.
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.

Organisational Impact

Level		Definition
Major		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.
Moderate		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.
Minor		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.

Priority		Impact & Timescale
High		Action is imperative to ensure that the objectives for the area under review are met.
Medium		Requires actions to avoid exposure to significant risks in achieving objectives for the area.
Low		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 implemented since last Committee meeting	3	75%	12	55%	13	59%	28	58%
Actions due within last 3 months, but <u>not implemented</u>	-	-	6	27%	2	9%	8	17%
Actions due <u>over 3 months</u> ago, but <u>not implemented</u>	1	25%	4	18%	7	32%	12	25%
Totals	4	100%	22	100%	22	100%	48	100%

Appendix C: 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 five responses received in the year to date are set out below.

Aspects of Audit Assignments	N/A	Outstanding	Good	Satisfactory	Poor
Design of Assignment	0	2	3	0	0
Communication during Assignments	0	2	3	0	0
Quality of Reporting	0	2	3	0	0
Quality of Recommendations	1	1	3	0	0
Total	1	7	12	0	0

Appendix D: 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.

