



RUTLAND COUNTY COUNCIL
INTERNAL AUDIT ANNUAL REPORT
2018/19



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 2018/19

- 2.1 This report provides a summary of the work carried out by the Internal Audit service during the financial year 2018/19 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 2017/18.

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

The assurance opinions arising from audit assignments have been of Satisfactory Assurance or above in 98% of cases. Only one opinion of Limited Assurance was given during the financial year and this related to a specific area of compliance in the commissioning of external placements for Special Educational Needs and Disabilities (SEND), where the wider environment received an opinion of Good Assurance.

The implementation of audit recommendations during the year has been strong, with 96% of those actions from 2018/19 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.

- 2.2 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 2018/19 for design of control environment:

Area	Substantial	Good	Satisfactory	Limited	No
Financial systems	3	1	-	-	-
Governance & counter fraud	-	2	-	-	-
Key corporate controls & policies	-	1	1	-	-
Corporate objectives	2	5	3	-	-
Total	5	9	4	-	-
Summary	28%	50%	22%	-	-
2017/18 % for information	66%	17%	17%	-	-

Table 2 – Summary of Audit Opinions 2018/19 for compliance with controls:

Area	Substantial	Good	Satisfactory	Limited	No
Financial systems	2	2	-	-	-
Governance & counter fraud	-	2	-	-	-
Key corporate controls & policies	-	1	1	-	-
Corporate objectives	1	6	3	1	-
Total	3	11	4	1	-
Summary	16%	58%	21%	5%	-
2017/18 % for information	22%	56%	22%	-	-

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 2018/19, 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 2018/19 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 2018/19:

Audit Area	Design of Control Environment	Compliance	Organisational Impact	Committee Date
Financial Systems				
Creditors	Substantial assurance	Good assurance	Minor	July 2019
Debtors	Substantial assurance	Substantial assurance	Minor	March 2019
Local Taxation	Substantial assurance	Substantial assurance	Minor	March 2019
Benefits	Good assurance	Good assurance	Minor	March 2019
Payroll	Substantial	Good	Minor	July 2019
Main Accounting	Substantial assurance	Substantial assurance	Minor	July 2019
Governance & Counter Fraud				
General Data Protection Regulation (GDPR)	Good assurance	Good assurance	Minor	January 2019
Fraud Risk Register	Good assurance	Good assurance	Minor	July 2019
Key corporate controls and policies				
Contract procedure rules compliance	Good assurance	Good assurance	Minor	March 2019
Procurement cards	Satisfactory assurance	Satisfactory assurance	Minor	July 2019
Delivery of Corporate Objectives				
Highways winter maintenance	Satisfactory assurance	Good assurance	Minor	January 2019
Green waste charging	Good assurance	Good assurance	Minor	March 2019
External placements	Good assurance	Good assurance (Adults) / Limited assurance (SEND)	Minor	July 2019

Audit Area	Design of Control Environment	Compliance	Organisational Impact	Committee Date
Public health contract management	Satisfactory assurance	Satisfactory assurance	Minor	July 2019
Safeguarding in schools	Good assurance	Good assurance	Minor	July 2019
Playground inspections	Good assurance	Satisfactory assurance	Minor	September 2018
Key supplier failure	Good assurance	Good assurance	Minor	November 2018
Delegated services	Satisfactory assurance	Satisfactory assurance	Moderate	July 2019
Financial risks in social care	Substantial assurance	Substantial assurance	Minor	January 2019
King centre	Substantial assurance	Good assurance	Minor	January 2019

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.

Implementation of Internal Audit Recommendations

3.6 During the 2018/19 financial year, Internal Audit made a total of 40 recommendations to strengthen controls in the areas reviewed.

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 2018/19.

Table 5 - Implementation of audit recommendations 2018/19:

	Category 'High' recs	Category 'Medium' recs	Category 'Low' recs	Total
Agreed and Implemented	2	11	11	24 (60%)
Agreed and not yet due for implementation	3	7	5	15 (38%)
Agreed and due within last 3 months, but not implemented	0	0	1	1 (2%)
Agreed and due over 3 months ago, but not implemented	0	0	0	0 -
TOTAL	5	18	17	40 (100%)

- 3.8 In addition to the action which remains outstanding from a 2018/19 audit report, a further six actions remain outstanding and overdue from previous years' audit reports. A summary of all overdue recommendations is provided in Table 6.

Table 6 - Summary of overdue recommendations as at 31st March 2019

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
GDPR	18/19	-	-	-	-	-	1
Waste contract	17/18			4			
Highways maintenance contract	16/17	-	-	1	-	-	-
Financial systems upgrade	16/17	-	-	-	-	1	-
Totals		-	-	5	-	1	1

Other sources of assurance

- 3.9 In assessing the control environment, the Head of Internal Audit has also considered other sources of assurance, where possible. An example is the Council's Public Sector Network compliance certification which provides a source of assurance over the security of the Council's IT network and was granted in July 2018.

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 2018/19 Audit Plan

- 4.2 The team has delivered **100%** of the assignments within the 2018/19 Audit Plan.

Internal Audit contribution in wider areas

- 4.3 Key additional areas of Internal Audit contribution to the Council in 2018/19 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 and seeking to avoid duplication 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 the role of the committee, development of the audit plan and the Annual Governance Statement.	Assisting in maximising the effectiveness of the Committee.
Engagement with local independent schools through the offer of safeguarding audits.	Providing assurances to the Council that independent schools in the area are reviewing their safeguarding governance and building relationships between the Council and these schools.

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 2018/19

Indicator description	Target	Actual
Delivery of the agreed annual Internal Audit Plan to at least draft report stage by 31 st March 2019	90%	91%
Overall delivery of the agreed annual Internal Audit Plan by deadline for Annual Report	100%	100%

<p>Customer Feedback – rating on a scale of 1 to 4 (average)</p> <p>Whereby:</p> <p>1 = Poor, 2 = Satisfactory, 3 = Good and 4 = Outstanding</p>	<p>3.2 (average)</p>	<p>3.2 (average)</p>
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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.

Assurance Areas	Internal Audit Assignments (including assurances sought and basis for inclusion)	Audit days	Initial timing	Corporate Risk ref / source
Corporate Governance and Counter Fraud	Fraud Risk Register To provide assurance over the effective management of the Council's fraud risks, including the robustness of the Fraud Risk Register. The review will include selecting a sample of areas from the register and assessing whether controls noted are working as intended and appropriate actions are being taken.	15	Q3	Fraud risk register
	Contract Procedure Rule compliance To provide annual assurance over compliance with the Council's procurement rules across the organisation. To review a sample of procurements for evidence of compliance and strengthening of controls following previous audit recommendations.	10	Q4	SR02
Key Corporate Controls and Policies	Key Financial Controls - (cyclical coverage) <ul style="list-style-type: none"> • Creditors • Payroll • Treasury Management • Local Taxation 	55	Q3 & 4	SR02 Fraud risk register
	IR35 compliance To provide assurance over compliance with the revised legislation in regards to establishing the status of temporary staff to ensure correct taxation is applied.	10	Q1	Internal Audit assurance
Corporate Objective: Sustainable growth	Highways contract management To provide assurance over implementation of actions arising from the 2016/17 audit of the contract.	15	Q2	PL19
	Waste management To provide assurance over the efficient processing of waste and recycling and effective management of contracts in place for delivery of these services.	20	Q1	Fraud risk register
	FixMyStreet To provide assurance over improvements made to the system for reporting of faults by residents and ensuring outcomes are communicated effectively and consistently.	12	Q2	Audit committee request

Assurance Areas	Internal Audit Assignments (including assurances sought and basis for inclusion)	Audit days	Initial timing	Corporate Risk ref / source
Corporate Objective: Safeguarding, health and wellbeing	Schools thematic audit To provide assurance over management of key risks within schools – to be scoped with management.	12	Q3	SR04
	Community safety & CCTV To provide assurance over compliance with regulations on use of CCTV and management of the Council's Community Safety services – including joint working, initiatives and management information.	14	Q3	SR10
	Housing and homelessness To provide assurance over the handling of applications and compliance with the Council's duties under the Homelessness Reduction Act.	15	Q2	Legislative changes
	Disabled Facilities Grants (DFGs) To provide assurance that processes operate effectively over the application/approval process and achieving value for money. To assist in informing the annual grant verification.	14	Q1	Internal Audit assurances
Corporate Objective: Sound financial and workforce planning	Budgetary control To provide assurance over the effective scrutiny and monitoring of budgets across the Council.	12	Q3	SR02
	CIL/S106 monitoring To provide assurance over the processes in place for the administration, collection and spending of CIL/s106 monies.	15	Q4	SR02
	Licensing To provide assurance over processes in place for a sample of licence types, ensuring policies are consistently and effectively applied.	15	Q1	Internal Audit assurances
Corporate Objective: Reaching our potential	Customer Service Standards To provide assurance over practice across selected areas of the Council and Customer Services (CST) – following the introduction of a revised version of customer service standards.	15	Q3	SR09
	Compliments and Complaints Management To provide assurance over the consistent recording, handling and reflection upon complaints and compliments received, following introduction of revised policy.	15	Q2	SR09

Assurance Areas	Internal Audit Assignments (including assurances sought and basis for inclusion)	Audit days	Initial timing	Corporate Risk ref / source
	IT Audit To provide assurance over key controls within the IT service – specific area of focus to be determined in consultation with management.	15	Q2	Internal Audit assurances
Other assurances	Grant Claim Verifications Including Changing Lives, Highways Maintenance Block, Integrated Transport Block, Pothole Action Fund and National Productivity Investment Fund allocations.	15	As req'd	
Support to Rutland County Council	Including support and reporting to Audit and Risk Committee, management support and engagement, ad-hoc advice and assistance, annual Internal Audit report, follow ups on audit recommendations and partnership working with external auditors.	33		
Management & development of delegated Internal Audit service	Development and management of Internal Audit service in line with the Public Sector Internal Audit Standards, including annual standards assessment, continuous improvement, internal audit charter and manual, management, training and development of the team and performance reporting.	33		
Total days		360		