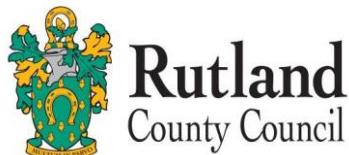




RUTLAND COUNTY COUNCIL
INTERNAL AUDIT ANNUAL REPORT
2019/20



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 2019/20

- 2.1 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:

It is my opinion that **Satisfactory Assurance** can be given over the adequacy and effectiveness of the Council's control environment for 2019/20. This control environment comprises of the system of internal control, governance arrangements and risk management. This remains consistent with the overall opinion given in recent years.

Financial control - Controls relating to the key financial systems which were reviewed during the year were concluded to be generally operating effectively with no significant control weaknesses identified by audit testing.

Risk management - Established structures and processes for identifying, assessing and managing risk remained consistent during 2019/20. The strategic risk register is regularly reviewed and updated by Senior Management team and by the Audit and Risk Committee.

Governance - During 2019/20, the Council's governance arrangements remained broadly consistent with previous years. Based on the findings of Internal Audit work in 2019/20, there are no significant governance issues that I wish to draw to the attention of the Council for inclusion in its Annual Governance Statement.

Internal control - For the audits completed in 2019/20, 93% of the opinions given in relation to the control environment and compliance have been of at least Satisfactory Assurance. The proportion of audits leading to a Substantial Assurance opinion has been higher than in previous years, specifically in relation to the design of the control environment. There was, however, one audit assignment which resulted in Limited Assurance opinions for both the control environment and compliance and this relates to the Highways Maintenance Contract.

Action plans have been agreed to address all areas of weakness. Of the recommended actions agreed, and due for implementation, 51% had been completed in a timely manner during the year.

Internal Audit has not been made aware of any further governance, risk or internal control issues which would reduce the above opinion. 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 throughout the year. This assessment has taken account of the relative materiality of these areas and management's progress in addressing any control weaknesses.
- 2.3 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 is shown in Tables 1 and 2:

Table 1 – Summary of Audit Opinions 2019/20 for **design of control environment:**

Area	Substantial	Good	Satisfactory	Limited	No
Financial systems	4	-	-	-	-
Key corporate controls & policies	1	1	-	-	-
Corporate objectives – sustainable growth	-	-	1	1	-
Corporate objectives – safeguarding, health & wellbeing	2	-	2	-	-
Delivery of corporate objectives – sound financial and workforce planning	1	1	-	-	-
Delivery of corporate objectives – reaching our potential	1	-	-	-	-
Total	9	2	3	1	-
Summary	60%	13%	20%	7%	-
2018/19 % for information	28%	50%	22%	-	-

Table 2 – Summary of Audit Opinions 2019/20 for **compliance with controls:**

Area	Substantial	Good	Satisfactory	Limited	No
Financial systems	3	1	-	-	-
Key corporate controls & policies	-	1	1	-	-
Corporate objectives – sustainable growth	-	-	1	1	-
Corporate objectives – safeguarding, health & wellbeing	1	1	2	-	-
Delivery of corporate objectives – sound financial and workforce planning	1	1	-	-	-
Delivery of corporate objectives – reaching our potential	1	-	-	-	-
Total	6	4	4	1	-
Summary	40%	27%	27%	6%	
2018/19 % for information	16%	58%	21%	5%	-

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 2019/20, 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 2019/20 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 2019/20:

Audit Area	Design of Control Environment	Compliance	Organisational Impact	Committee Date
Financial Systems				
Creditors	Substantial assurance	Substantial assurance	Minor	September 2020
Local taxation	Substantial assurance	Substantial assurance	Minor	February 2020
Payroll	Substantial assurance	Substantial assurance	Minor	September 2020
Treasury management	Substantial assurance	Good assurance	Minor	February 2020
Key corporate controls and policies				
Contract procedure rules compliance	Substantial assurance	Good assurance	Minor	September 2020
IR35 compliance	Good assurance	Satisfactory assurance	Minor	September 2019
Delivery of corporate objectives – sustainable growth				
Highways contract management	Limited assurance	Limited assurance	Moderate	September 2020
Fixmystreet	Satisfactory assurance	Satisfactory assurance	Minor	September 2020
Delivery of corporate objectives – safeguarding, health and wellbeing				
Risk assessment in schools	Satisfactory assurance	Satisfactory assurance	Minor	September 2020
Community safety and CCTV	Satisfactory assurance	Satisfactory assurance	Moderate	September 2020
Housing and homelessness	Substantial assurance	Substantial assurance	Minor	February 2020
Disabled facilities grants	Substantial assurance	Good assurance	Minor	November 2019
Delivery of corporate objectives – sound financial and workforce planning				
Budgetary control	Substantial assurance	Substantial assurance	Minor	September 2020

Audit Area	Design of Control Environment	Compliance	Organisational Impact	Committee Date
Licensing	Good assurance	Good assurance	Minor	February 2020
Delivery of corporate objectives – reaching our potential				
Complaints and compliments management	Substantial assurance	Substantial assurance	Minor	February 2020

- 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 2019/20 financial year, Internal Audit made a total of 54 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 2019/20.

Table 5 - Implementation of audit recommendations 2019/20:

	Category 'High' recs	Category 'Medium' recs	Category 'Low' recs	Total
Agreed and Implemented	1	12	6	19 (36%)
Agreed and not yet due for implementation	2	8	7	17 (31%)
Agreed and due within last 3 months, but not implemented	3	12	3	18 (33%)
Agreed and due over 3 months ago, but not implemented	0	0	0	0 -
TOTAL	6	32	16	54 (100%)

- 3.8 In addition to the action which remains outstanding from a 2019/20 audit report, a further ten 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 2020

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
Housing & Homelessness	19/20	-	-	-	-	-	1
Highways Contract Management	19/20	-	1	-	7	-	-
FixMyStreet	19/20	-	-	-	1	-	2
Licensing	19/20	-	-	-	2	-	-
Procurement Cards	18/19	-	-	1	-	-	-
Delegated Services	18/19	-	-	3	-	2	-
External Placements	18/19	-	-	-	-	1	-
GDPR	18/19	-	-	-	-	-	1
Waste contract	17/18	-	-	1	-	-	-
Highways maintenance contract	16/17	-	-	1	-	-	-
Totals		-	1	6	10	3	4

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 November 2019.

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 2019/20 Audit Plan

- 4.2 The team has delivered **100%** of the agreed assignments within the 2019/20 Audit Plan.

Internal Audit contribution in wider areas

- 4.3 Key additional areas of Internal Audit contribution to the Council in 2019/20 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 2019/20

Indicator description	Target	Actual
Delivery of the agreed annual Internal Audit Plan to at least draft report stage by 31 st March 2020	90%	91%
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)	3.3 (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.