



**RUTLAND COUNTY COUNCIL
INTERNAL AUDIT UPDATE
NOVEMBER 2020**

Date: November 2020

Introduction

- 1.1 LGSS provides the internal audit service for Rutland County Council and has been commissioned to provide 360 audit days to deliver the 2020/21 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 2020/21 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 2021.

At the time of reporting, 53% of the audit plan is either complete or in progress. The Internal Audit service is on track to ensure that at least 90% of assignments are either in draft or final report stages at 31st March 2021.

2.2 Are audits being delivered to budget?

Internal Audit is on target to deliver the Audit Plan within the 360 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 29) shows that the Internal Audit team are spending 93% 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. Scores given by audit clients during the year to date are shown in Appendix D.

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, audit assurance reports on **Direct Payments** and **Project management of Uppingham Community College SEND provision** have been finalised and no significant areas of weakness have been identified which would impact upon the Internal Audit opinion. A further report has also been issued on **s106 and Community Infrastructure Levy (CIL) monitoring** – this was completed as a consultancy review and highlighted good progress being made against the action plan and raised some additional recommended actions to support this. A number of grant certifications have also been completed during this period, including assurance over

use of the Disabled Facilities Grant monies. The status of each planned 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, 6 actions arising from audit reports have been implemented.

At the date of reporting, there are 26 open audit actions which are overdue for implementation. Of these, 12 actions were due for implementation over three months ago and were categorised as 'High' or 'Medium' priority. See Appendix C 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												
Debtors	15	-										Q4
Main accounting	13	-										Q4
Benefits	15	-										Q4
Contract Procedure Rules Compliance	10	-										Q4
Debt recovery	15	-										Q4
Corporate Governance and Counter Fraud												
Fraud Risk Register	15	-										Q4
Corporate Objective: Sustainable growth												
Highways contract management – follow up	12	1										
S106/CIL Monitoring (consultancy)	15	15							Consultancy review			
FixMyStreet	10	1										

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Corporate Objective: Safeguarding and Health and Wellbeing												
Schools thematic audit	12	1		●								Q4
Direct payments	15	15						●	Substantial	Substantial	Minor	
Corporate Objective: Sound financial and workforce planning												
Budgetary control in Places Directorate	15	1		●								
Asset management	12	-	●									Q4
Corporate Objective: Reaching our potential												
Project Management – Uppingham Community College SEND provision	15	15						●	Substantial	Substantial	Minor	
COVID-19 Recovery plan project management	20	-	●									Q4
My Account	8	-	●									Q4
Other Assurances												
Grant Claims	16	10			●				N/A - certification			
Covid-19 spend reviews	15	10			●				Ongoing assurances			
Covid-19 governance reviews	10	6			●				Ongoing assurances			

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Counter fraud support	12	8							Pro-active support / guidance			
Contingency	20	-										
Client Support (Committee support, training, client liaison, advice/assistance, follow ups)	35	15										
Internal Audit Management & Development	35	9										
TOTAL	360	107										

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	-	-	4	25%	2	15%	6	19%
Actions due within last 3 months, but <u>not implemented</u>	2	67%	1	6%	1	8%	4	12%
Actions due <u>over 3 months</u> ago, but <u>not implemented</u>	1	33%	11	69%	10	77%	22	69%
Totals	3	100%	16	100%	13	100%	32	100%

Appendix C: ‘Medium’ and ‘High’ priority actions overdue for more than three months

Audit Title and Year	Service Area	Outstanding Action	Status Update	Officer Responsible	Original Date	Revised Date (if provided)
Medium priority						
Highways contract 2016-17	Places	Develop approach to planning and recording of inspections	September 2020 - Still work in progress but have a plan to implement by 1st December. Requires reports writing in Confirm system and change in inspection processes. Being followed up as part of 2020/21 audit of Highways contract management. Following changes in personnel within the service area, actions being picked up and progressed.	Places Director	30/04/2017	Subject to audit follow up testing
FixMyStreet 2019-20	Resources	Issues and Actions – status update reporting	Most issues have been resolved. New Highways service project will pick up any residual issues.	Head of IT and Customer Services	29/02/2020	Subject to audit follow up testing in Q4
Highways Contract Management 2019-20	Places	Option C verification should focus on actual costs and sign-off evidence should be retained by the Council.	September 2020 - Being followed up as part of 2020/21 audit of Highways contract management. Following changes in personnel within the service area, actions being picked up and progressed.	Senior Highways Manager	29/02/2020	Subject to audit follow up testing
Highways Contract Management 2019-20	Places	Approval of option C unit cost changes should be evidenced and inter-company prices checked to market rates.	September 2020 - Being followed up as part of 2020/21 audit of Highways contract management. Following changes in personnel within the service area, actions being picked up and progressed.	Senior Highways Manager	29/02/2020	Subject to audit follow up testing

Audit Title and Year	Service Area	Outstanding Action	Status Update	Officer Responsible	Original Date	Revised Date (if provided)
Highways Contract Management 2019-20	Places	KPIs should include a clear audit trail to the source data	September 2020 - Changes to KPI's made at network board meeting. Being followed up as part of 2020/21 audit of Highways contract management. Following changes in personnel within the service area, actions being picked up and progressed.	Senior Highways Manager	31/01/2020	Subject to audit follow up testing
Highways Contract Management 2019-20	Places	19/20 performance reports should be requested, regularly reviewed and a sample of KPIs periodically tested.	September 2020 - Being followed up as part of 2020/21 audit of Highways contract management. Following changes in personnel within the service area, actions being picked up and progressed.	Senior Highways Manager	31/01/2020	Subject to audit follow up testing
Highways Contract Management 2019-20	Places	Cost plus and lump sum jobs should include details of the agreed fee.	September 2020 - Being followed up as part of 2020/21 audit of Highways contract management. Following changes in personnel within the service area, actions being picked up and progressed.	Senior Highways Manager	31/01/2020	Subject to audit follow up testing
Highways Contract Management 2019-20	Places	Officers managing option C jobs should be given training on open book contracts	September 2020 - Being followed up as part of 2020/21 audit of Highways contract management. Following changes in personnel within the service area, actions being picked up and progressed.	Senior Highways Manager	31/03/2020	Subject to audit follow up testing

Audit Title and Year	Service Area	Outstanding Action	Status Update	Officer Responsible	Original Date	Revised Date (if provided)
Highways Contract Management 2019-20	Places	Evidence of approval of option C target prices should be retained by the Council	September 2020 - Being followed up as part of 2020/21 audit of Highways contract management. Following changes in personnel within the service area, actions being picked up and progressed.	Senior Highways Manager	29/02/2020	Subject to audit follow up testing
Highways Contract Management 2019-20	Places	Any future price increases and addition of new rates should be approved using standard contract documentation.	September 2020 - Being followed up as part of 2020/21 audit of Highways contract management. Following changes in personnel within the service area, actions being picked up and progressed.	Senior Highways Manager	31/01/2020	Subject to audit follow up testing
Licensing 2019-20	Places	Independently check a sample of cases including evidence of fee receipt	October 2020 - Licensing officers will audit a small sample of cases towards the end of January 2021 and thereafter on a six monthly basis	Senior Environmental Services Manager	30/11/2019	31/01/2021
High priority						
Highways Contract Management 2019-20	Places	All variations above tolerance should be approved in advance	September 2020 - Being followed up as part of 2020/21 audit of Highways contract management. Following changes in personnel within the service area, actions being picked up and progressed.	Senior Highways Manager	31/01/2020	Subject to audit follow up testing

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 two responses received during the year to date are set out below.

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

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 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.