



RUTLAND COUNTY COUNCIL

INTERNAL AUDIT UPDATE

JULY 2021

Introduction

- 1.1 Internal audit has been commissioned to provide 360 audit days to deliver the 2021/22 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 2021/22 be delivered?

Internal Audit is set the objective of delivering at least 90% of the plan to draft report stage by the end of March 2022. At the time of reporting, 36% of the audit plan is either complete or in progress. Internal Audit is on target to meet the 90% target.

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 typically managed within the overall budget.

2.3 Is the Internal Audit team achieving the expected level of productivity?

The most recent information available (week 13) shows that the Internal Audit team are spending 96% 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 E.

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?

During the financial year to date, a report on **Payments to Early Years providers** has been finalised and no significant areas of weakness have been identified which would impact upon the Internal Audit opinion. A number of grant certifications have also been completed during this period. The status of each planned assignment is provided in Table 1.

During the last few months, additional work has included continuing to seek assurance over the existence of procedures to support working practices in times of staff changes or unforeseen issues.

The approach adopted to this work was discussed with the Council's s151 officer and Audit and Risk Committee and focused primarily upon areas of risk identified within the strategic risk register. The process followed was:

- Identifying key processes associated with entries on the Strategic Risk Register. These were presented to Senior Management Team for feedback and agreement of coverage;
- Mapping any recent Internal Audit coverage where evidence of procedures would have been sought and recording what was seen, and the year of the audit. This was seeking to avoid any unnecessary information requests to service areas during the ongoing pandemic response and pressures; and
- Where any gaps remained, contact was made with the service area leads to confirm what, if any, procedures were held. It was also noted that some of the areas are included in the current year audit plan and, as such, will be subject to review in the near future and reported upon as part of that work.

It should be noted that the Internal Audit review has not included any assessment of the content of those procedures to confirm they are fit for purpose and neither has any testing been conducted on compliance with those procedures in practice. Such tests would form part of any planned audit work in the area and an opinion would be reported to the committee following such audit coverage. The objective of this review, rather, was to seek confirmation that some form of documented procedural notes were held to support application of key controls in these areas of risk. These could take various forms and those found vary from comprehensive practice notes to flowcharts – but ultimately capture the key stages of vital processes that officers should apply.

A summary of the findings to date is provided as Appendix B and summarises key processes associated with the strategic risks and whether confirmation was gained for procedure note coverage. Also included are some further areas which are considered by Internal Audit and the s151 officer as further key areas where procedures are valuable, such as waste management.

Based on the findings, it would appear that no significant gaps have been identified and some form of procedural coverage is generally in place for those key risk areas. The quality and application of those procedures will be subject to audit, where included the annual Audit Plan. This exercise should also have assisted in highlighting the value of such procedures and prompting management to re-visit these and ensure coverage is sufficient.

2.6 Are clients progressing audit recommendations with appropriate urgency?

Since the last Committee meeting, 5 actions arising from audit reports have been implemented.

At the date of reporting, there are 5 open audit actions which are overdue for implementation. Of these, 3 actions were due for implementation over three months ago and were categorised as 'High' or 'Medium' priority. See Appendices C and D 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	-	●									
Payroll	12	-	●									
Local taxation	15	-	●									
Contract Procedure Rules compliance	10	-	●									
Contract management	15	0.5		●								
Health and safety	12	3.5			●							
Cyber security	15	-	●									
Corporate Governance and Counter Fraud												
Risk management	10		●									
Financial management code	10	-	●									
Corporate Objective: Sustainable growth												

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		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.