



RUTLAND COUNTY COUNCIL
INTERNAL AUDIT UPDATE
SEPTEMBER 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, 45% 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 22) 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. 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?

During the financial year to date, reports on **Health and Safety** and **Development Management** have 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.

2.6 Are any changes to the Audit Plan required?

There is one amendment to the Audit Plan proposed for the approval of the Audit & Risk Committee. In light of queries raised by the Committee at the July 2021 meeting, it is proposed that an assignment be added to the Audit Plan which will seek assurance over the tracking of service requests being received by the Council. This would look


at the various means by which the Council can receive requests from service users and how these are recorded - to measure demand and monitor performance in resolving these requests. It is proposed that the 10 days allocated for work on the Financial Management Code be reallocated to resource the initial phase of this work. Further audit days may be required and the sourcing of any further days would be discussed and agreed with the s151 Officer and Chair of the Audit & Risk Committee, as required.

2.6 Are clients progressing audit recommendations with appropriate urgency?

At the date of reporting, there are 6 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 B and 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												
Creditors	15	-	●									Year end
Payroll	12	-	●									Year end
Local taxation	15	-	●									Year end
Contract Procedure Rules compliance	10	-	●									Year end
Contract management	15	10				●						
Health and safety	12	12						●	Good ●	Satisfactory ●	Minor ●	
Cyber security	15	-	●									
Corporate Governance and Counter Fraud												
Risk management	10	9.5				●						
Financial management code	10	-	●									Recommend removal from plan




Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Corporate Objective: Sustainable growth												
Waste contract procurement	15	-		●								
Development management	12	12						●	Good ●	Good ●	Minor ●	
Planning income	10	0.5			●							
Corporate Objective: Safeguarding and Health and Wellbeing												
Care assessments	15	0.5		●								
Integrated LD (Learning Disability) and ASD (Autistic Spectrum Disorders) Lifetime Offer	15	8			●							
Payments to Early Years providers	12	12						●	Good ●	Good ●	Minor ●	
Corporate Objective: Sound financial and workforce planning												
Asset management	12	-	●									
Corporate Objective: Reaching our potential												
COVID-19 Recovery	15	-		●								

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	40	21			●				N/A – certification			
Client Support (Committee support, training, client liaison, advice/assistance, follow ups)	35	14										
Contingency	30	3										
Internal Audit Management & Development	35	11										
TOTAL	360	114										

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.

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	-	-	-	-	-	-	-	-
Actions due within last 3 months, but <u>not implemented</u>	-	-	-	-	1	33%	1	17%
Actions due <u>over 3 months</u> ago, but <u>not implemented</u>	1	100%	2	100%	2	67%	5	83%
Totals	1	100%	2	100%	3	100%	6	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 Management 2019-20	Places	KPIs should include a clear audit trail to the source data	September 2021 - The remedial action required of this recommendation is complete. However, to ensure confidence that the controls have been embedded from an operational perspective, management have adopted a thorough process with Internal Audit of reviewing actions and formally agreeing to close them down. A further review, to consider closing this action will take place in October 2021.	Senior Highways Manager	31/01/2020	To be audited in October 2021
Highways Contract Management 2019-20	Places	Officers managing option C jobs should be given training on open book contracts	September 2021 – To be delivered by end of calendar year, subject to availability of the trainer.	Senior Highways Manager	31/03/2020	31/12/2021
High priority						
Highways Contract	Places	All variations above tolerance should be approved in advance	September 2021 - The remedial action required of this recommendation is complete. However, to ensure confidence that the controls have been embedded from an	Senior Highways Manager	31/01/2020	To be audited in October 2021

Audit Title and Year	Service Area	Outstanding Action	Status Update	Officer Responsible	Original Date	Revised Date (if provided)
Management 2019-20			operational perspective, management have adopted a thorough process with Internal Audit of reviewing actions and formally agreeing to close them down. A further review, to consider closing this action will take place in October 2021.			

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

Aspects of Audit Assignments	N/A	Outstanding	Good	Satisfactory	Poor
Design of Assignment	-	1	2	-	-
Communication during Assignments	-	3	-	-	-
Quality of Reporting	-	1	2	-	-
Quality of Recommendations	-	2	1	-	-
Total	-	7	5	-	-

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.