



**Rutland County Council**

**Internal Audit Update**

**June 2022**

## ***Introduction***

- 1.1 Internal audit has been commissioned to provide 360 audit days to deliver the 2022/23 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 2022/23 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 2023. At the time of reporting, all assignments scheduled for the first quarter are in progress or at draft report stages. Work has also commenced early on one audit initially scheduled for the second quarter, in relation to taxi licensing.

The outcomes of all audits will be reported to the Audit and Risk Committee once finalised.

### **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 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. No feedback has been received during the year to date.

### **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?**

The status of each planned assignment, as at the time of reporting, is provided in Table 1. All assignments planned for the first quarter of the financial year are underway and progressing well. No audit reports have been finalised as at the time of reporting.

**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
<b>Financial systems</b>												
Debtors	15	-	●									
Main accounting	15	-	●									
Treasury management	12	-	●									
Housing benefit	15	-	●									
<b>Corporate governance and counter fraud</b>												
Risk management (consultancy support and real time assurances)	16	1		●								
Fraud risk register	15	-	●									
<b>Key corporate controls and policies</b>												
Contract Procedure Rules compliance	10	-	●									
Social care debt recovery	12	-	●									
IT asset management	12	-	●									

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Corporate Objective: Protecting the vulnerable												
Corporate parenting	15	12					●					
Adult social care reforms	15	-	●									
Readiness for CQC inspections	12	-	●									
Children missing from care	10	-	●									
MiCare services	12	4			●							
Corporate Objective: Vibrant communities												
Safer recruitment in schools	5	1			●							
Special educational needs and disabilities (SEND)	12	-	●									
Corporate Objective: Delivering sustainable development												
Waste contract procurement	17	-	●									
Highways maintenance contract	15	-	●									
Corporate Objective: Customer focused services												
Home to school transport	15	-	●									
Taxi licensing	14	1			●							

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	25	-							N/A – certification			
Grants – counter fraud support	5	-										
Client Support (Committee support, training, client liaison, advice/assistance, follow ups)	35	4										
Internal Audit Management & Development	31	2										
<b>TOTAL</b>	<b>360</b>	<b>25</b>										

## 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
<b>Substantial</b> ●	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.
<b>Good</b> ●	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.
<b>Satisfactory</b> ●	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.
<b>Limited</b> ●	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.
<b>No</b> ●	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.

<b>Organisational Impact</b>		
<b>Level</b>		<b>Definition</b>
<b>Major</b>	●	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.
<b>Moderate</b>	●	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.
<b>Minor</b>	●	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.

<b>Priority</b>		<b>Impact &amp; Timescale</b>
<b>High</b>	●	Action is imperative to ensure that the objectives for the area under review are met.
<b>Medium</b>	●	Requires actions to avoid exposure to significant risks in achieving objectives for the area.
<b>Low</b>	●	Action recommended to enhance control or improve operational efficiency.

## ***Appendix B: 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.