



Rutland County Council

Internal Audit Update

September 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, 30% of assignments are either complete or in progress.

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. During the latest period, audit reports have been finalised in relation to Corporate Parenting and MiCare – both reports have given assurance opinions of Satisfactory or above.

2.6 Are any changes required to the audit plan coverage, in light of the changing risk environment?

Following discussion at the last Audit & Risk Committee meeting, the planned audit work on Special Educational Needs and Disabilities (SEND) was discussed with the

Director of Children's Services. From this discussion, it is noted that there is other work underway in this area, as noted at the committee meeting, including:

- Peer Review in September 2022
- Department for Education Delivering Better Value in SEND Programme. Rutland are part of Tranche 2 of this – likely to start October/November 2022 and preparation work was beginning in July/August 2022
- Scrutiny review for SEND

Also, the SEND Green Paper reforms and changes to the Ofsted inspection framework are expected over the next year. As such, it is considered better use of the internal audit resources to look into this area in 2023/24, when the audit could review progress made against any actions arising from the above, and account for the impact of the latest regulations. It was, therefore, proposed that this be postponed to 2023/24.

The audit planning work was revisited and an alternative area of coverage was identified as Performance Management. This audit will seek assurance over the Council's cross cutting arrangements for measuring, reporting and setting targets for performance. The audit days originally allocated to SEND have been re-allocated to this.

This amendment to the plan was approved by the Council's s151 officer and the Chair of Audit and Risk Committee, under the delegation approved in April 2022.

2.7 Are clients progressing audit recommendations with appropriate urgency?

At the date of reporting, there is eight audit actions which remain overdue for implementation – none of the overdue actions are of a 'high priority' rating. See Appendix B 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
Financial systems												
Debtors	15	-	●									Q4
Main accounting	15	-	●									Q4
Treasury management	12	-		●								Q4
Housing benefit	15	-	●									Q4
Corporate governance and counter fraud												
Risk management (consultancy support and real time assurances)	16	4			●							
Fraud risk register	15	-	●									
Key corporate controls and policies												
Contract Procedure Rules compliance	10	-	●									Q4
Social care debt recovery	12	6			●							
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
Performance management	12	-	●									
Corporate Objective: Protecting the vulnerable												
Corporate parenting	15	14						●	Satisfactory	Satisfactory	Minor	
Care Act reforms	15	-		●								
Readiness for CQC inspections	12	-	●									
Children missing from care	10	-	●									
MiCare services	12	12						●	Good	Good	Minor	
Corporate Objective: Vibrant communities												
Safer recruitment in schools	5	4				●						
Corporate Objective: Delivering sustainable development												
Waste contract procurement	17	1		●								
Highways maintenance contract	15	-	●									
Corporate Objective: Customer focused services												
Home to school transport	15	1		●								
Taxi licensing	14	11					●					

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	12							N/A – certification			
Grants – counter fraud support	5	-										
Client Support (Committee support, training, client liaison, advice/assistance, follow ups)	35	14										
Internal Audit Management & Development	31	12										
TOTAL	360	91										

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	-	-	2	33%	5	56%	7	47%
Actions due within last 3 months, but <u>not implemented</u>	-	-	4	67%	1	11%	5	33%
Actions due <u>over 3 months</u> ago, but <u>not implemented</u>	-	-	-	-	3	33%	3	20%
Totals	-	-	6	100%	9	100%	15	100%

Appendix C: 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.