Rutland County Council

Internal Audit Update

December 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, 50% 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. 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?**

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 Social Care Debt Recovery and Taxi Licensing – both reports have given assurance opinions of Satisfactory or above.

Also completed during the period was the first of the rolling reviews of entries on the Strategic Risk Register. The first risk entry selected for review was Risk entry 10: Failure to protect the health and safety of employees and members of the public. Internal Audit has sought assurance and evidence that the controls listed on the risk register are in place and operating effectively for this risk. These controls are the basis upon which the residual risk has been scored and, as such, this review is intended to

inform the Audit & Risk Committee's review of the risk register entry. There were some areas where the controls listed for this risk were not fully evident in practice and a total of six recommendations have been made to strengthen these arrangements, including an overarching recommendation around the clarification of roles, responsibilities and expectations.

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

The planned coverage for 2022/23 included assurance work on the procurement of the Council's waste contract. Some initial planning work took place in relation to this but, following the decision in October 2022 to defer the re-procurement of the waste contracts to enable consideration of waste infra-structure requirements, this audit work is no longer relevant at this time. As such, it is proposed that the audit plan be amended to reallocate the remaining budget for this audit to another risk area.

It is noted that the Council's risk register includes the risk of 'Failure to deliver key services should a significant business interruption occur' as a red inherent risk and amber residual risk. There has been no internal audit coverage on this area since 2017/18 and, as such, this is suggested as an alternative area where audit coverage would be of value this year – with an audit of Business Continuity Management.

2.7   **Are clients progressing audit recommendations with appropriate urgency?**

Since the last progress report to Audit & Risk Committee, five audit actions have been implemented by officers. At the date of reporting, there are 13 audit actions which remain overdue for implementation – one of the overdue actions is of a 'high priority' rating but has been overdue for less than three months. See Appendix C for further details.

Table 1: Progressing the annual audit plan

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	2			●							
Housing benefit	15	0.5		●								Q4
Corporate governance and counter fraud												
Risk management (consultancy support and real time assurances)	16	7			●							
Fraud risk register	15	-	●									
Key corporate controls and policies												
Contract Procedure Rules compliance	10	-	●									Q4
Social care debt recovery	12	12						●	**Substantial**	**Satisfactory**	**Minor**	
IT asset management	12	-		●								
Performance management	12	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	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	2		●								Suggested cancellation
Highways maintenance contract	15	-	●									
Corporate Objective: Customer focused services												
Home to school transport	15	3			●							
Taxi licensing	14	14						●	Satisfactory	Good	Moderate	
Other Assurances												
Grant claims	25	20							N/A – certification			

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Grants – counter fraud support	5	2										
Client Support (Committee support, training, client liaison, advice/assistance, follow ups)	35	21										
Internal Audit Management & Development	31	18										
TOTAL	**360**	**144**										

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: Rolling risk review findings

Risk for Review		
Risk Register ID.	Risk	Owner
10	Failure to protect the health and safety of employees and members of the public.	Director - Places

Risk Entry Review	
Areas for review	Comment/action
Are the risks/keys controls listed still relevant and reflective of the current circumstances, based on lead officer's understanding?	The findings of the review highlight that there is an overarching recommendation to be actioned. This will allow the existing key controls to be addressed. Please see the overarching recommendation below.
Is the risk/key control description / scoring still reflective of the current environment, in the lead officer's opinion?	Strategic Risk Register was updated March 22: Inherent Score 20 (red) Residual score 6 (green)

Assurance and Findings

Key Control Reference	Key Control (from Risk Register entry)	RAG Rating (Red, Amber, Green)	Auditor Comment & Opinion
10.1	Joint Safety Committee (JSC) in place that reviews internal risk reports such as RIDDOR.	🟢 Green	**Findings** Terms of Reference reviewed October 2021 – evidence provided and reviewed. Example agenda & minutes on file – evidence provided and review. There is a standing item on the agenda – 'Health & safety update of actions taken report'. This item would include any internal risk reports. The Council's Health & safety Advisor (HSA) confirmed that there had been no internal risk reports, such as RIDDOR reports, for a significant amount of time. Evidence provided that accidents are reported to the JSC as part of this report.
10.2	Contract procedure rules require contract managers to take due regard of health and safety when procuring contracts.	🟢 Green	**Findings** Discussion with the HSA confirmed that discussions with the commissioning team are underway to determine what documents are in place regarding health & safety. Draft checklist document is under discussion with commissioning – evidence provided and reviewed. Head of Commissioning and Senior Commissioning Officer confirmed that the Invitation to Tender document contains a section on health & safety for completion by the Tenderer. It was confirmed that the HSA would support managers when they conduct due diligence for contract awards – evidence provided and reviewed.
10.3	Managers complete risk assessments for service activities and review annually.	🟡 Amber	**Findings** The Strategic Director for Places confirmed that the revised health & safety documentation, including the health & safety manual, will be approved imminently. The HSA confirmed that the Council continues to use historic document/templates, however, in some circumstance these are not fit for purpose. Completed risk assessments in 2021/22 – evidence provided and reviewed for: • Corporate Covid 19 • Community Speed Watch • Remembrance Day Parade

			• Transport
			
			Recommendation
			Recommendation 1 - Agree, clarify and communicate risk assessment roles and responsibilities (please see the overarching health & safety roles and responsibilities recommendation at the end of this table).
			   • Establish whether managers are clear on their risk assessment responsibilities. If there is a requirement for further training or guidance, the HSA should deliver sessions to address this.
			   • An annual corporate manager health & safety checklist sent out by the HSA to incorporate all statutory/regulatory health & safety duties required to be completed by Managers (for example - staff training, risk assessments)?
			   • Completion of risk assessments across the authority to be a standing item on the Health & Safety Steering Group agenda, so to monitor and take agreed action as required.
			Due date:
			01.01.2023

10.4	Mandatory health and safety training for all staff	🟡 Amber	**Findings**
			The Council has an online training software portal that staff use to access corporate training modules. The system has the facility to provide a record of staff that have completed individual modules.
			
			The following are health & safety eLearning modules on the Council's platform which are available for all staff to complete:
			   • Introduction to Food Safety – Level 1
			   • Introduction to Climate Change
			   • Introduction to Health & safety
			   • Principles of Risk Assessment
			   • Display Screen Equipment (DSE)
			   • Personal Safety
			   • Manual Handling
			   • Control of substances Hazardous to Health
			   • Working at Height

			• Office Safety • Introduction to First Aid • Fire Safety • Managing Health & safety The HSA confirmed that there is no corporate health & safety training matrix. **Recommendation** Recommendation 2 – Agree, clarify and communicate health & safety training roles and responsibilities (please see the overarching health & safety roles and responsibilities recommendation at the end of this table). • Managers to annually advise their teams of all the eLearning training they need to complete to ensure the Council stays compliant with the regulations and monitor/manage its completion; • HR to provide managers with staff training completion records as required; • HSA to test the existing training modules to ensure they are up to date and address any issues or additional training requirements via the Health & Safety Steering Group and HR. **Due date:** 01.07.2023
10.5	Rolling programme of audits ongoing.	🟡 Amber	**Findings** HSA confirmed that there is currently no rolling audit plan in place. HSA advisor confirmed that once the health & safety manual is approved (see 10.3), it will be launched via the communications service. Following this, the HSA will develop the rolling Health and Safety audit plan. **Recommendation** Recommendation 3 – Internal Audit completed a Health & Safety Audit in 2021/22 (attached) with recommendations that are still outstanding. The Internal Audit outstanding recommendations along with all recommendations from this risk review should be completed as a priority whilst waiting for the health & safety manual to be launched and embedded across the Council.

			Due date: 01.04.2023
10.6	Internal health & safety group set up and working.	🟡 Amber	**Findings** Health & Safety Steering Group was set up a few years ago, however, does not have a term of reference. The Joint Safety Committee has oversight of the Steering Group; however, this review has highlighted that the purpose of the Group remains unclear. The Group is chaired by the Chief Executive, with attendees from each directorate and a Union Representative. Each member of the group acts as a Health and Safety Representative for their respective directorate and should cascade information to ensure that all staff are kept updated with health & safety matters across the Council. Current membership is made up of: • Chief Executive • Health & Safety Advisor (HAS) • 3 officers from Places directorate • 4 officers from People directorate • 2 officers from Resources directorate • Other officers are invited to attend if they have items on the agenda. The Steering Group currently meets quarterly (remotely), however, it is planned that this will move to six monthly in 2023, this is due to lack of business/updates and low attendance. The frequency of the meeting is to form part of the terms of reference. **Recommendations** Recommendation 4 – In-line with the Internal Audit recommendation from the Health & Safety Internal Audit 2021/22 and to provide clarity, a term of reference is to be created for the Health & Safety Steering Group and approved via the JSC. **Due date:** 01.04.2023

			Recommendation 5 – Agree, clarify and communicate the Health & Safety Steering Groups members' roles and responsibilities (please see the health & safety roles and responsibilities recommendation at the end of this table). • To ensure that all members of the Steering Group are clear on their roles and are cascading information to the staff within their respective directorates. **Due date:** 01.07.2023
10.7	Annual report to Council on Health and Safety	🟢 Green	**<u>Findings</u>** Annual Health & Safety Report was presented to Full Council in October 2021 – evidence provided and reviewed.

<u>Overarching recommendation</u>

Following discussions with the officers, there appears to be concern that health & safety roles and responsibilities allocated to key departments/officers require defining and potentially training/guidance to ensure statutory duties can be completed in-line with the regulations.

Recommendation 6:
A report to Corporate Leadership Team to agree the roles and responsibilities of the following officers/teams and how this will work in practice corporately.
- ALL staff;
- Human Resources;
- Health & safety Advisor;
- Members of the Health & Safety Steering Group;
- Corporate Leadership Team and Senior Management; and
- Line Managers (<u>and are equipped to carry it out/implement these statutory duties).</u>

The development of a managerial health & safety checklist to provide support to all line managers and act as an annual reminder of their statutory duties.

RAG Rating Indicator Values & Assurances	
● Red	There are significant and /or fundamental key control weaknesses that present high risk.
● Amber	There are some control weaknesses that present a medium risk.
● Green	There are minor/minimal control weaknesses that present low risk.

Appendix C: 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	-	-	3	38%	2	22%	5	**28%**

Actions due within last 3 months, but **not implemented**	1	100%	3	38%	3	33%	7	**39%**
Actions due **over 3 months** ago, but **not implemented**	-	-	2	25%	4	44%	6	**33%**
Totals	1	100%	8	100%	9	100%	18	100%

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 five 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	3	1	-
Communication during Assignments	-	2	3	-	-
Quality of Reporting	-	1	4	-	-
Quality of Recommendations	-	1	4	-	-
Total	**-**	**5**	**14**	**1**	**-**

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 exists.