



Rutland County Council

Internal Audit Update

June 2023

Introduction

- 1.1 Internal audit has been commissioned to provide 360 audit days to deliver the 2023/24 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 2023/24 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 2024. At the time of reporting, work on 27% of planned assignments is underway.

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 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.

2.4 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.

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

Since the audit plan for 2023/24 was developed, the 2022/23 audit review of Home to School Transport was completed and resulted in an opinion of Limited Assurance. As such, it is recommended that a follow up audit on Home to School Transport be included in the 2023/24 audit plan coverage.

To incorporate an additional follow up audit of Home to School Transport, and remain within the allocated 360 audit days, it is recommended that the audit of Adult Social Care data quality be postponed to 2024/25. This 12 day audit had been included in the plan given the implications for the new Care Quality Commission (CQC) regime. It is, however, noted that an audit on readiness for the CQC regime was concluded in

the last quarter of 2022/23 and this provided assurance that the Council has been working with the East Midlands Association of Directors of Adult Social Services (ADASS) group to design a dataset that is aligned to CQC requirements. The indicators in the dataset have been aligned to the four quality statements and include adult social care, finance and HR data. The East Midlands ADASS regional data group carried out a pilot with Q3/4 2021/22 data. Running alongside this, there is a 'use of data' project taking place. As such, assurances can be taken from this work and this reduces the requirement for further audit coverage in 2023/24. An internal audit review may be of greater value in 2024/25.

2.6 Are clients progressing audit recommendations with appropriate urgency?

Since the last Audit and Risk Committee meeting, ten audit actions have been closed as implemented. At the date of reporting, there are 15 audit actions which remain overdue for implementation – one of the overdue actions is of a 'high priority' rating and over three months overdue. See Appendix B and Appendix 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
Financial systems												
Creditors	15	-	●									Q4
Payroll	15	-	●									Q4
Local taxation	15	-	●									Q4
Corporate governance and counter fraud												
Risk management (consultancy support and real time assurances)	18	1			●							All year
Ethical governance – advisory support	10	-	●						Advisory			As required
Contract Procedure Rules compliance	8	-	●									Q4
Key corporate controls and policies												
Information governance	15	-		●								Q2
Cyber security	15	-	●									Q2
Budgetary control	10	-	●									Q3
Grant claim verification	17	3			●							As required

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												
Quality assurance in Childrens Social Care	12	5				●						Q1
Early years providers	15	1		●								Q2
Continuing healthcare funding	15	-	●									Q3
Adult social care data quality	12	-	●									Q2
Fostering	12	-	●									Q3
Adult safeguarding	12	10					●					Q1
Corporate Objective: Vibrant communities												
Private sector housing enforcement	12	-	●									Q3
Special educational needs and disabilities (SEND)	12	-	●									Q4
Corporate Objective: Delivering sustainable development												
Local plan development	15	-	●									TBC
Highways maintenance contract procurement	12	-	●									Q3
Corporate Objective: Customer focused services												
Transformation – advisory support	15	-	●						Advisory			As required




Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Commissioning of leisure services	12	1		●								Q1
Other Assurances												
Client Support (Committee support, training, client liaison, advice/assistance, follow ups)	35	7										
Internal Audit Management & Development	31	6										
TOTAL	360	34										

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 is a sound system of internal control to support delivery of the objectives.	The control environment is operating as intended with no exceptions noted which pose risk to delivery of the objectives.
Good ●	There is generally a sound system of internal control, with some gaps which pose a low risk to delivery of the objectives.	The control environment is generally operating as intended with some exceptions which pose a low risk to delivery of the objectives.
Moderate ●	There are gaps in the internal control framework which pose a medium risk to delivery of the objectives.	Controls are not consistently operating as intended, which poses a medium risk to the delivery of the objectives.
Limited ●	There are gaps in the internal control framework which pose a high risk to delivery of the objectives.	Key controls are not consistently operating as intended, which poses a high risk to the delivery of the objectives.
No ●	Internal Audit is unable to provide any assurance that a suitable internal control framework has been designed.	Internal Audit is unable to provide any assurance that controls have been effectively applied in practice.

Organisational Impact

Level		Definition
High		The weaknesses identified during the review have left the Council open to a high level of risk. If the risk materialises it would have a high impact upon the organisation as a whole.
Medium		The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a medium impact upon the organisation as a whole.
Low		The weaknesses identified during the review have left the Council open to low risk. This may have a low 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		Requires actions to avoid exposure to substantial risks in achieving objectives for the area.
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	1	33%	4	28%	5	63%	10	40%
Actions due within last 3 months, but <u>not implemented</u>	1	33%	5	36%	2	25%	8	32%
Actions due <u>over 3 months</u> ago, but <u>not implemented</u>	1	33%	5	36%	1	12%	7	28%
Totals	3	100%	14	100%	8	100%	25	100%

Appendix C: High priority audit recommendations overdue by more than three months

Audit Title and Year	Service Area	Outstanding Action	Status Update	Officer	Original Date	Revised Date (if provided)
Asset Management 2021/22	Places	<p>Tenancy schedule</p> <p>An up to date record of all properties, current tenants and terms should be consistently maintained. This should enable:</p> <ul style="list-style-type: none"> • Forward planning for tenancies reaching the end of their term; • Budget forecasting of expected income reflecting exact details of current leases/licences and income due; • Consistent information in the case of changes in personnel or planned absence of key officers. <p>It is acknowledged that manual spreadsheet records introduce an element of risk and a bespoke system for maintained all property records may assist in this, subject to a cost benefit analysis.</p>	<p>A new database is being produced. Officers made the decision to build and implement the compliance module first as that is the one that would have the greatest impact on the requirements to safely manage our assets.</p> <p>Beta testing of the Compliance Module in early June has identified some issues. Contractor is rectifying these and further testing due to commence in late June. Current expectation is that system will then go live in July. Estates Module will then follow in Aug/Sept 2023.</p>	Head of Property Services	30/09/2022	September 2023

Appendix D: 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 and 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 and 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.