



**Rutland County Council**

**Internal Audit Update**

**September 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 is underway or complete on 32% of planned assignments. A further 14% is in planning stages.

### 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 - two completed feedback forms have been returned during the year to date. The outcomes are summarised in Appendix D and rated the service as 'Outstanding'.

### 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?

Since the last meeting of the Audit and Risk Committee, final reports have been issued in relation to the following audits from the 2023/24 Audit Plan: **Quality assurance in Children's Social Care, Adult Safeguarding and Disabled Facilities Grants verification for 2022/23**. None of the audit reviews have resulted in assurance opinions of less than Moderate Assurance and none have been assessed a 'High' organisational risk.

### 2.5 Are clients progressing audit recommendations with appropriate urgency?

Since the last Audit and Risk Committee meeting, 20 audit actions have been closed as implemented. At the date of reporting, there are 21 audit actions which remain overdue for implementation – two of the overdue actions are of a 'high priority' rating and over three months overdue. See Appendix B and Appendix C for further details.

## 2.6 **Are any amendments to the Internal Audit plan required at this time?**

The Internal Audit plan must be subject to regular review throughout the financial year, to ensure that it continues to focus on the Council's key risks and adds the best possible value.

The Internal Audit plan for 2023/24 does not currently include any allowance for Internal Audit work relating to the Levelling Up Fund (LUF). Given the values and risks associated with this programme, there would be value in engaging Internal Audit as part of the assurance framework. There is already an assurance framework in place, and any Internal Audit work will seek to complement the existing assurances. A meeting has taken place between the Chief Internal Auditor and lead project officers and s151 officers for both Rutland County Council and Melton Borough Council, to scope potential Internal Audit assurance work during 2023/24. This will require audit days from the 2023/24 Internal Audit plan and an amendment to existing coverage.

Given the recent Ofsted inspection on Special Educational Needs and Disabilities (SEND), it is considered that this provides a source of independent assurance over SEND in 2023/24 and reduces the value of an Internal Audit review. As such, it is recommended that the 15 days allocated within the Internal Audit Plan for an audit on SEND be postponed to 2024/25 and the days in 2023/24 be re-allocated to assurance on the LUF project – including joint assurance work with Melton Borough Council.

**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>												
Creditors	15	-	●									Q4
Payroll	15	-	●									Q4
Local taxation	15	-	●									Q4
<b>Corporate governance and counter fraud</b>												
Risk management (consultancy support and real time assurances)	18	4			●							All year
Ethical governance – advisory support	10	-	●						<b>Advisory</b>			As required
Contract Procedure Rules compliance	8	-	●									Q4
<b>Key corporate controls and policies</b>												
Information governance	15	12				●						Q2
Cyber security	15	1		●								Q3
Budgetary control	10	-	●									Q3

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Grant claim verification	17	8			●							DFG 2022/23 completed
Corporate Objective: Protecting the vulnerable												
Quality assurance in Children's Social Care	12	11						●	Moderate	Moderate	Low	Q1
Early years providers	15	5			●							Q2
Continuing healthcare funding	15	2			●							Q3
Home to school transport	12	-	●									Q3
Fostering	12	1		●								Q3
Adult safeguarding	12	12						●	Good	Moderate	Low	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	1		●								Q3




Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Corporate Objective: Customer focused services												
Transformation – advisory support	15	-	●						Advisory			As required
Commissioning of leisure services	12	9					●					Q1
Other Assurances												
Client Support (Committee support, training, client liaison, advice/assistance, follow ups)	35	11										
Internal Audit Management & Development	31	10										
<b>TOTAL</b>	<b>360</b>	<b>87</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 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.
<b>Good</b> ●	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.
<b>Moderate</b> ●	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.
<b>Limited</b> ●	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.
<b>No</b> ●	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 <b>implemented</b> since last Committee meeting	1	25%	12	45%	7	70%	20	<b>48%</b>
Actions due within last 3 months, but <b><u>not implemented</u></b>	1	25%	6	22%	1	10%	8	<b>20%</b>
Actions due <b><u>over 3 months</u></b> ago, but <b><u>not implemented</u></b>	2	50%	9	33%	2	20%	13	<b>32%</b>
Totals	4	100%	27	100%	10	100%	41	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><b>Tenancy schedule</b></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"> <li>• Forward planning for tenancies reaching the end of their term;</li> <li>• Budget forecasting of expected income reflecting exact details of current leases/licences and income due;</li> <li>• Consistent information in the case of changes in personnel or planned absence of key officers.</li> </ul> <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>Contractor has rectified issues with the system.</p> <p>Further testing planned for Aug 2023.</p> <p>Delayed due to small team needing to divert resources (staff/time) to other urgent work of reorganising use and occupation at Catmose and implementation of compliance works to ensure Catmose safe for use and occupation.</p>	Head of Property Services	30/09/2022	September 2023
Asset Management 2021/22	Places	<p><b>Remedial actions</b></p> <p>The central record (above) should link to a clear action tracker for all remedial</p>	Contractor has rectified issues with the system.	Head of Property Services	31/03/2023	September 2023

Audit Title and Year	Service Area	Outstanding Action	Status Update	Officer	Original Date	Revised Date (if provided)
		actions arising from inspections. This should be subject to monitoring and review as part of staff supervisions/team meetings, as appropriate, or automate the generation of works orders.	Further testing planned for Aug 2023.  Delayed due to small team needing to divert resources (staff/time) to other urgent work of reorganising use and occupation at Catmose and implementation of compliance works to ensure Catmose safe for use and occupation.			

## Appendix D: Customer satisfaction questionnaire responses

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 Director and the Service 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 2 responses received during the year to date are set out below.

Aspects of Audit Assignments	N/A	Outstanding	Good	Satisfactory	Poor
Design of Assignment	-	2	-	-	-
Communication during Assignments	-	2	-	-	-
Quality of Reporting	-	2	-	-	-
Quality of Recommendations	-	2	-	-	-
<b>Total</b>	-	<b>8</b>	-	-	-

## **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 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.