



Rutland County Council

Internal Audit Update

December 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 59% of planned assignments. A further 9% 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. Three feedback forms have been received during the year to date and these are summarised in Appendix E.

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: **Commissioning of Leisure Services**; and verification of **Disabled Facilities Grant** and **Bus Subsidy Grants 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.

The latest rolling risk review has also been completed and is summarised in Appendix B.

2.5 Are clients progressing audit recommendations with appropriate urgency?

Since the last Audit and Risk Committee meeting, 22 audit actions have been closed as implemented. At the date of reporting, there are 18 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 C and Appendix D 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	5			●							All year
Ethical governance – advisory support	10	-	●						Advisory			As required
Contract Procedure Rules compliance	8	-	●									Q4
Key corporate controls and policies												
Information governance	15	15					●					Q2
Cyber security	15	5			●							Q3
Budgetary control	10	-	●									Q3
Grant claim verification	17	15						●				DFG and BSOG

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
												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	14					●					Q2
Continuing healthcare funding	15	6				●						Q3
Home to school transport	12	3			●							Q3
Fostering	12	3			●							Q3
Adult safeguarding	12	12						●	Good	Moderate	Low	Q1
Corporate Objective: Vibrant communities												
Private sector housing enforcement	12	2		●								Q3
Levelling Up Fund (LUF)	12	6			●							Q3
Corporate Objective: Delivering sustainable development												
Local plan development	15	2			●							Q3
Highways maintenance contract procurement	12	1		●								Q3
Corporate Objective: Customer focused services												




Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Transformation – advisory support	15	-	●						Advisory			As required
Commissioning of leisure services	12	10						●	Good	Good	Low	Q1
Other Assurances												
Client Support (Committee support, training, client liaison, advice/assistance, follow ups)	35	18										
Internal Audit Management & Development	31	17										
TOTAL	360	145										

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: Rolling risk review findings


Risk for Review		
Risk Register Ref.	Risk	Owner
74	There is a risk that the Council is not financially stable in the medium term (as evidenced by the gap in MTFP) Medium Term Financial Plan (MTFP) in place	Director - Resources

Key Control Reference	Key Control	RAG Rating (Red, Amber, Green)	Auditor Comment & Opinion
74.1	Medium Term Financial Plan (MTFP) in place.	 Green	<p>Findings:</p> <p>The Council produces a Medium-Term Financial Plan (MTFP) which covers a five-year period. It is a forward-looking document which provides a financial picture over the next five years (in this case 2023/24 to 2027/28). The MTFP sets out the forecast spending profile of the Council and estimates the level of resources it will have available over the next five years. This enables the Council to forecast an annual surplus/deficit and assess whether its spending plans are affordable.</p> <p>The MTFP is refreshed annually to respond to changes in the local financial environment, government announcements and the results of budget monitoring but it is formally updated to fit in with the annual budget cycle.</p> <p>The 2023 MTFP was approved by Council in February 2023.</p> <p>Recommendation: None</p>

Key Control Reference	Key Control	RAG Rating (Red, Amber, Green)	Auditor Comment & Opinion
74.2	Members adhering to minimum General Fund balances in budget setting.	 Green	<p>Findings: As part of budget report, the Chief Financial Officer / Section 151 Officer (CFO) must report to Members the general fund balances that are needed and the budget reports comment on whether it has been achieved or not.</p> <p>Training has been provided to new Members and the minimum reserve levels are set out by the CFO as part of the budget setting report annually. See section 3.2, 3.3 & 7.2.</p> <p>The Council implemented a new Reserve Strategy and Policy in August 2023. The Policy provides the context of use of the reserve balances to support the delivery of a sustainable financial position for the Council. Balances have been identified in order to mitigate risk and provide investment opportunities for future savings proposals and/or enhanced service delivery.</p> <p>Recommendation: None</p>
74.3	Members understand the need to raise Council Tax.	 Green	<p>Findings: Recommendations are put forward as part of budget setting report with Members either approving the recommendations or recommending an alternative.</p> <p>It has been noted that, if the Council Tax rate was not raised, Rutland County Council would lose £1.5 million in the year 2023/24 and every year thereafter which would threaten the Council's financial independence.</p> <p>In the following report to Members, Members have increased Council Tax by the maximum amount, in all but one year, recognising the Council's high dependency on Council Tax under the current funding methodology.</p>

Key Control Reference	Key Control	RAG Rating (Red, Amber, Green)	Auditor Comment & Opinion
			<p>It is Cabinet’s proposal, based on current information, that: The Council pursues a policy of maximum council tax rises (current maximum allowable) reinvesting part of any additional yield to support the cost of living crisis and those on low incomes.</p> <p>Council Tax rates are assumed to be at 3% for 2023/24 onwards. No further work has been undertaken on the tax base and this will be revisited when the Council have a clearer picture on collection rate and how they may be impacted by the cost of living crisis.</p> <p>The Strategy went to Council and was approved in October 2023.</p> <p>Recommendation: None</p>
74.4	All increases in budget scrutinised to ensure they are legitimate.	 Green	<p>Findings: As part of annual budget setting process all increases go through the Council’s Scrutiny Panel to ensure the process is reviewed and checked that is a legitimate increase.</p> <p>The MTFP went to the Council’s Strategic Overview and Scrutiny Committee in January 2023. With reports and minutes published on the Council’s website.</p> <p>Recommendation: None</p>
74.5	Lobbying for additional funding ongoing including meeting with Minister and MP.	 Green	<p>Findings: Usually the Leader of the Council and Portfolio Holder for Finance carry out this activity. Meetings are informal and minutes are not taken.</p>

Key Control Reference	Key Control	RAG Rating (Red, Amber, Green)	Auditor Comment & Opinion
			<p>It is understood that the Leader of the Council has regular meetings with the MP where this takes place. The Council also encourages other organisations to lobby the MP directly e.g. Early Year Education Providers.</p> <p>Recommendation: None</p>
74.6	Various controls strengthened in-light of action opposite (e.g. review of recruitment, agency staff etc).	 Amber	<p>Findings: This control would be exercised if an overspend was forecast and management needed to take immediate steps to mitigate escalating costs. The most recent financial performance report (Qtr 2 to Cabinet) indicates a forecast underspend position. Therefore, this control is not being exercised as expenditure remains within budget, and alternative mitigating actions are being undertaken where budget pressures emerge.</p> <p>An enhanced budget setting approach as been adopted for the medium term financial strategy (MTFS) with a focus on medium to longer term financial planning, rather than short term immediate next financial year plan. This should reduce the need for short term control measures such as this. However, it will be kept under review.</p> <p>Recommendation: Risk Register to be updated to reflect a range of controls that can be adopted to mitigate in year expenditure pressures as part of sound financial management activities. These controls will vary in severity and be adopted depending on the level of overspend being forecast.</p>
74.7	Strong management of the ongoing Revenue Budget.	 Green	<p>Findings: Corporate Leadership Team (CLT) receive Finance updates monthly. These are provided by the Head of Finance on the latest position.</p> <p>Recommendation: None</p>

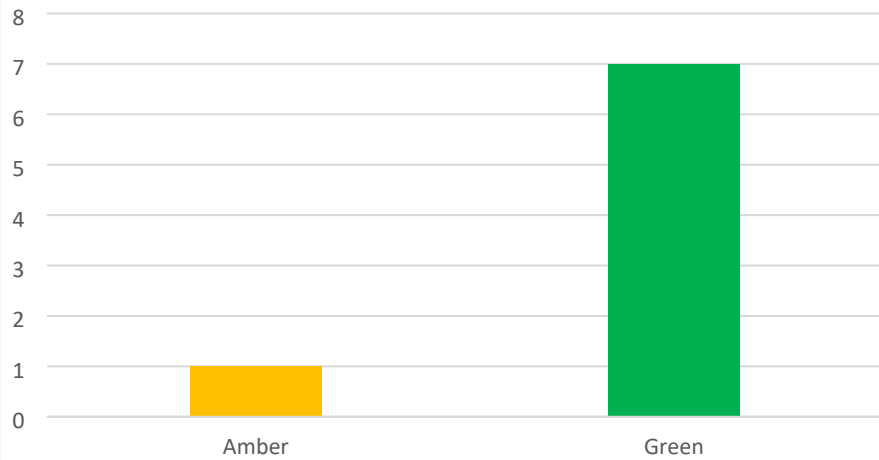
Key Control Reference	Key Control	RAG Rating (Red, Amber, Green)	Auditor Comment & Opinion
74.8	Ongoing project work to assess financial impact of reforms.	 Green	<p>Findings: On 7 September 2021 the Government set out its new plan for adult social care reform in England. This included a lifetime cap on the amount anyone in England will need to spend on their personal care, alongside a more generous means-test for local authority financial support.</p> <p>From October 2023, the government will introduce a new £86,000 cap on the amount anyone in England will need to spend on their personal care over their lifetime.</p> <p>In addition, the upper capital limit (UCL), the point at which people become eligible to receive some financial support from their local authority, will rise to £100,000 from the current £23,250. As a result, people with less than £100,000 of chargeable assets will never contribute more than 20% of these assets per year. The UCL of £100,000 will apply universally, irrespective of the circumstances or setting in which an individual receives care, making it a much more generous offer than a previous proposal in 2015. The lower capital limit (LCL), the threshold below which people will not have to pay anything for their care from their assets will increase to £20,000 from £14,250.</p> <p>Current project work is specifically around adult social care reports; however, Central Government have put this on hold and have delayed the reform around care cap.</p> <p>The Head of Finance is planning how the Council manages the position going forward.</p> <p>Recommendation: None</p>

Mitigating Actions Status

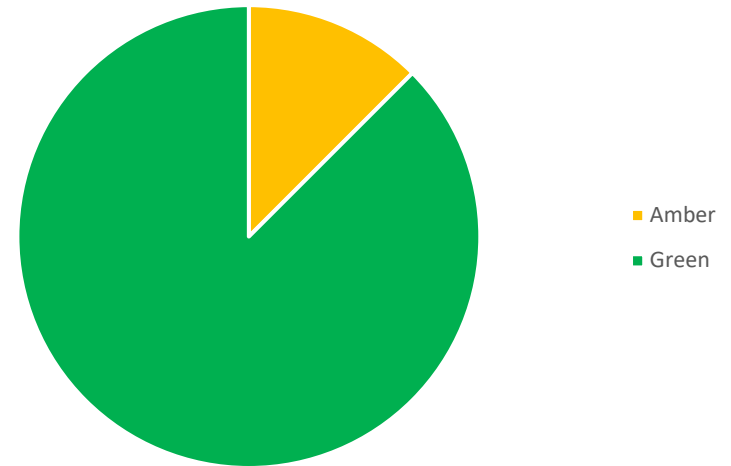
Action	Owner	Timescale	Latest Status
<p>Agree financial objectives and priorities and implications as part of budget setting.</p> <ul style="list-style-type: none"> • Added October 2021 • Due for completion – February 2022 <p>Update - financial objectives re dates for reducing deficits need to be revisited in light of the impact of cost of living crisis. Cabinet paper due in October 2022</p>	Director - Resources	February 2022	<p><u>Update on latest status:</u></p> <p>The latest MTFP has been agreed by Members which builds on the plan in the Financial Sustainably Strategy.</p>
<p>Agree plan for Budget Savings (including a decision to proceed re Transformation) including how it can be resourced.</p> <ul style="list-style-type: none"> • Added March 2022 • Due for completion – End Autumn 2022 <p>Update – this is work in progress and goes beyond savings programme in light of change in context. Budget Strategy needed for Autumn. Cabinet paper due in October 2022</p>	Director - Resources	Autumn 2022	<p><u>Update on latest status:</u></p> <p>The Council is currently going through a new budget process for 2024/25 with the aim of financial stability in the long term.</p>

Assurance & Findings

Count of Control Reference by RAG



Total



RAG Rating Indicator Values & Assurances

● Red	Control is not present or not currently operating.
● Amber	Control is not operating fully or consistently in line with risk register entry.
● Green	Control in place and evidenced as operating as stated.

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	2	50%	15	54%	5	63%	22	55%
Actions due within last 3 months, but <u>not implemented</u>	-	-	5	18%	1	12%	6	15%
Actions due <u>over 3 months</u> ago, but <u>not implemented</u>	2	50%	8	28%	2	25%	12	30%
Totals	4	100%	28	100%	8	100%	40	100%

Appendix D: 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>Due to staff vacancies and other work priorities this work has had to be delayed. Currently reviewing options as to how to progress the database population which include staff overtime/external temp support.</p> <p>Will discuss with new Interim Head of Service once they have started in November 2023.</p>	Head of Property Services	30/09/2022	December 2023
Asset Management 2021/22	Places	<p>Remedial actions</p> <p>The central record (above) should link to a clear action tracker for all remedial</p>	<p>Due to staff vacancies and other work priorities this work has had to be delayed. Currently reviewing options as to how to progress the database population which</p>	Head of Property Services	31/03/2023	December 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.	include staff overtime/external temp support. Will discuss with new Interim Head of Service once they have started in November 2023.			

Appendix E: 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 three 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	1	-	-
Communication during Assignments	-	3	-	-	-
Quality of Reporting	-	2	1	-	-
Quality of Recommendations	-	2	1	-	-
Total	-	9	3	-	-

Appendix F: 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.