



RUTLAND COUNTY COUNCIL
INTERNAL AUDIT UPDATE
JANUARY 2016

Date: 26th January 2016

Introduction

- 1.1 The Welland Internal Audit Consortium provides the internal audit service for Rutland County Council and has been commissioned to provide 370 audit days to deliver the 2015/16 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 consortium, which it requires to engage in effective scrutiny.

Performance

2.1 Will the Internal Audit Plan for 2015/16 be delivered?

The Welland Internal Audit Consortium is currently under the management of LGSS. The Welland Board has set LGSS the objective of delivering at least 90% of the Internal Audit plans for 2015/16 to draft report stage by the end of March 2016.

At the date of writing, ten final reports have been issued, two reports are at draft report stage, and work is in progress on a further six assignments. Progress on individual assignments is shown in Table 1. By the end of January 2016, it is estimated that 71% of the audit plan will be completed to draft report stage and a further 10% of the assignments will be in advanced delivery stages.

2.2 Are audits being delivered to budget?

Internal Audit is on target to deliver the audit plan within the commissioned days. Any overruns on individual assignments are managed within the overall budget.

2.3 Is the Internal Audit team achieving the expected level of productivity?

The most recent information available (week 40) shows that the Internal Audit team are spending 92% 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. At the time of reporting, five questionnaires had been returned (of nine issued) with an average score of 'Good'. See Appendix G for further details.

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?

Since the last Committee meeting, seven audit reports have been finalised. Three of the reports in relation to **IT Systems Administration**, **External Placements** and **Oakham Enterprise Park** have resulted in Limited Assurance opinions. Copies of the full reports are provided in Appendices B, C and D.

Reviews of **Demand Led Budgets** and **Public Health Budgets** have provided Sufficient Assurance opinions and a review of **Payroll** resulted in a Substantial Assurance opinion. A review of **Financial Transparency** was completed which was a consultancy style, benchmarking review and this concluded that Rutland County Council demonstrated a high level of transparency in relation to its budget setting and monitoring and the Transparency Code when compared with other local authorities. Copies of the Executive Summaries from all four reports are provided in Appendix E.

Based upon the findings and the actions agreed with management to address any identified weaknesses in the control environment, these would not currently reduce the Internal Audit Assurance opinion of the Council's overall Control Framework.

In addition, the **Capital Allocation Programme Board** report has been reviewed since the last Committee meeting and management comments have been updated.

2.6 Has progress been made in addressing the weaknesses identified in recent IT audits?

During 2014/15 and 2015/16 a number of IT audits have been performed which have resulted in Limited Assurance opinions and high priority recommendations. As such, it was agreed at the September 2015 Audit and Risk Committee meeting that full updates would be provided on progress made in addressing the areas of weakness identified by recent IT audits.

Appendix F provides details of the key actions taken to address the findings of the IT Asset Management (Limited Assurance) and IT Service Desk and Change Management (Sufficient Assurance) audits from 2014/15 and progress made in addressing the recommendations made in the recently issued IT Systems Administration report (Limited Assurance). Internal Audit have confirmed with the Head of IT that all recommendations in all three reports have been actioned, including those from the IT Systems Administration report issued in December 2015. A number of improvements have been made to the controls in all three areas and action has been taken to ensure these are consistently enforced.


In order to provide assurance that the controls implemented are fully embedded and operate effectively in practice, Internal Audit will review these again as part of the follow up on Limited Assurance reports.










2.7 Are clients progressing audit recommendations with appropriate urgency?

Outstanding audit recommendations now form part of the Quarterly Performance Report considered by Cabinet. Since the last Committee meeting, 16 actions arising from audit reports have been implemented.

At the date of reporting, there are 28 actions which are overdue for implementation. Three of the overdue recommendations are classified as high priority and were due for implementation over three months ago. See Appendices H and I 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	Assurance Rating	Comments
Financial Risks										
Creditors	10	0								Quarter 4
Debtors	10	19.5								
Local Taxes	14	18.3								
Benefits	10	15.1								
Payroll	11	14.2							Substantial	Final
Financial Governance & Transparency	7	5.8							n/a	Final
Fraud Risks										
Fraud Risk Review	15	4.1								Quarter 4
Service Delivery Risks										
Better Care Fund Monitoring	15	2.2								Quarter 4
Recruitment of Interim and Agency Staff	15	15.7							Sufficient	Final

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Contract Procedure Rules Compliances	15	13.5					●			
Capital Allocations Programme Board	20	18.5						●	Sufficient	Final
Digital Broadband	15	1.7			●					
Kerbside Collections	15	13.9						●	Sufficient	Final
Oakham Enterprise Park	15	12.3						●	Limited	Final
Demand Led Budgets	20	16						●	Sufficient	Final
External Placements (Care Packages)	15	24.5						●	Limited	Final Budget overrun due to complexity of testing required and issues identified.
Care Act Implementation	20	8.3			●					Fieldwork 50% complete
Public Health Budgets	15	11.9						●	Sufficient	Final
Limited Assurance Reports	15	0.7		●						Quarter 4
IT										

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
System Administration	15	18.9						●	Limited	Final
Contingency	15	0	●							Quarter 4
Client Support (Committee support, training, client liaison)	34	12.4								
Consortium Management	34	19.45								
TOTAL	370	266.95								

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.

Substantial	There is a sound control framework designed to manage or mitigate risks to the achievement of defined objectives. Testing confirms that the controls are being applied consistently.
Sufficient	The control framework is basically sound but either <ul style="list-style-type: none">• there are minor gaps or weaknesses which mean that some risks are not fully managed or mitigated; or• testing provides evidence of non-compliance sufficient to weaken the effect of some controls.
Limited	There are significant weaknesses in key elements of the control framework which mean that significant risks are not managed or mitigated. Testing demonstrates significant levels of non-compliance with prescribed processes and procedures
No	The controls identified are not sufficient to manage/mitigate identified risks to the achievement of defined objectives. Testing demonstrates high levels of non-compliance with prescribed processes and procedures.