

Appendix E: Internal Audit reports finalised since last Committee Meeting – Executive Summaries

DEMAND LED BUDGETS 2015-16

EXECUTIVE SUMMARY

INTRODUCTION & OVERALL OPINION

Expenditure on social care is demand led in a number of areas and, as such, can be very difficult to accurately predict. The Council has set a total budget for demand led social care expenditure of £8.7 million for 2015/16. In year expenditure projections are set, taking into account known changes in commitments.

The audit was designed to provide assurance that the Council has put in place appropriate controls to ensure that the Council is doing all it reasonably can to control, monitor and predict demand led social care expenditure, whilst balancing the risks and resources required. The key risks upon which the audit was focussed related to failure to control demand led social care expenditure and failure to monitor and predict demand led social care expenditure.

The audit review highlighted good practice in a number of areas. Based upon a review of 20 areas of expenditure, there is a high level of compliance with the Council's established budget monitoring procedures. There are clear communication channels in place to highlight emerging pressures. Quarterly finance reports are submitted to Cabinet and provide appropriate commentary on emerging issues related to demand led budgets. Commitment records are in place for a number of the services examined, including Day Opportunities Services, Aiming High and Learning Disabilities. The Council is currently developing processes to ensure correlation between the services provided, commitment records and budgets, although this is work in progress. A review of financial reports published by five larger authorities was carried out to identify any notable good practice in the area of demand led expenditure budget setting and forecasting; this review did not identify any best practice which has not already been considered by the Council.

The audit review also identified a number of areas in which further improvements can be made to improve the reliability of demand led budget setting and expenditure forecasting. There are currently some inaccuracies within expenditure commitment records, particularly in relation to Adult Social Care, whereby the forecast expenditure is not consistent with the latest approved care package. Furthermore, there is scope to improve the budget setting process by adopting a 'zero based' approach, rather than setting the budget based on the previous year. It is acknowledged that management have already initiated actions to address some of these issues.

The audit was carried out in accordance with the agreed Audit Planning Record (APR), which outlined the scope, terms and limitations to the audit. It is the Auditor's Opinion that the current overall design and operation of controls provides **Sufficient Assurance**, as summarised below:

Internal Audit Assurance Opinion	Direction of Travel				
Sufficient Assurance	Not Applicable				
Risk	Design	Comply	Recommendations		
			H	M	L
01 – Failure to control demand led social care expenditure	Sufficient Assurance	Sufficient Assurance	0	3	2
02 – Failure to monitor and predict demand led social care expenditure	Sufficient Assurance	Sufficient Assurance	0	2	1
Total Number of Recommendations			0	5	3

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PUBLIC HEALTH BUDGETS 2015-16

EXECUTIVE SUMMARY

INTRODUCTION & OVERALL OPINION

Public health is about helping people to stay healthy and protecting them from threats to their health. Public health activities include protecting the public's health from hazards and infectious diseases, encouraging healthier lifestyles, reducing the large health inequalities across England and promoting health as part of healthcare services. Improving health and wellbeing creates a more economically and socially active population and reduces the burden on the NHS and the economy. The Public Health function transferred over from the former Leicestershire County and Rutland Primary Care Trust to Rutland County Council (RCC) in April 2013. Service delivery for Leicestershire and Rutland is led by Leicestershire County Council (LCC).

The Council receives ring fenced grant funding for use in accordance with the Public Health grant conditions; in 2015/16 this funding amounts to £1,078,500. The key risks upon which the audit was focussed related to failure to achieve public health outcomes and deliver value for money for Rutland, and failure to demonstrate that the public health budget is being spent in accordance with grant terms and conditions.

The audit review highlighted a number of examples of good governance. Contracts for provision of Public Health services are entered into only on approval of RCC. There is a Public Health Steering Group in place, attended by representatives of RCC and the LCC Public Health department, and LCC Public Health representatives attend RCC People Directorate Departmental Management Team (DMT) meetings. Appropriate contract and performance management frameworks are in place. Sample testing of 20 Public Health transactions confirmed that in 19 cases the expenditure was in accordance with the Public Health grant terms and conditions. The remaining case has since been discussed with officers and resolved.

The audit review also identified a number of areas in which further improvements can be made to ensure that future commissioning activity meets the needs of Rutland. It is acknowledged that management have already initiated action to address this issue. Furthermore, there is scope to further improve accountability by obtaining assurances that the amounts paid to the LCC Public Health department reflect the level of support received by RCC.

The audit was carried out in accordance with the agreed Audit Planning Record (APR), which outlined the scope, terms and limitations to the audit. It is the Auditor's Opinion that the current overall design and operation of controls provides **Sufficient Assurance**, as summarised below:

Internal Audit Assurance Opinion	Direction of Travel				
Sufficient Assurance	Not Applicable				
Risk	Design	Comply	Recommendations		
			H	M	L
01 – Failure to achieve public health outcomes and deliver value for money for Rutland	Sufficient Assurance	Sufficient Assurance	1	1	0
02 – Failure to demonstrate that the public health budget is being spent in accordance with grant terms and conditions	Sufficient Assurance	Sufficient Assurance	0	1	0
Total Number of Recommendations			1	2	0

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PAYROLL 2015/16

EXECUTIVE SUMMARY

INTRODUCTION & OVERALL OPINION


Accurate and timely payroll payments and deductions are required on a monthly basis and should be appropriately evidenced and authorised. The Council's Payroll function is administered by Exchequer Services whilst the Human Resources team administer establishment records.

The audit determined that both the HR and Payroll team have adequately documented procedures in place which include appropriate separation of duties and secondary checks. A full review of user accounts and permissions on the payroll system was already underway at the time of testing and is due to be completed by the end of November 2015. Whilst the Internal Audit testing of payroll system user access highlighted examples of temporary Payroll staff for who access rights had not been revoked, all issues highlighted have been promptly addressed by management and the ongoing, full review should ensure all permissions are up-to-date and appropriate.

Processes for monthly payroll payments, pension payments and payment to HMRC were found to be adequate and testing confirmed that the payments reviewed were made in a correct and timely manner. Variable and temporary payments were found to be accurate and suitably authorised and both mandatory and voluntary deductions were also tested and confirmed to have been processed correctly. Monthly reconciliations of the Payroll control account are in place and payroll payments are also included in the Council's full payment bank reconciliation. Establishment records are subject to review each time a request to amend a post is received and all changes are subject to review by the Head of Human Resources prior to any amendment on the HR system.

Starter testing confirmed adequate procedures to be in place to ensure all appropriate checks are carried out, records are updated and officers are notified. Leavers testing confirmed appropriate HR procedures are in place to identify leavers, update all records and to notify payroll that a final payment needs to be calculated and processed. Testing of the accuracy of payments did not identify any significant issues. Full details of testing are provided in Section 2.

The audit was carried out in accordance with the agreed Audit Planning Record (APR). It is the Auditor's Opinion that the current overall design and operation of controls provides **Substantial Assurance**, as summarised below:

Internal Audit Assurance Opinion	Direction of Travel				
Substantial Assurance					
Risk	Design	Comply	Recommendations		
			H	M	L
01 - Inappropriate and/or inadequate staff access and procedures	Substantial Assurance	Sufficient Assurance	0	0	0
02 - Accuracy and timeliness of payroll payments	Substantial Assurance	Substantial Assurance	0	0	0
03 - Inappropriate and/or inadequate procedures for processing new starters	Substantial Assurance	Substantial Assurance	0	0	0
04 - Inappropriate and/or inadequate procedures for processing leavers	Substantial Assurance	Substantial Assurance	0	0	0
05 - Inaccurate financial records	Substantial Assurance	Substantial Assurance	0	0	0
Total Number of Recommendations			0	0	0

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FINANCIAL TRANSPARENCY 2015-16

EXECUTIVE SUMMARY

1. INTRODUCTION & CONCLUSIONS

The Local Government Transparency Code was introduced in 2014 in order to meet the Government's objective to increase democratic accountability and make it easier for local people to contribute to local decision making processes and help shape public services. The Transparency Code sets out the information which local authorities must publish, and details of further information which local authorities are recommended to publish. The purpose of this review was to provide assurance that the mandatory requirements of the Transparency Code are being complied with and that best practice is also followed when publishing information on budget setting, budget monitoring and financial performance. By publishing this information and ensuring it is easily accessible, the Councils should also reduce the number of Freedom of Information requests they receive and the pressure this can place on resources.

This was a joint benchmarking review which was delivered concurrently to Rutland County Council, Melton Borough Council and East Northamptonshire District Council (participating Councils). The data published by the five Welland authorities, plus an additional five authorities, was reviewed to provide meaningful comparative information.

The review confirmed that budget setting and budget monitoring reporting is highly transparent for all three participating Councils. Furthermore, all three Councils were found to be at least generally compliant with the mandatory requirements, and partially compliant with the recommended elements, of the Transparency Code. All three Councils have arrangements in place to ensure that the requirements of the Transparency Code are fully understood, that officer responsibilities and reporting timescales have been established, and to ensure that responsibilities have been allocated in respect of data validation. There were no significant differences between the Schemes of Publication adopted by each Council. The conclusion for Rutland County Council is provided below.

Conclusion – Rutland County Council

The Council publishes extensive information relating to its budget setting and monitoring, in addition to setting out its funding, statutory and constitutional requirements. The Council transparently sets out its financial plans and the pressures and risks related to those plans. Budget monitoring reports are published quarterly and provide extensive coverage and commentary on financial developments across the Council. All expected sources of information relating to the setting and monitoring of budgets had been published by the Council and were found to be easily accessible and up to date. For these reasons, Internal Audit has assessed the Council as providing a **High** level of transparency relating to its budget setting and monitoring.

The Council demonstrates **Full** compliance with all mandatory elements of the Transparency Code. In addition, Rutland County Council publishes 56% of the voluntary data as recommended by the Code. In the benchmarking exercise, this was found to be the same, or a higher, level of voluntary publication of additional information than seven other Councils in the group of ten. The highest percentage of additional information published across the remainder of the whole group was 67% and included expenditure on procurement cards (which is not applicable to Rutland County Council) and grants to voluntary organisations. All information provided was published on time and was noted as particularly easy to locate on Rutland's website in comparison with other authorities.