



RUTLAND COUNTY COUNCIL
INTERNAL AUDIT UPDATE
JULY 2016

Date: 19th July 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 2016/17 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 2016/17 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 2016/17 to draft report stage by the end of March 2017.

At the date of writing, one report is at draft report stage and work is in progress on a further six assignments. Progress on individual assignments is shown in Table 1.

At the April 2016 Audit and Risk Committee meeting, Members requested that an amendment be made to the Audit Plan to incorporate an additional review of SEN Transport. In order to enable this review to be planned and resourced, guidance is requested from the Committee on the scope of the review and areas for which assurance is sought. This can then be scheduled accordingly.

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. All assignments within the Audit Plan are currently within budget and no overspends are expected on current audits.

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

The most recent information available (week 11) shows that the Internal Audit team are spending 88% of time on chargeable activities against a target of 90%. The productivity during the year so far has been lower than 2015/16 following the induction of a new trainee Auditor but it should be noted that this member of the team is already operating at 80% productivity.

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, no questionnaires had been issued or returned for 2016/17.

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?

During quarter one, the Internal Audit team has been involved in a number of assignments at Rutland County Council and is currently contributing to some high priority projects.

The Council is currently working on the upgrade of its financial system, Agresso, which is due to go live in late 2016. In order to add value and assist the Council in managing risks upfront, the Internal Audit team are involved in the intensive design and planning stages and have been assisting in the production of process maps of key procedures and advising on the review of key controls within these. Over the last few years, Internal Audit have made a number of recommendations regarding the control framework within the Agresso system which required improvement and the team's involvement in this project provides assurance that these are being suitably addressed within the new system. This work is provided as consultancy support which does not result in an assurance opinion or report. However, following implementation of the systems, all will be subject to a full Internal Audit review and assurance report later in 2016/17. The subsequent audit work will be conducted by a member of the team who has not been involved in the design phase, so as to ensure independence.

During quarter one, the Internal Audit team has also been working on an open book review of the Highways Maintenance contract. This is a substantial assignment which involves on-site visits with the contractor. This is the first time an Internal Audit open book review of this contract has been conducted and is designed to provide assurance that the £3 million contract is being managed effectively, contract terms and conditions are being met and charges are fair, accurate and in accordance with the contractual agreement.

A draft report has been issued upon completion of fieldwork for the Taxi Licensing audit. This audit has not highlighted any significant weaknesses in the control framework and has identified a number of improvements in controls which have been achieved since the 2012/13 audit. This report is currently with management for agreement and will be summarised at the next Audit and Risk Committee meeting.

At the last Audit and Risk committee meeting, Members highlighted safeguarding risks as a key area where assurance was required from this audit. The fieldwork has included testing on compliance with the requirement to receive and assess outcomes of disclosure and barring service (DBS) checks before any licence is granted or renewed and has also reviewed the recently introduced Child Sexual Exploitation section of the driver training.

At the last committee meeting, Members also raised queries regarding communication and co-ordination with neighbouring licensing authorities and how assurance is sought from other authorities over drivers operating in Rutland who have been granted licences elsewhere. This has been discussed with management and procedures adopted to address this risk at comparable authorities are being considered and any actions agreed will be incorporated within the action plan.


2.6 **Are clients progressing audit recommendations with appropriate urgency?**

Outstanding audit recommendations form part of the Quarterly Performance Report considered by Cabinet. Since the last Committee meeting, 14 actions arising from audit reports have been implemented.

At the date of reporting, there are ten actions which are overdue for implementation. Five of these actions were due for implementation over three months ago, none of which are categorised as high priority. See Appendices B and 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	Assurance Rating	Comments
Financial Risks										
Creditors	14	0	●							Q4
Debtors	14	0	●							Q4
Local Taxation	15	0	●							Q3
Benefits	15	0	●							Q3
Payroll	15	0	●							Q4
Main Accounting	12	0	●							Q4
Financial System Upgrade (Consultancy support in design phase)	15	5.9			●					
Financial System Upgrade (System Administration)	12	0	●							Q3
Fraud Risks										

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Council Tax/NDR Fraud	12	0	●							Q2
Service Delivery Risks										
Highways Maintenance Contract	20	9			●					
Fostering Service	15	2			●					
Contract Procedure Rules (CPR) compliance	10	0	●							Q3
Taxi Licensing	15	10.7					●			
Section 106 Agreements	15	1		●						Q4
Safeguarding Policies and Procedures and Compliance	20	0	●							Q2
Development Control	15	0	●							Q2
Data Management	15	0	●							Q3
LiquidLogic	15	0.1		●						Q2
Digital Broadband	5	0.2			●					
Limited Assurance Reports	12	0	●							Q4

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
IT										
Asset Management	12	1			●					
Policies and Procedures	10	0	●							Q4
Client Support (Committee support, training, client liaison)	33	6.4								
Consortium Management	34	4.3								
TOTAL	370	40.6								

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.