the Welland

Internal Audit Consortium

RUTLAND COUNTY COUNCIL

INTERNAL AUDIT ANNUAL REPORT

2014/15

Date: June 2015

1. Background

1.1 The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to provide an annual Internal Audit opinion and report that can be used by the organisation to inform its governance statement. The Standards specify that the report must contain:
   - an Internal Audit opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework (i.e. the control environment);
   - a summary of the audit work from which the opinion is derived and any work by other assurance providers upon which reliance is placed; and
   - a statement on the extent of conformance with the Standards including progress against the improvement plan resulting from any external assessments.

2. Head of Internal Audit Opinion 2014/15

2.1 This report provides a summary of the work carried out by the Internal Audit service during the financial year 2014/15 and the results of these assignments. Based upon the work undertaken by Internal Audit during the year, the Head of Internal Audit's overall opinion on the Council's system of internal control is that:

Sufficient Assurance can be given that there is generally a sound system of internal control, designed to meet the organisation's objectives and that controls are generally being applied consistently. The level of assurance, therefore, remains at a consistent level from 2013/14.

Controls relating to those key financial systems (payroll, debtors, creditors, benefits and local taxation) which were reviewed during the year were concluded to be at a level of at least Sufficient Assurance.

The overall proportion of audit reports giving Limited Assurance has remained approximately consistent with 2013/14, as shown in Table 1.

The implementation of audit recommendations during the year has generally been good, with 71% of those actions from 2014/15 audit reports which were due for implementation being completed in accordance with the agreed timescales.

No systems of controls can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

The basis for this opinion is derived from an assessment of the individual opinions arising from assignments from the risk-based Internal Audit plan that have been undertaken throughout the year. This assessment has taken account

of the relative materiality of these areas and management's progress in addressing any control weaknesses. A summary of Audit Opinions is shown in Table 1:

Table 1 – Summary of Audit Opinions 2014/15:

Area	Substantial	Sufficient	Limited	No
Financial Systems	1	5	2	0
IT	0	1	1	0
Counter Fraud	0	2	0	0
Customer Facing	2	5	0	0
Governance & Performance	0	2	1	0
Total	**3**	**15**	**4**	**0**
Summary **with 13/14 Comparison**	**14%** **(29%)**	**68%** **(52%)**	**18%** **(19%)**	**0%** **(0%)**

3. Review of Audit Coverage

3.1 Audit Opinion on Individual Audits

The Committee is reminded that the following assurance opinions can be assigned:

Table 2 – Assurance Categories:

Level of Assurance	Definition
Substantial	There is a robust framework of controls making it likely that service objectives will be delivered. Controls are applied continuously and consistently with only infrequent minor lapses.
Sufficient	The control framework includes key controls that promote the delivery of service objectives. Controls are applied but there are lapses and/or inconsistencies.

Level of Assurance	Definition
Limited	There is a risk that objectives will not be achieved due to the absence of key internal controls. There have been significant and extensive breakdowns in the application of key controls.
No	There is an absence of basic controls resulting in inability to deliver service objectives. Fundamental controls are not being operated or complied with.

Audit reports issued in 2014/15, other than those relating to consultancy support, resulted in the provision of one of the above assurance opinions. All individual reports represented in this Annual Report are final reports and, as such, the findings have been agreed with management, together with the accompanying action plans.

3.2 Summary of Audit Work

3.2.1 Table 3 details the assurance levels resulting from all audits undertaken in 2014/15 and the date of the Committee meeting at which a summary of the report was presented.

3.2.2 All assignments have been delivered in accordance with the agreed Audit Planning Records and provide assurance in relation to the areas included in the specified scope.

Table 3 – Summary of Audit Opinions 2014/15:

Audit Area	Audit Opinion	Committee Date
Financial		
Creditors	Sufficient	June 2015
Debtors	Sufficient	June 2015
Local Taxation	Substantial	April 2015
Benefits	Sufficient	June 2015
Payroll	Sufficient	September 2014
Agresso	Limited	January 2015

Audit Area	Audit Opinion	Committee Date
Community Care Finance – Deputyships & Court of Protection	Limited	January 2015
Community Care Finance – Assessments and Fairer Charging	Sufficient	January 2015
IT		
Service Desk & Change Management	Sufficient	June 2015
ICT Asset Management	Limited	June 2015
Fraud Risks		
Recruitment & Payroll Related Fraud	Sufficient	September 2014
NDR Fraud	Sufficient	January 2015
Service Delivery		
Housing Options	Substantial	January 2015
Home to School Transport	Sufficient	January 2015
Early Years Funding	Sufficient	April 2015
Nursery Provision	Sufficient	April 2015
School Improvement Programmes	Sufficient	June 2015
School Admissions Service	Substantial	January 2015
Continuing Health Care Funding	Sufficient	June 2015
Governance & Performance		
Data Management	Sufficient	April 2015
Safe Driving at Work	Limited	September 2014
Contract Management	Sufficient	April 2015

3.2.2 Outlined in Appendix 1 is a summary of each of the audits that has been completed during the year. The Committee should note that the majority of these findings have previously been reported as part of the defined cycle of update reports provided to the Audit and Risk Committee.

3.2.3 At each Audit and Risk Committee meeting, full copies of any reports issued giving a Limited Assurance opinion are provided to Members. Details of actions taken by management to address the findings within these reports are provided.

3.2.4 The Internal Audit Plan for 2015/16 includes 15 days for further review of all areas receiving Limited Assurance opinions during 2014/15 to provide assurance that actions have been taken and risks are being suitably managed.

3.3 Implementation of Internal Audit Recommendations

3.3.1 Internal Audit follow up on progress made against all recommendations arising from completed assignments to ensure these have been fully and promptly implemented. The Head of Internal Audit provides a summary at each Audit and Risk Committee on progress made and actions outstanding. Table 4 provides details of the implementation of recommendations made during 2014/15.

Table 4 - Implementation of Audit Recommendations 2014/15:

	Category 'High' recs	Category 'Medium' recs	Category 'Low' recs	Total
Agreed and Implemented	6	11	3	20 (22%)
Agreed and not yet due for implementation	12	35	16	63 (68%)
Agreed and due within last 3 months, but not implemented	0	0	0	0 (0%)
Agreed and due over 3 months ago, but not implemented	3	3	2	8 (10%)
TOTAL	**21**	**49**	**21**	**91**

3.3.2 In addition to those actions which remain outstanding from the 2014/15 audit reports, a further two actions remain outstanding and overdue from 2013/14 audit reports. A summary of all overdue recommendations is shown in Table 5:

Table 5 - Summary of Overdue Recommendations as at 31st March 2015

Audit Title	Audit year	High Over 3 months	High Under 3 months	Medium Over 3 months	Medium Under 3 months	Low Over 3 months	Low Under 3 months
Agresso	14/15	1	-	2	-	-	-
Community Care Finance Assessments & Fair Charging	14/15	-	-	-	-	1	-
Safe Driving at Work	14/15	2	-	1	-	-	-
NDR Fraud	14/15	-	-	-	-	1	-
ICT Project Management	13/14	1	-	-	-	-	-
IT Service Desk	13/14	-	-	-	-	1	-
Totals		**4**		**3**	**0**	**3**	**0**

3.3.3 The level of implementation is reported to the Audit and Risk Committee throughout the year. The content of the Progress Reports is also being reviewed for 2015/16 to ensure that these provide members of the Committee with further details on the implementation of actions.

3.4 Internal Audit Contribution

3.4.1 It is important that Internal Audit demonstrates its value to the organisation. The service provides assurance to management and members via its programme of work and also offers support and advice to assist the Council in new areas of work.

3.4.2 Delivery of 2014/15 Audit Plan

The Council commissioned 370 days from the Internal Audit Consortium to deliver the 2014/15 Audit Plan.

The team delivered a total of **397** days to Rutland County Council during 2014/15. This involved delivery of the current year Audit Plan, client liaison, support, reporting and attendance at the Audit and Risk Committee and the completion of a number of assignments which had not been delivered from the 2013/14 Audit Plan.

By the end of April 2015, the team had delivered **100%** of the assignments within the 2014/15 Audit Plan to at least draft report stage.

3.4.3   Internal Audit Contribution in Wider Areas

Key additional areas of Internal Audit contribution to the Council in 2014/15 are set out in Table 6:

Table 6 – Internal Audit Contribution

Area of Activity	Benefit to the Council
Membership of Governance Group and attendance at meetings.	To provide insight into governance arrangements and independent assurance.
Supporting development of Money Laundering Policy.	Shared examples of best practice to ensure policy is robust and compliant with best practice.
Providing advice on the development on a revised Whistleblowing Policy.	To assist in the development of a fit for purpose policy which is compliant with best practice and supports staff in raising any concerns in confidence, including in relation to fraud or safeguarding.
Maintaining good working relationships with External Audit so that Internal Audit work can be relied upon for the purposes of assisting them in forming their opinion on the Annual Accounts.	Reduce audit burden, saving costs.
Review and declaration for the Local Sustainable Transport Fund grant usage.	Compliance with the terms and conditions of the funding and assurance over use of monies.

4.   Performance Indicators

4.1   Internal Audit maintains several key performance indicators (KPIs) to enable ongoing monitoring by the Welland Internal Audit Board and Committees. Outturns against these indicators in relation to work delivered for Rutland County Council are provided in Table 7:

Table 7 – Internal Audit KPIs 2014/15

Indicator description	Target	Actual
Delivery of the agreed annual Internal Audit Plan – Audit Days	370	397
Delivery of the agreed annual Internal Audit Plan to at least draft report stage by 31st March 2015	90%	91%
Customer Feedback – rating on a scale of 1 to 4 (average) Where: 1 = Poor, 2 = Satisfactory, 3 = Good and 4 = Outstanding	3.6	3.4

5.   Professional Standards

5.1   The Public Sector Internal Audit Standards (PSIAS) were adopted by the Chartered Institute of Public Finance and Accountancy (CIPFA) from April 2013. The standards are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of Internal Audit across the public sector.

5.2   The objectives of the PSIAS are to:

- Define the nature of internal auditing within the UK public sector;
- Set basic principles for carrying out internal audit in the UK public sector;
- Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and
- Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

5.3   A detailed self-assessment against the PSIAS has been completed by the Head of Internal Audit, a copy of which is provided in Appendix 2. The outcome of the assessment was that the Internal Audit service is operating in general **compliance** with the Standards.

5.4   The Head of Internal Audit is keen to drive ongoing, continuous development to ensure the value of the service is maximised. One specific area for further development has been identified from the assessment, in relation to reviewing and strengthening the content of the Progress Reports presented to Audit

Committees to ensure these fully inform members of the key findings of assignments and the performance of the Council services in implementing the agreed actions arising from the finalised reports.

Appendix 1: Summary of Internal Audit Work Undertaken for 2014/15

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
Financial Systems			
Creditors	Sufficient	To provide assurance that adequate controls exist to mitigate the key risks to the Council of the Creditor payment processes. Including: System access, segregation of duties between key tasks, setting up new suppliers, purchase requisitions, purchase order approval, goods receipting, invoice processing, compliance with policies, BACS/Cheque payments, urgent payments, aged creditor reviews and creditor control account reconciliations.	Testing of a sample of invoices paid during the financial year to date confirmed that all were supported by an approved purchase order and all could be matched to the goods receipted on the Agresso financial system. Detective controls had recently been introduced to identify any unauthorised or fraudulent changes to supplier data and all changes to existing supplier details tested had been suitably verified and evidenced. New procedures for verifying details when setting up new suppliers are also due to be implemented which should address the previous weaknesses in the audit trail. Some incidents of inadequate segregation of duties in relation to BACS submissions were identified and the process for BACS approval is to be reviewed. Further work to address the issue of retrospective purchase orders is needed to ensure that this control is consistently applied.
Debtors	Substantial	To provide assurance that the Council's invoicing, debt recovery and income processing systems and procedures are adequately controlled and its Debt Recovery Policy is fit for purpose.	Testing found that there were appropriate system controls operating to ensure sales order requests were complete and appropriately authorised. Debt recovery procedures had been well documented and sample testing on invoices raised across the Council provided assurance that records of all debt recovery actions taken to date were readily available. It was highlighted that a review and analysis of Agresso roles and users with the ability to create, update and delete customer master file data should be conducted. Role profiles should be

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
			amended and/or users removed from roles to ensure that only appropriate members of staff have this functionality.
Local Taxation	Substantial	To provide assurance that the material risks associated with the collection and management of local taxes are sufficiently mitigated. To cover: policies and procedures, system access controls, maintenance of complete and accurate property records, accurate set up of the initial liability, billing controls ensure amounts due are correctly calculated and charged, secure & effective arrangements for collection and posting of income, timely and accurate reconciliations.	Review confirmed that staff in the Revenues and Benefits team were highly experienced with a thorough understanding of the systems, policies and procedures for managing the collection of local taxes. A comprehensive set of procedure notes were identified for key aspects of the system and an effective range of controls were operating to minimise the risk of fraud and error, including appropriate separation of duties where necessary. It was highlighted that arrangements could be strengthened further by improving system access controls, such as promptly revoking access for leavers, and providing further documentary evidence for some aspects of the control framework.
Benefits	Sufficient	To provide assurance that the controls surrounding the processing and payment of benefits are sound. Also that the arrangements for processing and pursuit of overpayments are adequately robust and ensure effective pursuit of the debt.	Procedures were confirmed to be in place for the correct and consistent processing of benefit applications. Testing found that there were adequate procedures to deal with appeals, changes in circumstances and back dated claims. System reconciliations were being completed accurately and controls surrounding the update of system parameters were identified as sound. Procedures were in place to manage the Council's residual responsibilities associated with Benefits Fraud. At the time of testing, there was no separation of duty between the officer setting up benefit payment runs and the officer

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
			completing the BACS payment runs. The level of benefits overpayments subject to recovery action was reviewed and testing determined that recent resourcing issues were affecting the effective review and recovery of this debt.
Payroll	Sufficient	To provide assurance over whether there are adequate processes and controls in place to ensure timely and accurate processing of starter, leavers and payroll changes. To also provide assurance that the requirements of the Local Government Pension Scheme (LGPS) 2014 and auto-enrolment have been fully and accurately implemented.	Arrangements for implementation of LGPS 2014 and auto-enrolment were successful in ensuring that the key requirements of both schemes were implemented fully and accurately for the majority of staff. However, the approach to project implementation was informal and not fully documented, which may have contributed to some of the implementation errors and delays. Controls in respect of starters, leavers, contract changes and non-standard payments were found to be effective in both design and operation, although the policy for payment of honorarium needed further clarification.
Agresso	Limited	To establish whether there are adequate policies, processes and controls in place to ensure that user access privileges are appropriate, including super-user accounts. To provide assurance over how officers ensure that system changes and updates are properly tested and controlled before going 'live'.	Officers asserted that any new or additional access to this system, beyond the minimum access rights, should be subject to formal approval by management to confirm that the access is appropriate and required for the job role. However, the audit found that arrangements for setting up, approving and maintaining user access rights were somewhat informal in practice and controls over super-user access were not fully effective. Some specific access rights were identified as inappropriate. On identifying this issue, prompt action was taken by management. Controls over key financial systems are subject to separate audit reviews and to date Internal Audit had not

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
			identified any misuse of access rights. There were no documented change management procedures, but the team has recently developed a formal change request form and change control form. At the time of audit, preparation of a formal change log was in progress and documentation for all changes was retained on the network drive.
Community Care Finance – Deputyships & Court of Protection	Limited	To examine the arrangements in place to assess clients' proper contributions to their costs of care; arrangements for stewardship of clients' assets; and arrangements to ensure compliance with statutory requirements.	It was confirmed that there were policies in place to enable officers to calculate clients' contributions correctly. Furthermore, there was evidence that responsible officers had been proactive in pursuing clients' financial best interests by ensuring that all relevant benefits are claimed and making use of ISA allowances. Formal policies and procedures did not, however, exist for the management and administration of client finances which had led to inconsistencies in how supporting documentation for each client had been retained. It was recommended that a complete, consistent file of all key financial documentation be retained for each client and these should be subject to independent reviews. This also included maintaining records and assurance over use of monies where lump sums are given to carers/care homes by the Council to spend on the client. Prompt action was taken by the team to revise the policies in this area and the implementation of actions is subject to review.
Community Care Finance – Assessments and Fairer Charging	Sufficient	The review covered the arrangements in place to schedule and deliver financial assessments; to identify clients' assets and to deal with cases	Review confirmed that adequate procedures were in place to identify clients who require a financial assessment, to carry out such assessments accurately and in a timely manner and to communicate the results to the client or their representative and allow for appeals.

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
		where residential property is relevant to the assessment of the clients' liabilities; and to ensure accurate and timely billing of all relevant clients.	Detailed testing confirmed that financial assessments were taking place as described; appeals were resolved in a timely manner and deferred payment agreements were set up, as required. Due to the continued issue of there being no interface between the Abacus and Agresso systems for raising debtor invoices for homecare clients, testing did highlighted some delays in the raising of invoices. It was also recommended that up-to-date policies should be made available on the Council's internet pages to inform service users.
IT			
Service Desk and Change Management	Sufficient	To provide assurance over the Council's incident and problem management processes via the Helpdesk. To review the Council's draft Change Management arrangements (compliance testing not undertaken as it was too early following development of the policy to review this in practice).	Evidence of compliance with good practice for Service Desk management was identified, particularly in relation to the approach to prioritisation of calls and the full audit trail within the eServiceDesk system. A published service level agreement (SLA) for the Service Desk contained key performance targets. It was recommended that performance reporting to senior management should include analysis of the resolution of calls within the SLA targets. It was acknowledged that the functionality to log follow-on calls was not being fully utilised, resulting in some duplicate calls being logged on the system. Procedures for change management, modification and alteration of system functionalities had been documented in the draft Change Management policy. Review of the draft policy concluded that it contained appropriate guidance and, if fully implemented, should provide a basis for well managed change.

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
ICT Asset Management	Limited	To provide assurance that the ICT asset management arrangements are fit for purpose and registers relating to hardware; software; and data storage media are complete and accurate.	The IT management team were aware of the need to revise the procedures for maintaining ICT asset records and plans were in place, including the potential replacement of the service desk and asset management software. The ICT asset management database contained appropriate data-fields to assist ICT in locating items or identifying the age or value of assets; however, Internal Audit testing identified significant gaps in record keeping. The Council did not hold a software application register listing details of all applications used across the authority. Reconciliations between the licences held and usage should be conducted and evidenced for all applications to provide assurance over compliance with the license terms.
Fraud Risks			
Recruitment & Payroll Related Fraud	Sufficient	To provide assurance that the Council has put in place arrangements to mitigate the risks of employee-related fraud including: recruitment of individuals who misrepresent themselves; false claims for overtime; false claims for expenses; falsification of flexitime records; and false claims relating to sickness.	Testing highlighted that line managers were able to demonstrate a good level of controls regarding checks of flexi time and overtime worked. Review also confirmed that expense claims were subject to management authorisation. Requirements for clearer narratives and acceptable evidence were to be included in the new Expenses Policy. Whilst testing identified some small delays in checking recruitment documentation, responsible managers received reminders from HR. The new Safer Recruitment Processes require all documentary evidence to be checked at interview stages.

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
NDR Fraud	Sufficient	To examine the arrangements to manage the risks of fraud relating to failures to declare rateable hereditaments; misrepresentation to obtain reliefs; and withholding of information to retain reliefs after period of entitlement ends.	Based upon the testing completed, a satisfactory framework of controls had been identified to address the risks associated with NDR fraud. This included an embedded programme of property inspections to identify instances of potential fraud, a clear procedure in place for reporting and investigating any suspicions that changes of use of properties had not been reported, and evidence of close monitoring of NDR relief end dates. Testing did not identify any instances of fraud or money laundering.

The review highlighted that the Council did not have an approved and cascaded Money Laundering Policy; however a draft policy was being prepared for approval and finalisation. It was also identified that the current processes in place for paying NDR refunds could be further improved to reduce the risk of money laundering by implementing approval limits for any such refunds over £5,000. |
| Service Delivery | | | |
| Housing Options | Substantial | To establish whether there are adequate processes and controls in place to ensure that housing and homelessness applications are treated in accordance with established local policies and national legislation. | The audit found that appropriate controls were in place for ensuring housing applications and homelessness cases were treated in accordance established policies and the relevant legislative framework. Testing confirmed that all applications for housing and homelessness within the selected samples had been consistently processed in accordance with these policies, thereby demonstrating the effectiveness of these controls.

There was evidence that standards of record keeping could be improved in some cases and some scope to strengthen further the existing arrangements by developing operational guidance for certain aspects of the allocations policy. |

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
Home to School Transport	Sufficient	To provide assurance over the arrangement to assess risks to children and to identify, evaluate and record all incidents that might require a reassessment of those risk; arrangements in place to mitigate acknowledged risks; and arrangements to record and evidence those mitigations. To examine the arrangements in place to ensure that the best price is obtained for transport required; and that spare capacity can be – and is managed out of the service.	Evidence was provided to demonstrate that safety responsibilities had been appropriately set out in contractual terms and conditions and that all vehicles used by the Council's contractors had appropriate insurance and MOT certification. Some of the documentation was not readily available at the time of audit testing and it was recommended that such evidence be obtained from all contractors on a regular basis and securely retained. The Council had policies and procedures in place to manage the risks involved in the transport service such as a Passenger Code of Conduct and operational risk assessments. However, at the time of the audit, assurance could not be provided that all individual routes had been appropriately risk assessed. It was recommended that all remaining routes be assessed to provide evidence that each had been suitably reviewed and any additional training and/or safety measures had been provided where necessary.
Early Years Funding	Sufficient	To provide assurance over the management and allocation of direct funding from the Department of Education and to provide assurance that the controls over early years funding claims are robust.	The governance arrangements for the Early Years Service were found to be well designed and mechanisms were in place to review and monitor performance. Evidence was provided that the budget had been allocated based on statutory requirements and any remaining budget had been appropriately used on a needs basis. During sample testing, Internal Audit identified some errors resulting in overpayments of funding; the majority of these

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
			inaccuracies were caused by human error and were subsequently detected by the Council. Claims from providers were reviewed to ensure that all supporting evidence was available. Some cases were identified where evidence was incomplete. Furthermore, there was no formal programme for checking the eligibility of funding claims. The introduction of spot checks would enable the Council to identify areas of concern and ensure accuracy.
Nursery Provision	Sufficient	To provide assurance that the Council has established and maintains an appropriate framework of controls to ensure that relationships between schools and pre-school providers do not compromise safeguarding arrangements or the financial interests of schools; that the respective duties, rights and responsibilities of schools and pre-school providers are appropriately defined; and that those governance requirements are satisfied.	Internal Audit found that although the Council no longer had direct responsibility for ensuring schools and settings comply with safeguarding requirements, an appropriate framework of support had been developed to help schools and other early years providers ensure proper standards are in place. For the five nurseries operating on school sites, local arrangements had been established for recharging costs and there was evidence of appropriate operational policies and procedures in some cases. However, financial and governance arrangements were not formalised into legally enforceable contracts or agreements. This increased the risk of misunderstandings about roles and responsibilities and any financial disputes or disagreements may be more difficult to resolve.
School Improvement Programmes	Sufficient	To provide assurance that the local authority has appropriate processes and controls in place	A performance dashboard had been produced and a detailed data analysis had been conducted to allow the Council to identify any underperforming schools. This information was used

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
		for supporting school improvement. Including review of the strategy and plans, policies and procedures relating to school improvement, compliance with statutory guidance from Ofsted, funding and resource allocations, budget monitoring, school performance data, performance monitoring, contract management and service capacity.	to channel support to areas of greatest need through school visits and strategy meetings. Appropriate mechanisms to monitor the performance of the School Improvement Team were found to be in place; however on occasions, evidence of review and recording of outcomes and actions taken were not fully evidenced. The Council's definition, arrangements and criteria for monitoring, challenging, intervention and support were identified as clear and comprehensive. The service was continuing to develop and implement their control framework. Key documents such as the School Improvement Policy and Schools Causing Concern Policy were in consultation and not finalised at the time of reporting.
School Admissions Service	Substantial	To provide assurance over the effective management of the Schools Admissions service including compliance with statutory procedures and admissions guidance, operation in accordance with deadlines, ability to place all children applying for places and ability to demonstrate that appealed decisions have been based upon a proper application of	The audit confirmed that there was a clear process for receiving and responding to appeals which is defined by the statutory School Admissions Appeals Code and explained in outline on the Council's website. Refusal letters sent to parents provided details on how to submit an appeal. The Council had developed standard appeals forms and an independent appeal panel. The clerk to the panel was responsible for checking that all relevant documentation was provided by the Council, including a statement to defend the schools decision. A standard template was used for this purpose. Testing of a sample of appeals did not identify any evidence of failure to apply proper processes or

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
		policy informed by all necessary and relevant information.	policy requirements. Testing of a sample of 2014/15 admissions confirmed that all deadlines had been met and the Council had complied with all requirements of the national School Admission Code.
Continuing Health Care (CHC) Funding	Sufficient	To provide assurance over the processes in place to support eligible service users in accessing CHC Funding and that costs are suitably recovered and accounted for by the Council.	The audit found that reliance was placed primarily on the professional judgement of individual social workers to identify and assess potentially eligible cases, supported by appropriate training and supervision arrangements. Invoices for recovery of NHS contributions were being raised promptly and accurately, although recharges in respect of transport and community equipment costs were not always included. Actions have been agreed to address this. Debt recovery from Clinical Commissioning Groups was identified as difficult and time consuming but officers asserted that all invoices were paid eventually and appropriate debt recovery processes were being followed to pursue these monies. Budget reporting was generally sound and revisions to the budget monitoring reports to be introduced for the 2015/16 financial year should strengthen this further.
Governance			
Data Management	Sufficient	To provide assurance that the identified risks associated with compliance with Data Protection and Freedom of Information (FoI) legislation have been	The audit confirmed that much had been achieved within in the last year to develop appropriate systems and procedures and to raise staff awareness of their roles and responsibilities. Clear operating procedures had been developed supported by a number of standard forms and templates. There was also

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
		suitably mitigated. Effective data management supports the delivery of the Council's strategic objectives. The audit did not cover arrangements related to data collection, retention, disposal or sharing, where further work was already underway within the Council.	evidence of senior officer commitment within the Council and various training and awareness initiatives in place and planned. Testing of a sample of FoI cases confirmed that all requests had been promptly acknowledged and processed in accordance with established procedures. Review of rejected cases confirmed that the grounds for rejection were reasonable and compliant with the legislation. There was evidence, however, that record keeping could be improved. Furthermore, there was a lack of audit trail from the FoI register to quarterly performance reports.
Safe Driving at Work	Limited	To cover the arrangements that have been put in place (and any others that are in development) to ensure that compliance with legislation related to safe driving at work can be ensured and demonstrated; and to promote the safe driving of employees whilst at work.	The Council's safe driving at work control framework was under development at the time of the audit and was not sufficient to demonstrate full compliance with health and safety legislation. During testing limited evidence was provided that driver and vehicle documentation was being examined before staff could use vehicles for business use. A draft Travel & Subsistence Policy had been developed which, if approved, would require such checks to be carried out. Testing also demonstrated that operational risk assessments were not being consistently carried out for employees driving at work. A further review in 2015/16 will confirm whether all risks are now being suitably mitigated.

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
Contract Management	Sufficient	To provide assurance over contract management arrangements in the Council's Places Directorate. To cover: arrangements for developing a strategic approach to contracting/procurement, ensuring continuity of services, managing contractor performance and compliance with statutory obligations.	Testing confirmed that most areas of major and regular spending were subject to formal contracts awarded through a competitive process. In order to identify any further opportunities to maximise value for money, it was recommended that the department would benefit from undertaking periodic strategic procurement reviews of non-contractual departmental spending. A range of performance information was being used to manage contracts but arrangements for recording performance information, contractor meetings and inspections were found to be inconsistent across the department and sometimes informal. It was recommended that the approach to procurement adopted by Property Services, as specified in the Construction Procurement Policy, be reviewed to consider whether the use of closed tender lists remained appropriate. This was not being consistently applied in practice and procurement advice indicated that if followed it could increase the risk of legal challenge.

Appendix 2: Self-Assessment against the Public Sector Internal Audit Standards (PSIAS)

Standard	Ref	Conformance with Standard	Yes	Partial	No	Evidence
1000 – Purpose, Authority & Responsibility	1010	Recognition of the Definition of Internal Auditing, the Code of Ethics and the Standards in the Internal Audit Charter	✓			The Internal Audit Charter reflects the mandatory nature of the relevant Standards.
1100 – Independence and Objectivity	1100	Organisational Independence	✓			Head of Internal Audit reports directly to the Audit Committee and has unfettered access to the Chief Executive, Chair of the Audit Committee and Section 151 Officer.
	1111	Direct Interaction with the Board	✓			Head of Internal Audit reports directly to the Audit Committee.
	1120	Individual Objectivity	✓			All members of the Internal Audit team are required to complete a Declaration of Interest form at the start of the financial year and any conflicts of interest are avoided in work allocations.
	1130	Impairment to Independence or Objectivity	✓			Approval sought from Audit Committees before undertaking any significant consulting services not already included in Audit Plans.
1200 – Proficiency and Professional Care	1210	Proficiency	✓			Head of Internal Audit is CCAB qualified and all Audit Managers hold professional qualifications and are suitably experienced for the role. Auditor is completing Institute of Internal Audit qualification.
	1220	Due Professional Care	✓			Experienced Audit staff exercise due professional care when planning and undertaking assignments. Scope of assignment is clarified within detailed audit planning record and the limitations to the scope and assurance provided are documented within audit planning records, audit reports and progress reports. All audit planning records are approved by the Head

Standard	Ref	Conformance with Standard	Yes	Partial	No	Evidence
						of Internal Audit before work commences.
	1230	Continuing Professional Development	✓			Staff attendance at training and development opportunities. All Audit Managers must satisfy professional body CPD requirements.
1300 – Quality Assurance & Improvement Programme	1310	Requirements of the Quality Assurance and Improvement Programme	✓			External assessment completed in 2013 and annual internal self-assessment conducted by Head of Internal Audit, which is included in the Annual Report.
	1311	Internal Assessments	✓			Ongoing monitoring of performance at monthly individual supervision meetings, team meetings and post audit completion discussions. Customer Satisfaction Questionnaires (CSQs) requested from clients for each assignment and responses summarised for Audit Committees. Head of Internal Audit meets with senior management on regular basis and seeks feedback on value of the Internal Audit service and areas for development.
	1312	External Assessments	✓			External assessment conducted in 2013 by independent, professional company to assess against compliance with PSIAS.
	1320	Reporting on Quality Assurance and Improvement Programme	✓			The outcome of the external assessment and progress against the resulting improvement plan were reported to the Welland Board (where all Welland S151 officers are members) and to Audit Committees.

All actions from the improvement plan were signed off by the Welland Board.

Annual self-assessment against PSIAS included within Head of Internal Audit's Annual Report – to be presented to the Welland Board and Audit |

Standard	Ref	Conformance with Standard	Yes	Partial	No	Evidence
						Committees.
	1321	Use of 'Conforms with the International Standards for the Professional Practice of Internal Auditing'	✓			Based upon completion of improvement plan and ongoing assessment and quality assurance processes, results support compliance with Standards and Code of Ethics.
	1322	Disclosure of Non-conformance	✓			Instances of non-conformance were reported to the Board and Committees following the external assessment. Progress against the improvement plan to address all areas of non-conformance was reported to Committees and management until all actions were signed off.
2000 – Managing the Internal Audit Activity	2010	Planning	✓			Process for development of risk based audit plans was presented to each Audit Committee for approval. Plans were developed with input from senior management and Committee members. Audit planning process is documented in Internal Audit Charter.
	2020	Communication and Approval	✓			Any changes to the approved Audit Plans during the financial year are communicated to the Audit Committee and subject to agreed approval mechanisms in accordance with the delegated decision making arrangements.
	2030	Resource Management	✓			Resources reviewed on an ongoing basis to ensure these are appropriate, sufficient and effectively deployed. Team includes four professionally qualified, experienced Audit Mangers. Any concerns on adverse impact on provision of the audit opinion would be raised by the Head of Internal Audit in Annual Report.
	2040	Policies and Procedures	✓			Audit manual, charter and practice notes revised as part of improvement plan to ensure compliance with

Standard	Ref	Conformance with Standard	Yes	Partial	No	Evidence
						Standards.
	2050	Coordination	✓			Other sources of assurance are considered and reviewed as part of the Audit Planning process to avoid any duplication with other assurance providers.
	2060	Reporting to Senior Management and the Board	✓			The Head of Internal Audit attends meetings with senior management and Audit Committees on a regular basis. Progress reports are presented at every Audit Committee meeting and details of assurance levels are provided with focus upon those of Limited Assurance opinions. The content of the progress reports has been agreed with the existing committees but is subject to constant review to ensure this meets the needs of members and supports effective decision making. The content of the progress reports is to be reviewed at the start of 2015/16 with proposals for amendments presented to the Welland Board and discussed with Audit Committees. *** Area for further development – Action 1**
2100 – Nature of Work	2110	Governance	✓			Audit team provides independent advice on drafting of governance related policies and attends governance groups, where applicable. Audit findings on risks and controls are presented to the Audit Committee and senior management with recommendations on areas for improvement. As appropriate, the Internal Audit team contributes to the development of the Annual Governance Statement.

Standard	Ref	Conformance with Standard	Yes	Partial	No	Evidence
						IT Governance reviews included in rolling IT Audit plan.
	2120	Risk Management	✓			Internal Audit refer to the organisation's risk registers during Annual Planning exercises and provide training to committee members on risk management and the 'three lines of defence' to support effective review.

Risks relating to the organisation's governance, operations and information systems, as well as fraud risks, form part of individual audit assignments, as stated in the audit planning records and audit reports.

The Internal Audit plans for 2015/16 include review of risk management systems and procedures at two of the five Councils within the consortium. For those remaining Councils, as stated in the PSIAS 'Internal Audit gather the information to support this assessment during multiple engagements The results of these engagements, when viewed together, provide an understanding of the organisation's risk management processes and their effectiveness'. As such, the outcome of the various risk based assignments within the Audit Plans provide an understanding of the effectiveness of the Council's risk management procedures which can be raised with senior management and the Committee.

Auditors are alert to other significant risks when undertaking any consulting engagements and give advice and make recommendations but it is the |

Standard	Ref	Conformance with Standard	Yes	Partial	No	Evidence
						responsibility of management to implement these actions.
	2130	Control	✓			In accordance with the risk based approach to Internal Audit assignments, the adequacy and effectiveness of controls are evaluated and reported upon on each audit assignment. The audit report template clearly provides an assurance rating for both design and compliance for each control.
2200 – Engagement Planning	2201	Planning Considerations	✓			An audit planning record is issued and subject to formal approval for all audits. This outlines the scope, objectives, timescales, resource allocations, access requirements and limitations to scope for the assignment. This is reviewed and approved by the Head of Internal Audit before issuing to the client. Any consultancy engagement is also subject to documented, agreed scope, objectives and respective responsibilities of the auditor and the client.
	2210	Engagement Objectives	✓			Audit planning records are agreed for each engagement following preliminary discussions on risks with the audit clients and with input and review from Head of Internal Audit. Value for money considerations are included in the scope as appropriate.
	2220	Engagement Scope	✓			Detailed audit planning records are provided for all assignments establish the objectives, resources and access to systems, records, personnel and premises, as appropriate.
	2230	Engagement Resource Allocation	✓			Audit planning records state the number of audit days allocated to the assignment and the Audit Manager should agree a scope which is achievable within the

Standard	Ref	Conformance with Standard	Yes	Partial	No	Evidence
						resource available. The Head of Internal Audit reviews and approves all audit planning records before issuing to clients to ensure scope is appropriate and consistent with resource allocation.
2300 – Performing the Engagement	2310	Identifying Information	✓			Audit Managers ensure that sufficient, reliable and relevant information is used for audit assignments. File reviews conducted by Head of Internal Audit to confirm quality of evidence and basis for conclusions.
	2320	Analysis and Evaluation	✓			File reviews conducted by Head of Internal Audit to confirm quality of evidence and basis for conclusions.

Clearance meetings held with clients to discuss findings and basis for conclusions and provide opportunity to confirm accuracy of findings. |
| | 2330 | Documenting Information | ✓ | | | Retention of evidence to support conclusions and engagement results is saved on the audit software and network folders, where access is limited to Audit staff. Any hard copy evidence is scanned onto the network and software and destroyed via confidential waste.

Practice note states 'Rutland County Council is the Consortium's employing body and the Consortium operates in line with the Council's Document Retention Policy'. |
| | 2340 | Engagement Supervision | ✓ | | | Monthly supervision meetings held with each member of Audit team to discuss progress made with each assignment, any issues encountered, workload and priorities for the month ahead.

All audit reports are reviewed by the Head of Internal |

Standard	Ref	Conformance with Standard	Yes	Partial	No	Evidence
						Audit and evidence is retained on file. All working papers are reviewed by the Head of Internal Audit (unless completed by an Auditor and fully reviewed by Audit Manager). Evidence of the review is held on the audit software with full audit trail.
2400 – Communicating Results	2410	Criteria for Communicating	✓			Internal Audit reports state the objectives, scope, conclusions, recommendations and agreed action plans.
	2420	Quality of Communications	✓			Head of Internal Audit review of reports ensures these are accurate, objective, clear, concise, constructive, complete and timely.
	2421	Errors and Omissions	✓			No incidents recalled of any significant errors or omissions in reports. Any such incidents would be suitably escalated for resolution.
	2430	Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'	✓			Based upon completion of the improvement plan arising from the external assessment and the internal self-assessment, results support this statement.
	2431	Engagement Disclosure of Non-conformance	✓			Not applicable.
	2440	Disseminating Results	✓			The final reports issued on all assignments are provided to all individuals named on the circulation list, approved at the commencement of the audit. Any circulation to parties in addition to those listed on the audit planning record will be agreed with the Head of Internal Audit and senior management. Copies of all finalised audit reports are available to Committee members by requesting from the Head of Internal Audit or Section 151 Officer. Copies are

Standard	Ref	Conformance with Standard	Yes	Partial	No	Evidence
						provided to the Chair of the Audit Committee where agreed with the specific committee. The progress reports presented at each committee meeting include the outcome of each assignment, in relation to the assurance rating. In order to provide members of the committee with sufficient detail in relation to the findings, the content of the progress report is currently under review by the Head of Internal Audit and will consistently include a summary of each assignment completed during the period for all members of the consortium. *** Area for further development – Action 1**
	2450	Overall Opinions	✓			The Head of Internal Audit provides an annual Internal Audit opinion which can be used to inform the Council's governance statement. This report includes an opinion, a summary of work that supports that opinion and a statement on conformance with PSIAS.
	2500	Monitoring Progress	✓			There is an established process in place at each of the councils within the Consortium for the follow-up of progress made by management in implementing the agreed actions arising from audit reports. Internal Audit monitor and report to the Committee on the progress made. The Head of Internal Audit is currently reviewing the level of detail provided to Audit Committees on the implementation of actions to ensure these can be suitably reviewed and challenged, as necessary.

Standard	Ref	Conformance with Standard	Yes	Partial	No	Evidence
						* Area for further development – Action 1
	2600	Communicating the Acceptance of Risks	✓			Where an identified risk is accepted by management this is reflected in the audit report. Where the risk is subsequently accepted because the agreed action is no longer feasible this would be discussed with senior management and details and context would be reported to the Committee. If the Head of Internal Audit had concerns about the level of risk accepted by management this would be reported to the Committee.

Conclusion

Based upon the self-assessment completed by the Head of Internal Audit on 23rd April 2015, the Welland Internal Audit Consortium is compliant with the Public Sector Internal Audit Standards (PSIAS). One action for further development has been highlighted as follows:

Action	Details	Owner	Timescale
1	Whilst the current Progress Reports presented to the Councils' Audit Committees include details of delivery of the Audit Plan and Assurance Opinions assigned to completed assignments, there is scope to further review and develop the content of these reports. In particular: • To ensure all progress reports include a summary of the key findings of audits completed during the period. • Any limited assurance opinions are suitably highlighted to the Committee's attention, with assurances over actions underway to address the issues raised. • Members should be provided with more details on the implementation of actions arising from audit reports including the nature of the actions, priority levels and timescales. This should enable Members to exercise their role in challenging any failure in implementing actions to address high risks to the Council. Focus should be upon actions assessed as High or Medium priority. The format and content of the Progress Report will be reviewed and strengthened to ensure Members are provided with all information required to effectively exercise their roles and responsibilities.	Head of Internal Audit	To present proposed format to Welland Board for approval by June 2015.