

Subject:	Internal Audit Annual Assurance Opinion 2019/20	Status:	For Publication
Report to:	Audit and Accounts Committee	Date:	28th July 2020
Report of:	Head of Internal Audit (Internal Audit Service)	Portfolio Holder:	Resources
Key Decision:	<input type="checkbox"/> Forward Plan <input type="checkbox"/>	General Exception <input type="checkbox"/>	Special Urgency <input type="checkbox"/>
Equality Impact Assessment:	Required:	No	Attached: No
Biodiversity Impact Assessment	Required:	No	Attached: No
Contact Officer:	Mark Baskerville, Audit Manager	Telephone:	01772 538615
Email:	Mark.baskerville@lancashire.gov.uk		

1.	RECOMMENDATION(S)
1.1	The committee are asked to consider the internal audit annual assurance report for 2019/20.

2. PURPOSE OF REPORT

2.1 The Audit and Accounts Committee's terms of reference require it to advise the Council on the planned activity and results of internal audit. The Committee will, on a periodic basis, consider the head of internal audits annual opinion and report.

3. BACKGROUND AND OPTIONS

3.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) is the relevant standard setter for internal audit in local government in the United Kingdom. CIPFA has published Public Sector Internal Audit Standards ('PSIAS'), which encompass the mandatory elements of the Global Institute of Internal Auditors' International Professional Practices Framework, including its Definition of Internal Auditing, Code of Ethics, and its International Standards for the Professional Practice of Internal Auditing. These documents are therefore mandatory for internal audit in local government in the United Kingdom, and they are supplemented within PSIAS by additional public sector interpretation and guidance. CIPFA has also published a Local Government Advisory Note setting out sector-specific requirements for local government within the United Kingdom.

3.2 The Internal Audit Service therefore operates in accordance with this mandatory definition, code, standards and advice.

3.3 The Annual Report of the head of internal audit meets these requirements and is attached in Appendix A.

4. RISK

4.1 All the issues raised and the recommendation(s) in this report involve risk considerations as set out below:

- Failure to comply with the Public Sector Internal Audit Standards issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) would undermine the ability to provide the Council with the necessary level of assurance in relation to their governance, risk management and internal control arrangements;
- The report enables the Leader and Chief Executive to report in the Annual Governance Statement.

4.2 Any financial implications are commented upon in the report.

5. FINANCE

5.1 Any financial implications are commented upon in the report.

6 LEGAL

6.1 Any legal implications are commented upon in the report.

7. POLICY AND EQUALITIES IMPLICATIONS

7.1 Reported findings have been discussed and agreed, including management responses to the recommendations, with respective service managers and heads of service prior to reporting.

8. CONCLUSION

8.1 The Annual Report provides an independent, objective opinion on the adequacy of design and the effectiveness of operation of the Council's systems of governance, risk management and internal control.

8.2 Overall, I can provide **moderate** assurance over these systems for 2019/20, based on the work undertaken by the Internal Audit Service in the year.

No background papers

Rossendale Borough Council

Internal Audit Service annual report for 2019/20



Rossendale Borough Council
Internal Audit Service annual report 2019/20

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1 Introduction

Purpose of this report

- 1.1 In March 2019 the Audit and Accounts Committee considered and approved an internal audit plan for 2019/20. This report summarises the Internal Audit Service's work during the year and key themes arising in relation to internal control, governance and risk management across the council.

The role of internal audit

- 1.2 The Internal Audit Service is an assurance function designed to evaluate and improve the effectiveness of risk management, control and governance processes. The Public Sector Internal Audit Standards (PSIAS) require the head of internal audit to provide an opinion on the council's frameworks of governance, risk management and control environment and a written report to those charged with governance, timed to support the annual governance statement. This report presents my opinion based on the work the Internal Audit Service performed during 2019/20. An Internal Audit Service Charter is in place that establishes the framework within which the Internal Audit Service operates to best serve Rossendale Borough Council and to meet its obligations under professional standards.
- 1.3 This report is written in the context of the lockdown in response to the Covid pandemic, due which we have been unable to complete all planned financial systems audits or agree all findings and actions with managers. However we completed sufficient work prior to lockdown across council services, systems and processes to support an overall assurance opinion. Once current restrictions have been removed we will discuss with senior managers the need to complete planned 2019/20 audits and the impact on the 2020/21 annual audit plan provisionally agreed with senior managers earlier this year.

Interim progress reports

- 1.4 We have provided summaries of the individual audits completed in the year in progress reports to each meeting of the Audit and Accounts Committee. Audit reports will be provided to members if they wish.

Acknowledgements

- 1.5 I am grateful for the assistance provided the staff of Rossendale Borough Council in the course of our work.

Ruth Lowry
Head of Internal Audit
Rossendale Borough Council

2 Summary assessment of internal control

Overall opinion

- 2.1 I can provide **moderate** assurance overall regarding the adequacy of design and effectiveness in operation of the council's frameworks of governance, risk management and control. In forming my opinion I have considered the work undertaken by the Internal Audit Service throughout the year, work of external assurance providers and information from sources other than planned audit engagements.
- 2.2 A summary of the assurance available from the audits we have undertaken during the year and more detailed notes of the findings arising from each are set out in Annex A and B. An explanation of the levels of assurance the Internal Audit Service provides is set out in Annex C. The scope of our work, management and audit's responsibilities, the basis of my assessment, and access to this report are set out in Annex D.

The council's control framework

- 2.3 Our work has been organised in accordance with the Internal Audit Service's planning principles and an understanding of the council's controls at the start of the year, which was set out as follows:

A framework for governance, risk management and control			
Governance and democratic oversight			
Corporate governance framework		Democratic processes	
Business effectiveness			
Risk management	Performance monitoring and management	Organisational design	Working in partnership
Service delivery			
Customer services		Operations and environmental health	Business
Benefits administration	Revenue collection	Refuse collection and recycling	Parks and open spaces
Leisure services		Street sweeping	Planning
Service support			
Contract monitoring and management		Public interface	
Business processes			
Financial processes	ICT	Facilities management	Human resources
Investment	Payroll	Procurement	Business continuity

Summary of assurance provided by the Internal Audit Service

2.4 The following table summarises the assurances we provided on the 2019 /20 audits which contributed to our annual assurance opinion, including comparative figures from previous years.

2019/20 assignments	Total	Assurance Opinion					
		Substantial	Moderate	Limited	None	Incomplete	Deferred
Governance/ democratic oversight	2		1				1
Business effectiveness	4	1	1	1			1
Service delivery	4	1	1				2
Service support	2		1	1			
Business processes	9	4					5
Total	21	6	4	2	0	0	9

2018/19 assignments	18	11	5			1	1
	Total	Full	Substantial	Limited	None	.	.
2017/18 assignments	18	1	16	1		-	-
2016/17 assignments	16	1	12	3		-	-

Management's responses to our findings

2.5 We have discussed the issues we raised during the year with service managers and members of the Senior Management Team. We agreed action plans and our work in 2019/20 indicates that actions agreed in 2018/19 are largely being addressed, although some work is still ongoing.

3 Key issues and themes

- 3.1 Delivery of audit work in Quarter 4 has been adversely affected by the national lockdown in response to the Coronavirus pandemic. As a consequence we have been unable to finish five financial systems audits where we had started testing but were unable to complete sufficient work to support an assurance opinion. In previous years we have largely been able to give substantial assurance in these areas and as the situation returns to normal we will discuss with the senior management team the best way of providing assurance in these areas.
- 3.2 We have given a moderate assurance opinion for 2019/20, compared to a substantial assurance in 2018/19. This is still a favourable opinion but reflects an increase in the number of moderate and limited assurance opinions. These were in regulatory areas, such as CCTV operation and freedom of information and subject access requests, and areas critical to organisational delivery, such as risk management and project management. In most of the areas audited we were satisfied that policy and procedures were in place, but these were often overdue for review and revision. Compliance with policy was also adversely affected by shortfalls in training, and a lack of staff awareness of the correct processes to follow and compliance with them.
- 3.3 We followed up progress to implement actions arising from most 2018/19 audits, and are satisfied that actions have been implemented or that work is in progress to address the risks identified.

4 Implications for the annual governance statement

- 4.1 In preparing its annual governance statement the council should consider this annual assurance opinion in relation to its control environment, risk management processes and corporate governance. The council should therefore reflect the progress made in delivering the actions set out in the council's improvement plan, describing the impact of completed actions on corporate governance and its plans to implement the remaining actions.

5 Organisational independence

- 5.1 The Internal Audit Service has access to and support from the council's Senior Management Team and is able to operate independently within the organisation, so is properly able to fulfil its responsibilities. In accordance with its charter the service remains independent of the council's other functions and, with the exception of its support to management in relation to counter fraud and investigatory work, no member of the Internal Audit Service has any executive or operational responsibilities.
- 5.2 The Internal Audit Service's work programme and priorities are determined in consultation with the Senior Management Team and the Audit and Accounts Committee, but remain decisions for the head of internal audit. The head of internal audit and audit manager have direct access to and freedom to report in their own names and without fear or favour to all officers and members.

6 Internal audit performance

- 6.1 We carried out audit work in the year in accordance with the audit plan submitted to and approved by the Audit and Accounts Committee in March 2019. Of 26 planned audits, including follow up work, we completed 12 and deferred nine. We agreed action plans to address areas for improvement and will follow up implementation of these in our 2020/21 audit plan.
- 6.2 The 'Summary of Findings and Assurance' table at Annex A records the status, assurance opinion and summary comments for each audit.

7 Internal Audit quality assurance and improvement

- 7.1 The Internal Audit Service has established and regularly reviews a quality assurance and improvement programme. PSIAS requires that all aspects of internal audit activity are considered by a combination of ongoing internal monitoring, periodic self-assessment or internal assessment by others with sufficient knowledge, and independent external review at least once every five years.

Type of review	Internal review		External review
	Ongoing	Periodic	At least 5-yearly
Frequency			
Audit assignment quality	✓		✓
Professional and operational framework		✓	✓

- 7.2 Following this framework, the Internal Audit Service's quality assurance and improvement programme consists of internal ongoing monitoring of audit assignment quality, periodic internal assessment of the professional and operational framework, and external review.

External review

- 7.3 An external quality assessment was undertaken by the Chartered Institute of Internal Auditors in November 2017. This confirmed that the Internal Audit Service 'generally conforms' to the full range of standards set out in the International Professional Practice Framework, PSIAS and Local Government Application Note. All actions arising from the review were addressed by June 2018.
- 7.4 The Internal Audit Service can therefore say that its work has been in accordance with the International Professional Practices Framework, PSIAS and the Local Government Application Note.

Internal review

- 7.5 The Internal Audit Service has designed procedures and an audit methodology that conform to PSIAS and are regularly reviewed. Every auditor in the team is required to comply with these or document the reasons why not, and to demonstrate this compliance on every audit assignment. The audit managers assess the quality of each audit concurrently as it progresses, and during the year a post-audit file review processes was also set out to test conformance with the service's working practices and the quality of work undertaken. The file reviews indicate that there is good evidence of compliance with our audit methodology and input from the audit managers to support the work of the auditors, although some learning points have been drawn out and shared with the team

Annex A

Summary of findings and assurance

A.1 A summary of the assurance from each of the audits completed during the year is provided below. A longer explanation of the findings arising from each audit is set out in Annex B. The type of audit work is shown as:

- 1 - phase one/ consultancy work
- 2 - phase two/ compliance testing
- 1+2 - full risk and control evaluation
- F - follow-up on implementation of actions from previous audits.

Audit Title	Status	Assurance	Type	Summary of findings
Governance and democratic oversight				
Freedom of information and subject access requests	Complete	Moderate	1+2	The adopted ICO publication scheme needs updating and FOI and draft DPA policies need more detail on processes. Not all requests were processed within statutory timescales.
Information security/ GDPR	Complete	N/A	F	Four low risk actions were complete. Five medium risk actions were incomplete, though work was in hand. A medium risk action was not yet due.
Contribution to LGA peer review	Deferred	N/A	1	The peer review was deferred until 2020.
Business effectiveness				
ICT strategy overview (MIAA)	Complete	Substantial	1+2	There is a good system of internal control to ensure the control framework operates effectively over system, data flows and external processes.
Digital strategy implementation	Complete	Limited	1	While there is a strategy in place, controls to ensure actions to manage delivery of strategic objectives were inadequate.
Corporate risk register	Complete	Moderate	1+2	The Risk Management Strategy needs updating and the management review process was not followed in 2019, although was to be reintroduced in 2020.
Contract and procurement rules	Deferred	N/A	1+2	We agreed with the senior management team to defer this audit until after the appointment of the new Head of Finance.

Audit Title	Status	Assurance	Type	Summary of findings
Service delivery				
Community partnership grants/ community fund	Complete	Substantial	1+2	Both types of grants are well administered and controls to manage financial decision making are operating effectively.
Environmental health	Complete	N/A	F	Service managers implemented five medium and two low risk actions. Three medium risk actions were incomplete but action was being taken.
Community safety: CCTV	Complete	Moderate	1+2	While not all controls were operating effectively we took assurance from the decision to manage CCTV operations through East Lancashire partnership.
Waste collection: follow-up	Cancelled	N/A	F	As we raised only four low risk actions we did not follow up implementation, in line with our standard methodology.
Industrial rent and arrears	Deferred	N/A	1+2	We agreed with managers to defer this audit until the outcome of the planned rent review.
Homes England accelerated construction fund	Cancelled	N/A	1	The council decided not to proceed with this grant funding.
Service support				
Project management	Complete	Limited	1+2	The framework is adequately designed but is supported by out of date guidance and project managers comply with requirements inconsistently.
Purchase/ lease rental	Complete	Moderate	1+2	Policy and guidance support online applications however there are delays in processing applications, though not all are within the council's control.
IT system access: follow-up	Deferred	N/A	F	We completed insufficient work to establish progress, and no further work was possible at the year end.
Business processes				
Council tax	Complete	Substantial	2	Effective processes are in place to ensure accurate billing, debt recovery, refunds, write-offs, discounts and exemptions.

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Audit Title	Status	Assurance	Type	Summary of findings
Housing benefits	Complete	Substantial	2	Eligibility is correctly assessed, claims are processed promptly and payments are reconciled correctly with appropriate separation of duties.
NNDR/ Business rates	Complete	Substantial	2	Bills, discounts and exemptions are calculated accurately and the database is reconciled. Debt recovery, refunds and write-offs comply with policy.
Payroll	Complete	Substantial	2	Overall controls operate effectively. We would have given substantial assurance but for the need to improve processes to obtain and store evidence of identity and right to work.
Accounts payable	Deferred	N/A	2	Insufficient audit work has been completed to draw any conclusions in this area, and no further work was possible around the year end.
Accounts receivable	Deferred	N/A	2	
General ledger and budget	Deferred	N/A	2	
Income collection and banking	Deferred	N/A	2	
Treasury management	Deferred	N/A	2	
Debt management: follow-up	Deferred	N/A	F	

Stage of audit process	Number	Percentage
Complete/ final report	14	54%
Draft report	0	0%
Progressing	0	0%
Not yet started	0	0%
Deferred/ cancelled	12	46%
Total number of audits	26	100%

Annex B

Findings arising from each audit completed during the year

Governance and democratic oversight

Freedom of information/ subject access requests – moderate assurance

1. The council must have proper arrangements in place to facilitate freedom of information (Fol) and subject access requests (SAR) from individuals to obtain information the organisation holds, within specific deadlines. Five SAR and 622 Fol requests had been received in 2019 at the time of the audit.
2. The council's website includes guidance on both types of request, which can be submitted online. It is taking steps to reduce Fol requests by publicising the information available on its website. Staff responsible for processing SAR and Fol requests are sufficiently experienced and use an Access database to record and monitor requests. Requests are assessed to establish if a statutory exemption applies and the outcome is recorded in response letters, which the Legal Services Team review. There is periodic reporting to senior management and members on compliance with statutory requirements.
3. Three Fol requests were responded to after the statutory limit due to the lack of response from services to requests for information. Such cases are escalated to service managers after a number of reminder letters, but response letters to the requestor did not acknowledge the delay. Deadlines for Fol responses were calculated from the wrong start date, giving the council a day less to respond.

Business effectiveness

ICT strategy overview – substantial assurance

4. The council is responsible for managing, maintaining and developing the IT infrastructure to support business needs. Effective, timely and properly controlled service delivery, underpinned by infrastructure, is essential to ensure the confidentiality, integrity and availability of applications are assured in line with good practice and user expectations. Data held in the core IT infrastructure is critical and sensitive, and should be appropriately controlled and protected. Overall, there is a good system of internal control designed to meet system objectives, and controls are applied consistently. Good practice includes:
 - The IT team replace products in the data centre and realised benefits;
 - Changes are reviewed through a corporate change control process;

- Supporting documents, such as network diagrams, are maintained;
 - New starters are subject to an authorisation request process;
 - Known malicious websites are blacklisted;
 - System access is via two factor authentication; and
 - A strong backup policy and system is in place.
5. Areas for improvement include:
- Policies could be improved;
 - Password configuration settings are weaker than best practice;
 - Further due diligence checks of contracts and SLAs is needed;
 - The business continuity plan should be periodically reviewed and tested
 - Public Services Network accreditation status should be confirmed; and
 - Resourcing levels should be regularly reviewed.

Digital strategy implementation – limited assurance

6. The Customer and Digital Strategy 2019/22 was approved by Cabinet in February 2019, and focuses the council's resources on resident needs, to design more efficient and effective processes through digital solutions. The strategy is linked to corporate priorities, and thematic objectives are based on Customer Service Excellence standards and supported by performance measures. Some strategic objectives were not included in the delivery plan but we were unable to confirm whether these will be considered for future iterations and concerns were expressed that strategy objectives may not all be achievable. The strategy uses some terminology without an explanation or glossary of key terms. The Chief Executive confirmed that the strategy is due to be reviewed, and our audit findings should be used to inform this review.
7. A delivery plan records actions to deliver five key strategy themes but we reported some concerns. Officers' responsibilities were not consistently or accurately recorded; target dates were not recorded for some actions; progress with delivery was not clearly reported; officers responsible for two actions were unclear as to the expected outcomes and progress was not consistently and explicitly reported to members. As the strategy is reviewed we expect that the action plan will reflect this.

Corporate Risk Register – moderate assurance

8. The International Organisation for Standardisation (ISO) 31000 – Risk Management standard provides the principles, framework and process for managing risk. The council's approach and framework for monitoring and reporting risks is set out

in its Risk Management Strategy and key corporate risks are recorded in a corporate risk and opportunities register monitored through quarterly reporting to Overview and Scrutiny and Audit and Accounts Committees. Amber and red risks are overseen monthly by the Corporate Management Team.

9. The Strategy sets out the risk management framework including roles and responsibilities and the key stages of the process but was published in March 2016 and does not reflect operational changes and revised ISO 31000: 2018 standards. The Senior Management Team had carried out an annual review of service and business continuity risk registers to develop the register but this was not done in 2019. The previous Head of Finance confirmed that this would be reintroduced in 2020. The council requires officers to determine the action required to reduce the risk preferably to within its risk appetite, but we acknowledge there is no requirement to manage risks to that level and that some risks are outside the council's ability to influence. Three corporate risk scores were not consistent with the revised risk matrix, which was amended in 2019 but had not been formally approved and communicated to relevant officers.

Service delivery

Community partnership grants and community fund – substantial assurance

10. Community Partnerships manage the issue of low value grants to local community and voluntary groups to support community initiatives. We tested the operation of controls in respect of grants totalling around £18,000 which were awarded in 2018/19. The Community Foundation for Lancashire manages the Rossendale Community Fund using investment income from historical council assets, funding low value grants for local community and voluntary organisation projects in four area partnerships, with over £11,000 awarded in 2018/19. Funding arrangements and decision making processes are approved by Cabinet, are well established and include appropriate council oversight and scrutiny. For both grants, funding rounds are well publicised and the approval process operates effectively. Policy and guidance notes set out application and approval criteria and procedures. Application forms are accessible online, with guidance to assist completion, and can be submitted by email or post.
11. The Communities Team maintains a record of applications and tracks progress, and their data informs reporting to relevant bodies including community partnership meetings. We satisfactorily reconciled 2018/19 grant payments on the general ledger, though there were some minor discrepancies due to misallocation of grants between partnerships and minor errors. Record keeping could be improved by regularly reconciling grant payments to budget monitoring reports, and recording approvals and monitoring dates. Monitoring information is received from recipients and reviewed to confirm spending. We have discussed these issues with managers and agreed actions to address them.

Community safety: CCTV – moderate assurance

12. The council's CCTV network at the time of audit consisted of 28 cameras across Rawtenstall, Bacup, Haslingden and Stacksteads, although work began in 2019 to upgrade the network using Police and Crime Commissioner funding. The council has now joined the East Lancashire Partnership for CCTV monitoring and management, under which Blackburn with Darwen Borough Council will manage operations under a service level agreement.
13. There is an approved CCTV code of practice in place that provides residents with clear and helpful information on how the council operates its CCTV, and residents' rights to access footage. The code should be reviewed annually but there was no evidence of review since it received Cabinet approval in 2013. The code explains how residents can access footage and some procedures for processing requests but more notes are needed. We were unable to obtain privacy impact assessments for the original 28 cameras installed in the area, although we were told that these may have been completed but not retained.
14. Three out of the five sites we sampled did not have the necessary signage to indicate that they were covered by CCTV, as required by the Data Protection Act. It was also unclear who was responsible for signage. Access requests were responded to within the Information Commissioner's 40 day time limit but the request log should record the response date and reason to comply with the code.

Service support

Project management – limited assurance

15. The council had 25 projects in 2019 to support corporate strategy delivery. A Programme Board was established in 2017 to oversee project development and implementation and a project framework introduced a standard methodology. The framework is adequately designed, but guidance and templates should be reviewed and updated. Compliance with the framework is inconsistent, particularly in planning and risk management, possibly due to a lack of awareness as project managers did not always know guidance was available or had not received training. We were unable to obtain project plans and risk registers for three of five projects tested, and concluded they were not completed. These form a key part of the project management framework and should be maintained throughout the project lifecycle.
16. We acknowledge that the HR Manager took on the role from the previous Director of Communities in May 2019, is producing revised guidance and templates and intends to run training sessions. The Programme Board will also be open to all project managers and will provide oversight of framework compliance, including confirming that key project documents are completed.

Purchase and lease rental – moderate assurance

17. The council regularly receives requests to purchase or lease around 1,500 council-owned land or building assets. 24 applications were received in 2019/20 or which 14 are ongoing and ten have been declined. In October 2019 a revised process was introduced, including requirements for independent valuation and consultation. This clearer for stakeholders and provides an audit trail to support decisions but since implementation no applications have been completed, which restricted our testing of some controls to one application.
18. The council is in the process of revising its asset disposal approach by bringing together services and carrying out up-front consultations to resolve issues prior to advertising sites for sale. There is a robust process to support applicants, and guidance and applications are accessible online. Management are aware of delays in completing PLR applications, of over a year in some cases, and we have agreed areas where the process could be improved. Applicant guidance does not include the refund criteria or payment methods, and promotion of online payment would be more efficient. Benchmarking fees against other Lancashire district councils may give some assurance that they are sufficient.
19. In order to reduce unpaid, upfront work required on applications, such as to establish whether land is council-owned, consideration could be given to a charged-for pre-application service and publicising a link to the Land Registry. Application records were maintained accurately and supporting evidence was held in a network folder, although the spreadsheet did not support effective case management and we proposed some simple changes.

Business processes

Key financial systems

20. The council's financial controls are generally well established and operate effectively. The council outsources council tax, housing benefits and business rates services to Capita PLC, and recently renewed the contract. The council's Service Assurance Team (SAT) monitor contract performance through annual performance indicators and at monthly meetings. The systems used to manage these services are Northgate (inputting accounts and properties) and the Anite electronic document management system (EDMS).

Business rates/ NNDR – substantial assurance

21. NNDR bills are calculated accurately in accordance with multiplier rates set by the Ministry for Housing, Communities and Local Government. The database is reconciled to Valuation Office data weekly and annually and we confirmed that amendments are identified and actioned promptly. Recovery, refund and write off procedures are compliant with debt management policy and consistent effort is made to recover outstanding debt. When excluding the current in year debt, aged

debt was £1.2 million, an £87k increase compared to the position in November 2018. Relief, discounts and exemptions are mostly supported by appropriate evidence although some properties had not been inspected recently.

Housing benefits – substantial assurance

22. Claims are effectively assessed and awarded, and evidence to support decision making is retained. New claims and changes in circumstances are processed promptly and the decisions and calculations are checked monthly. Separation of duties is maintained for payment between Capita and the council. The service assurance team sets and monitors key performance indicators, performs thematic exercises to assess service quality and reports quarterly to members.

Council tax – substantial assurance

23. Council tax is accurately calculated in line with tax bands, which are approved annually by members. Discounts and exemptions are supported by statutory legislation or member approval, and eligibility is supported by evidence. The database is periodically reconciled to Valuation Office records. Refund and write off procedures comply with debt management policy, though this has not been revised since 2008. The council agreed to revise and reissue the policy following our 2018/19 debt management audit report, but this has not yet been done. The recovery procedure is adequate, but there was a rise of £26,000 in outstanding debt to £5.9 million as of April 2019 despite Capita having reduced debt in previous years. Some properties had not been inspected recently due to staff absence.

Payroll – substantial assurance

24. The council uses the Complete Human Resource Information System (CHRIS21) to process payroll. System access is restricted to HR and payroll staff.
25. Payroll data reconciles to the staffing structure and deductions and expenses are paid correctly and supported by evidence. Exception reports are reviewed and approved monthly prior to payment and BACS, control account and bank statement reports are matched to net pay. For some new starters evidence had not been retained of proof of identity and right to work in the UK, and appointment and employee details forms. The Home Office require employers to retain evidence of right to work for two years after they have left employment. There has been some increase in completion of exit interviews and leavers' checklists, although we were unable to confirm that proper procedures had been followed in all cases.
26. System access is restricted to HR and payroll staff, and permissions are based on officers' roles and responsibilities. Procedure notes ensure continuity of task completion, such as absence cover.

Deferred audits

27. Due to the Coronavirus lockdown we were unable to complete work on the following financial systems audits. Once the current restrictions have been removed we will discuss with senior managers the need to complete these planned 2019/20 audits and the impact on the 2020/21 annual audit plan provisionally agreed with senior managers earlier this year.

- Accounts payable
- Treasury management
- Accounts receivable
- General ledger and budget
- Income collection and banking

28. We also deferred the following audit to 2020/21 following discussion with the Director of Economic Development:

Industrial rent and arrears

29. The Property Services Team manager recruited additional resources to carry out an industrial rents review, with a view to implementing changes with effect from April 2020. Given the short time frame for the review and the questionable value of auditing a scheme which will change, we agreed to defer this audit until after implementation of the rent review.

Annex C

Audit assurance levels

Our assurance may address the adequacy of the control framework's design, the effectiveness of the controls in operation, or both. The wording below addresses all of these options and we will refer in our reports to the assurance applicable to the scope of the work we have undertaken.

Substantial assurance: the framework of control is adequately designed and/ or effectively operated overall.

Moderate assurance: the framework of control is adequately designed and/ or effectively operated overall, but some action is required to enhance aspects of it and/ or ensure that it is effectively operated throughout the service, system or process.

Limited assurance: there are some significant weaknesses in the design and/ or operation of the framework of control that put the achievement of the service, system or process' objectives at risk.

No assurance: there are some fundamental weaknesses in the design and/ or operation of the framework of control that could result in failure to achieve the service, system or process' objectives.

Classification of residual risks requiring management action

Extreme residual risk: critical and urgent in that failure to address the risk could lead to one or more of the following: catastrophic loss of the county council's services, loss of life, significant environmental damage or significant financial loss, with related national press coverage and substantial damage to the council's reputation. *Remedial action must be taken immediately.*

High residual risk: critical in that failure to address the issue or progress the work would lead to one or more of the following: failure to achieve organisational objectives, significant disruption to the council's business or to users of its services, significant financial loss, inefficient use of resources, failure to comply with law or regulations, or damage to the council's reputation. *Remedial action must be taken urgently.*

Medium residual risk: failure to address the issue or progress the work could impact on operational objectives and should be of concern to senior management. *Prompt specific action should be taken.*

Low residual risk: matters that individually have no major impact on achieving the service's objectives, but where combined with others could give cause for concern. *Specific remedial action is desirable.*

Annex D

Scope, responsibilities and assurance

Approach

- D.1 The Internal Audit Service operates in accordance with Public Sector Internal Audit Standards, 2017. The scope of internal audit work encompasses all of the council's operations, resources and services including where they are provided by other organisations on its behalf.

Responsibilities of management and internal auditors

- D.2 It is management's responsibility to maintain systems of risk management, internal control and governance. Internal audit is an element of the internal control framework assisting management in the effective discharge of its responsibilities and functions by examining and evaluating controls. Internal auditors cannot therefore be held responsible for internal control failures.
- D.3 However, we have planned our work so that we have a reasonable expectation of detecting significant control weaknesses. We have reported all such weaknesses to management as they have become known to us, without undue delay, and have worked with management to develop proposals for remedial action.
- D.4 Internal audit procedures alone do not guarantee that fraud will be detected. Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud or other irregularities which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.
- D.5 Internal audit's role includes assessing the adequacy of the risk management processes, key internal control systems and corporate governance arrangements put in place by management and performing testing to ensure those controls were operating effectively for the period under review.

Basis of our assessment

- D.6 My opinion on the adequacy of control arrangements is based upon the result of internal audit work undertaken and completed during the period in accordance with the plan approved by the Audit, Risk and Governance Committee. Sufficient, reliable and relevant evidence has been obtained to support the recommendations made.

Limitations to the scope of our work

D.7 There have been no limitations to the scope of the audit work during the year, but work during March and April 2020 has been limited by the impact on the council's managers, and senior managers in particular, of the covid-19 pandemic. The internal auditors have completed all the work begun as far as possible using the evidence available to them, but have not pursued further evidence and have not discussed any matters arising for the work with the audits' sponsors. Audits affected by this restriction are indicated in Annexes A and B.

Limitations on the assurance that internal audit can provide

D.8 There are inherent limitations as to what can be achieved by internal control and consequently limitations to the conclusions that can be drawn from our work as internal auditors. These limitations include the possibility of faulty judgement in decision making, of breakdowns because of human error, of control activities being circumvented by the collusion of two or more people and of management overriding controls. Further, there is no certainty that internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks which may arise in future.

D.9 Decisions made in designing internal controls inevitably involve the acceptance of some degree of risk. As the outcome of the operation of internal controls cannot be predicted with absolute assurance any assessment of internal control is judgmental.

Access to this report and responsibility to third parties

D.10 This report has been prepared solely for Rossendale Borough Council. It forms part of a continuing dialogue between the Internal Audit Service, the chief executive, Audit and Accounts Committee and management of the council. It is not therefore intended to include every matter that came to our attention during each internal audit assignment.

D.11 This report may be made available to other parties, such as the external auditors. However no responsibility is accepted to any third party who may receive this report for any reliance that may be placed on it and, in particular, the external auditors must determine the reliance placed on the work of the Internal Audit Service.