

Meeting of: Audit & Accounts Committee

Date: 28th July 2021

Time: 6.30pm

Venue: Council Chamber, The Business Centre, Futures Park, Bacup, OL13 0BB

***Please note that you will be required to attend in person if you would like to ask a question. If you wish to observe only, you can view on the Zoom link below.**

Join Zoom Meeting (please allow time for set up if accessing for the first time):

<https://us06web.zoom.us/j/95072643870?pwd=Y0lBdGtHS0xZUUNTZmQ3VEFwcVZkZz09>

Meeting ID: **950 7264 3870**

Passcode: **265981**

A waiting room will be in place for the Zoom meeting and public will be admitted at 6.30pm.

To join by phone or mobile:

Dial **03300 885830** then when prompted enter the ID number followed by # i.e. **950 7264 3870#**

When prompted confirm with another # To mute and unmute yourself press *6

(Alternate dial in number: **01314 601196**)

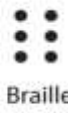
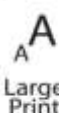
Supported by: Glenda Ashton, Committee and Member Services Officer Tel: 01706 252423

Email: glendaashton@rossendalebc.gov.uk

| ITEM | | Lead Member/Contact Officer |
|------------|--|---|
| A. | BUSINESS MATTERS | |
| A1. | Apologies for Absence | |
| A2. | Minutes of the last meeting To approve and sign as a correct record the Minutes of the meeting held on 9 th March 2021 | |
| A3. | Urgent Items of Business To note any items which the Chair has agreed to add to the Agenda on the grounds of urgency. | |
| A4. | Declarations of Interest <i>Members are advised to contact the Monitoring Officer in advance of the meeting to seek advice on interest issues if necessary.</i> Members are requested to indicate at this stage, any items on the agenda in which they intend to declare an interest. Members are reminded that, in accordance with the Local Government Act 2000 and the Council's Code of Conduct, they must declare the nature of any personal interest and, if the interest is prejudicial, withdraw from the meeting during consideration of the item. | Glenda Ashton, Committee and Member Services Officer Tel: 01706 252423 Email: glendaashton@rossendalebc.gov.uk |

The agenda and reports are also available for inspection on the Council's website <https://www.rossendale.gov.uk/>. Other formats are available on request. Tel 01706 217777 or contact Rossendale Borough Council, Futures Park, Bacup, OL13 0BB

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| ITEM | | Lead Member/Contact Officer |
|------------|---|---|
| B. | COMMUNITY ENGAGEMENT | |
| B1. | <p>Public Question Time Members of the public can register their question by contacting the Committee Officer. Groups with similar questions are advised to appoint and register a spokesperson.</p> <p>This is an opportunity to ask a question about a matter which the Council may be able to assist with. A time limit of 3 minutes applies for each question and you are only able to address the meeting once.</p> <p>To register for public question time your question must be received no later than 12noon on the day of the meeting by emailing democracy@rossendalebc.gov.uk Please give your full name, telephone number and include a copy of your question.</p> <p>Please begin by giving your name and state whether you are speaking as an individual member of the public or as a representative of a group. (Question time normally lasts up to 30 minutes).</p> | <p>Glenda Ashton, Committee and Member Services Officer 01706 252423 glendaashton@rossendalebc.gov.uk</p> <p>Please register an agenda related public question by emailing democracy@rossendalebc.gov.uk no later than 12noon on Wednesday 28th July 2021</p> |
| C. | <p>Chair's Update To receive communications from the Chair</p> | Councillor Marriott |
| D. | ORDINARY BUSINESS | |
| D1. | Corporate Risk Report Q4 2020/21 | Councillor Walmsley/Karen Spencer Head of Finance, 01706 252465 karenspercer@rossendalebc.gov.uk |
| D2. | Annual Fraud Report 2020/21 | Councillor Walmsley/Karen Spencer Head of Finance, 01706 252465 karenspercer@rossendalebc.gov.uk |
| D3. | Empty Homes Project Update | Councillor A Barnes/Neil Shaw Chief Executive, 01706 252447 neilshaw@rossendalebc.gov.uk |
| D4. | Review Audit & Accounts Terms of Reference | Councillor Walmsley/Karen Spencer Head of Finance, 01706 252465 karenspercer@rossendalebc.gov.uk |
| D5. | Internal Audit Annual Report for year ended 31 st March 2021 | Councillor Walmsley/Mark Baskerville Lancashire County Council mark.baskerville@lancashire.gov.uk |
| D6. | Internal Audit Progress Report Q1 2021/22 | Councillor Walmsley/Mark Baskerville Lancashire County Council mark.baskerville@lancashire.gov.uk |

| ITEM | | Lead Member/Contact Officer |
|------------|---|---|
| D7. | Internal Audit Charter | Councillor Walmsley/Mark Baskerville Lancashire County Council mark.baskerville@lancashire.gov.uk |
| D8. | External Audit Progress Report – verbal report from Grant Thornton | Councillor Walmsley/Sophia Iqbal Grant Thornton Sophia.S.Iqbal@uk.gt.com |
| D9. | External Audit Progress Report - Mazars | Councillor Walmsley/Amelia Payton Mazars amelia.payton@mazars.co.uk |
| E. | EXCLUSION OF PUBLIC AND PRESS To consider passing the appropriate resolution under Section 100 (A)(4) of the Local Government Act 1972 that the press and public be excluded from the meeting during consideration of the following item of business since it involves the likely disclosure of exempt information under Paragraphs 1 and 2 of Schedule 12A of the Act. | |
| E1. | Standards Complaints Update (verbal) | Councillor Serridge/Councillor Marriott |
| E2. | Whistleblowing update (verbal) | Councillor Walmsley/Councillor Marriott |



Neil Shaw
Chief Executive

Date Published: 20th July 2021

MINUTES OF: THE AUDIT AND ACCOUNTS COMMITTEE

DATE OF MEETING: 9TH MARCH 2021

PRESENT: Councillor Marriott (Chair)
Councillors Aldred, Essex, Haslam-Jones, Kenyon, Procter
and Steen
Co-opted Member, Mr S McManus

IN ATTENDANCE: Ms K Spencer, Head of Finance (S151 Officer), RBC
Mr C Finn, Finance Manager, RBC
Mr A Ahmed, Accountant, RBC
Mr I Walker, Service Assurance Team Leader, RBC
Mrs C Walker, Fraud & Compliance Officer, RBC
Mr M Baskerville, LCC Internal Auditors
Ms A Payton, Mazars Auditors
Mr M Dalton, Mazars Auditors
Miss S Iqbal, Grant Thornton Auditors
Miss G Ashton, Committee Officer, RBC

ALSO PRESENT: Councillors Haworth, Neal, Serridge and Walmsley
2 members of the public

1. APOLOGIES FOR ABSENCE

1.1 There were no apologies for absence.

2. MINUTES OF THE MEETING HELD ON 26TH NOVEMBER 2020

RESOLVED:

The minutes of the meeting held on 26th November 2020 were agreed as a correct record.

3. URGENT ITEMS OF BUSINESS

3.1 The Chair confirmed that there were no urgent items of business.

4. DECLARATIONS OF INTEREST

4.1 There were no declarations of interest.

5. PUBLIC QUESTION TIME

5.1 No written questions had been submitted.

6. CHAIR'S UPDATE

6.1 The Chair confirmed that the Terms of Reference included a requirement that the committee considered the internal audit charter approved by LCC.

6.2 Changes had been proposed to the Council's Constitution, which included amendments to the Terms of Reference for the Audit and Accounts Committee.

These had been circulated to members of the committee for information and would be considered at the Council meeting on 17th March 2021.

7. CORPORATE RISK REPORT Q3 2020/21

7.1 The Head of Finance presented the report, which asked members to note the Corporate Risk Register as detailed and note the risk consequence, mitigation action and level of risk as detailed in Appendix 1. In relation to risk 13, it was noted that the Sport England's NLRf funding had been successful.

7.2 In response to comments made it was noted that:

- The LCC budget savings for 2020 had been deferred and a clearer picture would be known from April 2021 onwards.
- Rent continued to be collected from the premises on Plot 5 at Futures Park.

RESOLVED:

- That the Audit and Accounts Committee noted the Corporate Risk Register as detailed in the report, including the addition of a new corporate risk.
- That members noted the risk consequence, mitigation action and level of risk as detailed in Appendix 1.

8. ANNUAL FRAUD REPORT 2019/20

8.1 The Service Assurance Team Leader presented the report, which provided details of the Fraud and Compliance work completed and performance results during the period 1st April 2019 to 31st March 2020. The report outlined plans for 2020/21.

8.2 In response to comments made it was noted that:

- Figures were not available to show fraud trends. However, the purchase of a new fraud system would enable improved analysis going forward.
- Obtaining feedback from the DWP was often difficult. It was felt this was due to data protection regulations.
- Members received clarification on the 87.7% collection rate.

RESOLVED:

- That the Audit and Accounts Committee noted the content of the report.

9. INTERNAL AUDIT ANNUAL AUDIT PLAN 2021/22

9.1 The Audit Manager, LCC outlined the report which asked members to consider and approve the annual internal audit plan for 2021/22.

RESOLVED:

- That the Audit and Accounts Committee considered and approved the annual internal audit plan for 2021/22.

10. INTERNAL AUDIT PROGRESS REPORT QUARTER 4 2020/21

10.1 The Audit Manager, LCC outlined the report, which asked members to consider the internal audit progress report for quarter 4 2020/21.

RESOLVED:

- That the Audit and Accounts Committee considered the internal audit progress report for quarter 4 2020/21.

11. EXTERNAL AUDIT PROGRESS REPORT

- 11.1 The Account Manager, Mazars outlined the report, which asked members to consider the external audit progress report for the 2019/20 and 2020/21 accounts.
- 11.2 The Audit Manager, Grant Thornton provided a verbal update on the 2017/18 audit progress.

RESOLVED:

- That the Audit and Accounts Committee considered the external audit progress report from Mazars, for the 2019/20 and 2020/21 accounts.
- That the Audit and Accounts Committee considered the verbal report provided by Grant Thornton.

The meeting commenced at 6.30pm and finished at 7.12pm

Signed (Chair)

Date

| | | | |
|---------------------------------------|--|--------------------------|--|
| Subject: | Corporate Risk Register Update – Quarter 4 (2020-2021) | Status: | For Publication |
| Report to: | Audit and Accounts Committee | Date: | 28 th July 2021 |
| Report of: | Head of People and Policy | 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: N/A |
| Biodiversity Impact Assessment | Required | No | Attached: N/A |
| Contact Officer: | Clare Law | Telephone: | 01706 252457 |
| Email: | clarelaw@rossendalebc.gov.uk | | |

| | |
|-----------|---|
| 1. | RECOMMENDATIONS |
| 1.1 | That the Audit and Accounts Committee note the Corporate Risk Register as detailed in the report, including the addition of a new corporate risk. |
| 1.2 | That members note the risk consequence, mitigation action and level of risk as detailed in Appendix 1 |

2. PURPOSE OF REPORT

2.1 The purpose of this report is to update the Audit and Accounts Committee on the council’s Corporate Risk Register.

3. BACKGROUND

3.1 The council details its approach to managing risk in its Risk Management Strategy. This was updated in March 2016. The strategy sets out the framework of monitoring and reporting of risks. The council has identified 13 corporate risks and these are monitored via quarterly performance reporting schedule using a R/A/G rating dashboard to report the risk status. These are reported to both the Overview and Scrutiny Committee and Cabinet.

If a potential issue was identified during the periodic monitoring of the risk, the responsible officer would be required to identify the risk and note the actions needed to mitigate the level of risk.

4. THE CURRENT RISK REGISTER

4.1 The council has reviewed and continues to monitor the council’s corporate risks. This quarter the council has added a new risk to the corporate risk register – focused on the financial vulnerability of the borough’s leisure assets.

The corporate risks as categorised at the end of quarter 4 are as follows:

| | Quarter 4 2020/21 |
|--------|-------------------|
| Low | 1 |
| Medium | 9 |
| High | 3 |

4.2 The corporate risks rated as 'red' are as follows:

Risk 2 – Sustainability of the Medium Term Financial Strategy (MTFS)

Risk 12 – Response and recovery to Covid-19 pandemic

Risk 13 – Impact of Covid-19 on the financial sustainability of council owned leisure assets.

| 4.2.1 | Corporate Risk 2 | Likelihood | Impact | Overall risk | Status |
|-------|--|-------------------|---------------|---------------------|---------------|
| | Sustainability of the Medium Term Financial Strategy | B | 2 | B2 | RED |

The Covid-19 pandemic has placed additional pressure on the council's MTFS, however the Government has provided the council with several grants to assist with delivering the extra services required and to mitigate the impact of the lost income. The legal claims arising from the Empty Homes Scheme are also having an adverse impact on the MTFS, officers are monitoring the scheme closely and managing the risks and challenging the claims where possible.

| 4.2.2 | Corporate Risk 12 | Likelihood | Impact | Overall risk | Status |
|-------|--|-------------------|---------------|---------------------|---------------|
| | Response and recovery to Covid-19 pandemic sustainability of the County Council budget | A | 1 | A1 | RED |

The Council continues to react to Government policy and guidance changes related to COVID-19 and how this impacts on the local community and the council. This often occurs at short notice. Day-to-day services have been well maintained and overall staff absence related to COVID-19 has remained at a low level in quarter 4. The Council dealt with a small-scale Covid outbreak with its own staff in Q4. The business continuity plan was reviewed in quarter 4. Due to the rapidly changing and evolving nature of the pandemic the decision has been to maintain this as a 'red' risk but we would hope this status will change next quarter as restrictions ease.

| 4.2.3 | Corporate Risk 13 | Likelihood | Impact | Overall risk | Status |
|-------|---|-------------------|---------------|---------------------|---------------|
| | Impact of Covid-19 on the financial sustainability of council owned leisure assets. | A | 2 | A2 | RED |

Facilities are due to re-open in April 2021 in full compliance with Covid-19 regulations. A report was agreed by Council in February 2021 which set out a package of support and amalgamated CLAW and Whitaker facilities with the Trust. The Council has agreed to provide funding of £100k from its Covid-19 LA support grant to the Trust. The Council was successful in its application to the Government's Leisure Recovery Fund, resulting in an additional £140k grant support for the Trust. It is also likely that an additional £115k will be available through Covid-19 funding to reimburse the Trust for costs incurred in supporting Rossendale Connected. The financial situation remains precarious and the Council continues to work closely with the Trust to support their financial recovery over the coming years.

4.3 The risks will continue to be monitored by Management Team.

5. RISK

5.1 All the issues raised and the recommendations in this report involve risk considerations as set out above.

6. FINANCE

6.1 Any financial implications related to specific risks are noted in this report and detailed in the appendices.

7. LEGAL

7.1 There are no immediate legal considerations attached to the recommendations in this report.

8. POLICY AND EQUALITIES IMPLICATIONS

8.1 Effective risk management is very important to the council, and the council is committed to improving on an on-going basis how it manages and mitigates risk. A very important part of this process is robust and transparent scrutiny and taking timely, corrective action to improve risk management.

9. CONCLUSIONS

9.1 The Corporate Risk Register is dynamic. The updates to the risks demonstrate active mitigation of the existing risks. The Committee will want to explore the implications of each corporate risk in the appendices.

| Background Papers | |
|---|---|
| Document | Place of Inspection |
| Corporate Risk Register | Appendix 1 |
| Risk Management Strategy updated March 2016 | https://www.rossendale.gov.uk/downloads/download/10836/risk_management_strategy |

Corporate Risks

Appendix 1

Risks are those things which might present a barrier to us delivering the things we have undertaken to achieve. Each year the council reviews the potential risks it is facing and looks at what it might do to minimise the occurrence of such risks. This information is then regularly monitored and reviewed. This quarter the council has added a new risk to the corporate risk register. This is focused on the financial vulnerability of the borough's leisure assets and classified as Risk 13.

We profile our risks using a matrix (shown below) which is based on our making two judgments about each potential risk faced by the council.

The Council's Risk Matrix

| | | | | | | |
|------------|--------|---|---|---|---|---|
| Likelihood | A | | | | | |
| | B | | | | | |
| | C | | | | | |
| | D | | | | | |
| | E | | | | | |
| | F | | | | | |
| | | 5 | 4 | 3 | 2 | 1 |
| | Impact | | | | | |

Likelihood

How likely is it that the risk may occur (rated A-F, A being the most likely)

Impact

How serious might the consequences of the impact be (rated 1-5, 1 being the highest consequence).

Therefore, a risk rated A1 is the highest risk rating and a risk of F5 is the lowest risk rating.

| Risk RAG (Red, Amber and Green) rating status indicators | |
|--|---|
| Risk Status | Status description |
| GREEN | The likelihood and impact of the risk is low |
| AMBER | The likelihood and impact of the risk is medium |
| RED | The likelihood and impact of the risk is high |

Corporate Risks

Risk 1 - Sustainability of the Medium Term Financial Strategy **Responsible Officer - Karen Spencer**

| | Likelihood | Impact | Overall | Status |
|--|------------|----------|-----------|------------|
| Initial risk assessment RAG status (without mitigation) | B | 2 | B2 | RED |

Description
 The Council's latest Medium Term Financial Strategy (MTFS) update published February 2021 indicates an underlying funding gap of c.£400k per annum.
 The Council must take appropriate action in order to balance its annual expenditure in future years against its available annual income and other revenue resources.

Risk Consequence
 The Council has a legal obligation to publish an annual balanced budget; this means its budget expenditure must equal its available income and any available reserves.
 Council reserves are limited and equate to only circa 3 years given the anticipated funding gap. Therefore, additional income must be identified or annual costs reduced in future years.
 For 2021/22 the Council is restricted to a maximum 1.99% annual increase in Council Tax in order to avoid triggering a referendum.

Mitigation
 The MTFS does not indicate a significant narrowing of the gap in the next four years, however, the deficits in future years are less than previous MTFS cycles.
 New income generating opportunities will need to be identified to generate additional revenue, along with improved efficiency and effectiveness of service delivery. Departments across the Council will need to be challenged to become more effective.

| | Likelihood | Impact | Overall Risk | Status |
|---|------------|----------|--------------|------------|
| Quarter 4 risk assessment RAG status | B | 2 | B2 | RED |

Update
 The COVID-19 pandemic has placed additional pressure on the MTFS, however the Government has provided the Council with several grants to assist with delivering the extra services required and to mitigate the impact of lost income. The legal claims arising from the Empty Homes scheme are also having an adverse impact on the MTFS, officers are monitoring the scheme closely and managing the risks and challenging the claims where possible.

| Risk 2 – Major disaster affecting the delivery of council services | | | Responsible Officer - Clare Law | |
|--|------------|--------|---------------------------------|--------|
| Initial risk assessment RAG status (without mitigation) | Likelihood | Impact | Overall Risk | Status |
| | C | 1 | C1 | AMBER |
| Description | | | | |
| <p>The council has statutory duties under the Civil Contingencies Act (2004) and to carry out Emergency Planning and Business Continuity management activities to minimise the impact of a civil emergency or business interruption on people living, working and visiting the borough.</p> | | | | |
| Risk Consequence | | | | |
| <p>Failure to have robust contingency plans in place could result in the failure to deliver council services, such as, the collection of residential and trade waste, burial services and payment of suppliers and benefits.</p> | | | | |
| Mitigation | | | | |
| <p>Robust Rossendale Borough Council (RBC) Emergency and Business Continuity Plans are in place. The Plans are updated and tested regularly through a quarterly Emergency Planning Meeting. The Plans are embedded with the Corporate Management Team as critical working documents to support the continued delivery of essential council services. All managers have a copy of the Plans and keep them under review.</p> <p>RBC is a member of Lancashire County Council (LCC) Local Resilience Forum (LRF), officers attend meetings and undertake regular training exercises. Rossendale Borough Council Plans are available on the Resilience Direct website exercises. Mutual Aid agreements are in place with all Local Authorities across Lancashire.</p> | | | | |
| Quarter 4 risk assessment RAG status | Likelihood | Impact | Overall Risk | Status |
| | C | 1 | C1 | AMBER |
| Update | | | | |
| <p>Throughout the COVID-19 pandemic the Council has continued to review risk assessments and safe systems of work to ensure effective delivery of council services. The council is now in the recovery stage of the COVID-19 pandemic and with the exception of site visits (to be re-instated at stage 2 of the governments recovery plan – 12th April 2021) service areas are operating as normal and dealing with any backlogs of work.</p> <p>There has been minimum disruption of council services during quarter 4, government funding has supported additional work due to COVID-19 and temporary staff have been recruited eg Business Advisor Officer, Trace and Trace Officer, COVID-19 Compliance Officers etc.</p> <p>The risk status has reverted to AMBER (C1) level the status pre-covid.</p> | | | | |

| Risk 3 - Incident resulting in death or serious injury or HSE investigation | | | Responsible Officer - Clare Law | |
|---|------------|--------|---------------------------------|--------|
| Initial risk assessment RAG status (without mitigation) | Likelihood | Impact | Overall Risk | Status |
| | D | 1 | D1 | AMBER |
| Description | | | | |
| Under the Health and Safety at Work Act 1974, the council has a duty of care towards the health, safety and wellbeing of its employees. | | | | |
| Risk Consequence | | | | |
| Failure to have robust health and safety processes and procedures in place could result in sanctions from the health and safety potentially impacting on the council services. | | | | |
| The Health and Safety Executive has placed additional reporting measures on employers relating to cases of, or deaths from, COVID-19 under Reporting Incidents Disease and Dangerous Occurrences Regulations (RIDDOR) apply only to occupational exposure, that is, as a result of a person's work. | | | | |
| Mitigation | | | | |
| The council has robust health and safety policies and procedures in place, including a Health and Safety Manual, Safe Systems of Work and Risk Assessments, training matrix, Health and Safety incident reporting procedure, Health and Safety audit schedule operating on a two year rolling cycle (annually in Operations). | | | | |
| Quarter 4 risk assessment RAG status | Likelihood | Impact | Overall Risk | Status |
| | D | 1 | D1 | AMBER |
| Update | | | | |
| Additional measures introduced to support the COVID-19 pandemic remain in place, the council has experienced one COVID-19 outbreak during quarter 4 and the risk assessments and safe systems of work for working practices and staff have been reviewed in-line with government guidance. Rapid lateral flow tests have been introduced for all staff, and officers have been trained to facilitate the tests, staff are encouraged to have two tests per week as per government advice. | | | | |

| | | | | |
|---|-------------------|---------------|--|---------------|
| Risk 4 - Sustainability of the County Council budget | | | Responsible Officer - Karen Spencer | |
| Initial risk assessment RAG status (without mitigation) | Likelihood | Impact | Overall Risk | Status |
| | B | 3 | B3 | AMBER |
| Description | | | | |
| Like all local authorities, Lancashire County Council (LCC) has to maintain a balanced budget. This will mean making budget reductions of over £120m in the next few years. | | | | |
| Risk Consequence | | | | |
| The County Council's 2019 approved budget included £120m savings over the period 2019/20 to 2022/23. This level of budget reductions is likely to have an impact on service provision for our residents. There is also a risk of cost shunting to district councils. | | | | |
| Mitigation | | | | |
| RBC will continue to work with County Council to find ways of reshaping services to reduce costs whilst ensuring shared outcomes are achieved. The Council will support joint leadership and Chief Executive meetings to find new ways of working together for the benefit of our residents The Council will interrogate Council savings proposals and identify risks to our residents and to our services. | | | | |
| Quarter 4 risk assessment RAG status | Likelihood | Impact | Overall Risk | Status |
| | B | 3 | B3 | AMBER |
| Update | | | | |
| In February 2021 the County Council announced that the elements of their savings plan, originally agreed in February 2019, which were yet to be implemented, had been delayed by a year as a result of the Covid pandemic and could slip further. However the savings programme will continue to be implemented post Covid. | | | | |
| This Council continues to suffer from increased fly tipping and the associated costs, which has in the main resulted from the implementation of the reduced opening hours of the Household Waste Recycling Centres savings proposal. | | | | |

| Risk 5 - Non-delivery of the borough's economic development strategy | | | Responsible Officer - Cath Burns | |
|--|------------|--------|----------------------------------|--------|
| Initial risk assessment RAG status (without mitigation) | Likelihood | Impact | Overall Risk | Status |
| | C | 2 | C2 | AMBER |
| Description | | | | |
| <p>The Council has put in place an ambitious Economic Development Strategy and Action Plan to implement the economic growth elements of its Corporate Strategy.</p> | | | | |
| Risk Consequence | | | | |
| <p>The investment based revenue generation schemes identified within the economic development strategy will underpin the Medium Term Financial Strategy (MTFS). In addition, sweating or realising existing assets will underpin the MTFS. Failure to deliver would lead to the inability to support the delivery of the Medium Term Financial Strategy.</p> | | | | |
| Mitigation | | | | |
| <ul style="list-style-type: none"> • Development and delivery of identified revenue growth projects at Spinning Point and Futures Park. • Review of rentals on industrial estates underway. • Bringing forward Council owned land for development or sale, for example, Dark Lane, Haslingden Baths, Pennine Road, Cowtoot Lane, Park Avenue and Rosso Depot. | | | | |
| Quarter 4 risk assessment RAG status | Likelihood | Impact | Overall Risk | Status |
| | C | 2 | C2 | AMBER |
| Update | | | | |
| <p>Following the completion of construction works at the Bagel 'Grab and Go', our first occupant at the Spinning Point Bus Station opened in January 2021. End user interest remains in the three retail/food and beverage units. Construction work on Plot 1 is proceeding to plan.</p> | | | | |

| Risk 6 - Non-delivery of the Local Plan | | | Responsible Officer - Mike Atherton | |
|---|------------|--------|-------------------------------------|--------|
| Initial risk assessment RAG status (without mitigation) | Likelihood | Impact | Overall Risk | Status |
| | C | 2 | C2 | AMBER |
| Description | | | | |
| <p>The Local Plan is a plan for the future development of the local area, drawn up by the Local Planning Authority. It guides decisions on whether or not planning applications can be granted. In law it is described as the development plan documents adopted under the Planning and Compulsory Purchase Act 2004.</p> <p>The Local Plan is due to be adopted in late 2020. There is not considered to be a risk that it will not be adopted, however the risk is that the adoption of the plan will be seriously delayed or that the process will be taken out of the council's hands and that the Government will intervene.</p> | | | | |
| Risk Consequence | | | | |
| <p>Risk of the Local Plan not being delivered is extremely low. The risk of the plan being slightly delayed is moderate. The risk of delay includes a reputational issue; there may be short term criticism from elected members and MP's, and developers.</p> <p>There may also be an environmental risk if planning appeals are being allowed on development sites which the Local Authority does not consider suitable for development. The risk of this increases the longer it takes to adopt the plan.</p> | | | | |
| Mitigation | | | | |
| <p>Measures are in place to reduce the risk include the Local Plan Action Plan which outlines the actions required following the hearing sessions into the examination of the Local Plan. This is updated and sent to the Planning Inspectorate on a regular basis. The Local Plan Steering Group meets on a regular basis to keep members informed of issues and the timetable. Monthly meetings also take place between the Planning Manager and the Portfolio Holder and also separately the Planning Manager and Director. A barrister has been retained to provide expert advice as required.</p> | | | | |
| Quarter 4 risk assessment RAG status | Likelihood | Impact | Overall Risk | Status |
| | C | 2 | C2 | AMBER |
| Update | | | | |
| <p>Further work as required by the Planning Inspectors following the Local Plan Examination Hearing Sessions has been undertaken and sent to the Planning Inspectors. This work has also been consulted upon with interested parties. The Council should receive the Post Examination Hearing Letter from the Planning Inspectorate in May with an indication as to whether we can progress to the next stage which is Main Modifications to the Plan.</p> | | | | |

| | | | | |
|---|-------------------|---------------|--|---------------|
| Risk 7 - Changes to Government policy on the delivery of the council's services | | | Responsible Officer - Neil Shaw | |
| Initial risk assessment RAG status (without mitigation) | Likelihood | Impact | Overall Risk | Status |
| | C | 2 | C2 | AMBER |
| Description | | | | |
| Like all local authorities the council is a statutory body that is subject to changes being consulted upon and or implemented by central government that might affect how we operate and serve our residents/businesses. | | | | |
| Risk Consequence | | | | |
| The risk that the council fails to react and be prepared for any changes being proposed or implemented by central government. | | | | |
| Mitigation | | | | |
| The council is a member of the Local Government Association and District Councils Network who keep us informed of government policy and consultations and lobby on behalf of councils to mitigate the impact of any change. The Council is also signed up to receive daily emails from Local Government Information Unit who provide daily government news and other Local Government Information Unit (LGiU) policy briefings. | | | | |
| The Chief Executive and Leader of the Council meets regularly with our two MPs. The Councils Corporate Management Team monitor and assess government's position on funding to be distributed to local authorities and other Government announcements that impact funding. | | | | |
| Quarter 4 risk assessment RAG status | Likelihood | Impact | Overall Risk | Status |
| | C | 3 | C3 | AMBER |
| Update | | | | |
| The council continues to react to Government policy changes related to Covid and how this impacts on the local community and the council. This includes the impact of the lockdown restrictions and their easing in Q4. No wider Government policy changes impacted on the council in quarter 4. | | | | |

| | | | | |
|--|-------------------|---------------|--|---------------|
| Risk 8 - Sustainable Workforce | | | Responsible Officer - Clare Law | |
| Initial risk assessment RAG status (without mitigation) | Likelihood | Impact | Overall Risk | Status |
| | D | 3 | D3 | AMBER |
| Description | | | | |
| There is a requirement to have a sustainable workforce to deliver the council services to residents and customers. | | | | |
| Risk Consequence | | | | |
| Failure to have a fully resourced, trained staff could result in the failure to deliver statutory and non-statutory service in a safe and professional manner to residents and customers. Currently there are significant challenges due to the loss of senior professional officers in Finance and vacancies in the Corporate Management Team. The additional measures put into place has mitigated an increase in the risk status during the pandemic. | | | | |
| Mitigation | | | | |
| The council has robust HR policies and procedures, an agreed Authorised Establishment, performance management framework, Service Area Business Continuity Plans in place. | | | | |
| Quarter 4 risk assessment RAG status | Likelihood | Impact | Overall Risk | Status |
| | D | 3 | D3 | AMBER |
| Update | | | | |
| The impact of the pandemic has continued to be monitored on an exceptions basis throughout quarter 4. Staff absences (COVID-19 symptomatic and non-symptomatic) have remained less than 10% with one COVID-19 outbreak at Futures Park during quarter 4. | | | | |
| The HR Manager continues to attend a monthly LRF HR Task and Finish subgroup to support best practice and consistency with other Lancashire Authorities dealing with staff issues throughout the pandemic, during quarter 4 the group has been focusing specifically on long COVID-19 absences and working arrangements post COVID-19. | | | | |
| There have been a number of staff loss as off recently in key positions, this will be monitored. | | | | |

| | | | | |
|--|-------------------|---------------|--|---------------|
| Risk 9 - Insufficient data and cyber security | | | Responsible Officer - Andrew Buckle | |
| Initial risk assessment RAG status (without mitigation) | Likelihood | Impact | Overall Risk | Status |
| | C | 1 | C1 | AMBER |
| Description | | | | |
| Cyber security presents one of the most challenging areas for both the public and private sectors. With the proliferation and severity of attacks constantly increasing this represents a major threat. | | | | |
| Risk Consequence | | | | |
| Cyber-attack resulting in a complete loss of all systems coupled with malware being spread across the entire network. Data breach resulting in information loss causing reputational damage and resulting in a financial penalty due to non-compliance with statutory requirements such as GDPR (General Data Protection Regulation), PCI DSS (Payment Card Industry Data Security). | | | | |
| Mitigation | | | | |
| To protect against a data breach RBC, host all council data in Tier 3 Data Centres located in different geographical regions and are backed up daily. RBC Data Centres hold the following accreditations: ISO27001:2013, PCI-DSS. RBC adopts a Risk Insight approach to determine the threat Landscape and more importantly its evolution. RBC has received notification of meeting the Public Services Network (PSN) which means the councils' infrastructure met all the security requirements to allow connection to the PSN. | | | | |
| Quarter 4 risk assessment RAG status | Likelihood | Impact | Overall Risk | Status |
| | C | 1 | C1 | AMBER |
| Update | | | | |
| Penetration testing including both external and internal and vulnerability scanning has been conducted in Q4 as part of our ongoing regime. | | | | |

| | | | | |
|---|-------------------|---------------|--|---------------|
| Risk 10 - Poor communications and public relations | | | Responsible Officer - Clare Law | |
| Initial risk assessment RAG status (without mitigation) | Likelihood | Impact | Overall Risk | Status |
| | D | 1 | D1 | AMBER |
| Description | | | | |
| Good communication and public relations is essential to inform, maintain and develop relationships with residents, customers and partners to provide council services. | | | | |
| Risk Consequence | | | | |
| Failure to communicate and respond to issues as they develop and inadequately or inappropriately communicating. Could lead to a major loss of reputation for the council on a local, regional and national level. A loss of reputation can damage staff morale, trust between the council and residents and impair the relationship between the council and its partners meaning projects and services delivery is damaged. | | | | |
| Mitigation | | | | |
| Communication methods in place to support face to face, mail or electronic communications. | | | | |
| Developed website and social media channels provide 24/7 service. Experienced communications function to support council officers to deal with communications in a timely manner and promote the work of the council. | | | | |
| Quarter 4 risk assessment RAG status | Likelihood | Impact | Overall Risk | Status |
| | E | 1 | E1 | GREEN |
| Update | | | | |
| VivaPR, PR Agency has continued to deliver the agreed communications plan and COVID-19 communications updates, including regular updates to the council's website and social media posts to provide signposts for government updates and local updates testing and vaccination sites, safe working practices for staff and business, business grants etc. | | | | |

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|---|-------------------|---------------|--|---------------|
| Risk 11- Non – Delivery of Corporate Projects | | | Responsible Officer - Neil Shaw | |
| Initial risk assessment RAG status (without mitigation) | Likelihood | Impact | Overall Risk | Status |
| | D | 2 | D2 | AMBER |
| Description | | | | |
| The council has agreed the 11 corporate projects for 2020-2021 to support the delivery of Corporate Strategy 2017-2021. | | | | |
| Risk Consequence | | | | |
| Failure to deliver the corporate projects would have a detriment impact on the delivery of the council's Corporate Strategy 2017-2021, and result in a reputational risk to the Council's commitment to the residents. The failure to deliver the corporate projects could potentially have a negative impact on the Council's revenue budgets (by failure to deliver income generating projects) and delivery of the medium term financial strategy, and the associated economic and social benefits may not be realised. | | | | |
| Mitigation | | | | |
| Each corporate project has a Project Sponsor (member of the Corporate Management Team), a Project Manager and finance officer. Each corporate project will have a robust project plan and live risk register. The Project Sponsor will be responsible for the strategic overview of the corporate project, and the Project Manager will be responsible for the day to day management of the corporate project. Council's Programme Board meets quarterly to review the progress of the corporate projects. The Project Sponsor will be responsible for highlighting any concerns to the Corporate Management Team throughout the life of the corporate project. | | | | |
| Quarter 4 risk assessment RAG status | Likelihood | Impact | Overall Risk | Status |
| | E | 2 | E2 | AMBER |
| Update | | | | |
| CMT continues to monitor the progress of all the corporate projects through the Programme Board. None of the live projects were risk RAG rated 'red', and no significant issues were raised by the Project Sponsors and Project Managers. Two of the corporate projects are just starting - Customer Digital Strategy and Future Health and Leisure Facilities and PIDs have been developed for each. All projects are on track at quarter 4 and within budget. | | | | |

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|--|-------------------|---------------|--|---------------|
| Risk 12 – Response and Recovery to COVID-19 Pandemic | | | Responsible Officer - Neil Shaw | |
| Initial risk assessment RAG status (without mitigation) | Likelihood | Impact | Overall Risk | Status |
| | A | 1 | A1 | RED |
| Description | | | | |
| COVID-19 is a strain of the coronavirus, the government declared the virus as a pandemic in the UK in March 2020. | | | | |
| Risk Consequence | | | | |
| The pandemic causes a potentially risk to the delivery of the council services and the health and wellbeing of the wider community. | | | | |
| Mitigation | | | | |
| The council has an Emergency Plan and Service Area Business Plans to support a pandemic emergency. The plans have been activated, regularly reviewed and stress tested throughout the pandemic. Risk Assessments and Safe Systems of Work have been developed and reviewed with staff and Trade Unions throughout the pandemic to provide a safe working environment. Council officers have worked with the Lancashire Resilience Forum and multi-agency partners to mitigate any potential risks throughout the pandemic. The council established and managed a Community Hub to provide support to vulnerable residents. | | | | |
| Quarter 4 risk assessment RAG status | Likelihood | Impact | Overall Risk | Status |
| | A | 1 | A1 | RED |
| Update | | | | |
| The council continues to react to Government policy and guidance changes related to COVID-19 and how this impacts on the local community and the council. This often occurs at short notice. Day-to-day services have been well maintained and overall staff absence related to COVID-19 has remained at a low level in quarter 4. The council dealt with a small-scale Covid outbreak with its own staff in Q4. The business continuity plan was reviewed in quarter 4. Due to the rapidly changing and evolving nature of the pandemic the decision has been to maintain this as a 'red' risk but we would hope this status will change next quarter as restrictions ease. | | | | |

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|---|-------------------|---------------|---|---------------|
| Risk 13 – Impact of COVID-19 on the Financial Sustainability of Council Owned Leisure Assets | | | Responsible Officer – Adam Allen | |
| Initial risk assessment RAG status (without mitigation) | Likelihood | Impact | Overall Risk | Status |
| | A | 2 | A2 | RED |
| Description | | | | |
| National Lockdowns due to COVID-19 result in council owned leisure facilities closing for extended periods. During closure no income is received and outside of lockdown periods, income is significantly reduced. | | | | |
| Risk Consequence | | | | |
| If the council owned leisure assets are to be sustained in the longer term, the operators of the facilities have little recourse to additional funding to survive other than through the council. This financial impact will be over £500k but is likely to be considerably higher, depending on the length and severity of lockdowns. | | | | |
| Mitigation | | | | |
| The Leisure Trust and Council are currently seeking to consolidate all council owned leisure assets under the umbrella Trust to maximise efficiency. Ski Rossendale has transferred and the transfer of CLAW facilities will be recommended to Council in Q3, the Whitaker is likely merge with the Trust and discussions are on-going. A report on the impact of all facilities has been produced by KKP and recommendations to minimise impact are being implemented. Senior Council Officers are attending the Trust Board to ensure we work together to minimise costs and an intensive monitoring process is in place. Funding through a COVID-19 specific Sport England Fund will be applied for. However, this is not thought to provide retrospective funding for closures and it is unlikely to cover the majority of financial loss. Lobbying of Government for sufficient financial support will continue. | | | | |
| Quarter 4 risk assessment RAG status | Likelihood | Impact | Overall Risk | Status |
| | A | 2 | A2 | RED |
| Update | | | | |
| Facilities are due to re-open in April 2021 in full compliance with Covid-19 regulations. A report was agreed by Council in February 2021 which set out a package of support and amalgamated CLAW and Whitaker facilities with the Trust. The Council has agreed to provide funding of £100k from its Covid-19 LA support grant to the Trust. The Council was successful in its application to the Government's Leisure Recovery Fund, resulting in an additional £140k grant support for the Trust. It is also likely that an additional £115k will be available through Covid-19 funding to reimburse the Trust for costs incurred in supporting Rossendale Connected. The financial situation remains precarious and the Council continues to work closely with the Trust to support their financial recovery over the coming years. | | | | |

| | | | | | |
|---------------------------------------|--|--------------------------|----------------------------|---|--|
| Subject: | Annual Fraud Report 2020/21 | Status: | For Publication | | |
| Report to: | Audit & Accounts Committee | Date: | 28 th July 2021 | | |
| Report of: | Fraud & Compliance Officer | 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: | Carol Walker | Telephone: | 01706 252582 | | |
| Email: | carolwalker@rossendalebc.gov.uk | | | | |

| | |
|-----|---|
| 1. | RECOMMENDATION(S) |
| 1.1 | Members are recommended to note the content of this report. |

2. PURPOSE OF REPORT

2.1 To provide details of the Fraud & Compliance work completed and the sections performance results during the period from 1st April, 2020 to 31st March, 2021.

3. BACKGROUND

3.1 Local authorities have a statutory duty under section 151 of the Local Government Finance Act 1972 to make arrangements for the proper administration of their financial affairs. There is a duty to have effective controls and procedures in place to prevent, detect, deter and investigate fraud and error in Council Tax Support, Council Tax and Business Rates. The responsibility for Housing Benefit fraud investigation transferred to the Department for Work and Pensions (DWP) on 1st May 2015, along with the Council's Fraud Investigation Officer at that time. The Council made a decision to employ a Fraud and Compliance Officer, to prevent, detect, deter and investigate fraud within the Revenues area.

This report updates the Committee on the work undertaken in the previous financial year and the success that has been achieved in identifying fraud. This has resulted in a saving to the Council and partner organisations. Having the service also provides assurance that if major fraud is attempted, there are systems in place to identify and prevent this.

3.2 The objectives of the Fraud and Compliance Function is to:

- Protect public funds.
- Undertake fraud prevention measures.
- Detect and stop fraud, thus making financial savings to the Council.
- Conduct investigations, implement sanctions and recommend appropriate follow on action in line with the Investigation, Sanction & Prosecution Policy, which is updated annually.
- Ensure that investigations comply with the appropriate regulations.
- Increase fraud awareness.

3.3 PARTNERSHIP WORKING

The Fraud and Compliance Officer acts as Single Point of Contact (SPOC) for:

- Providing information on Housing Benefit investigations to the DWP.

- Liaising with the Police and other local authorities/agencies by dealing with requests for information under the Data Protection Act and other legislation.

This is work which would otherwise have been allocated to the benefit assessment team.

The Council is an active member of NAFN (National Anti-Fraud Network). NAFN's key services include:

- Acquiring data legally, efficiently and effectively from a wide range of information providers.
- Acting as the hub for the collection, collation and circulation of intelligence alerts.
- Providing best practice examples of process, forms and procedures.

The council works closely with Lancashire and Greater Manchester local authorities and meets regularly with other counter fraud practitioners to discuss common counter fraud issues and best practice.

3.4 COVID-19

The country went into the first lockdown towards the end of the 2019/20 financial year, on 23rd March, 2020. For the first three months of this financial year the Fraud & Compliance activity was stopped to focus on the immediate Covid response and the checking of Small Business Rate Grant [SBRG] applications, including conducting sample checks of SBRG's approved by others.

It is apparent that councils all over the country have been the target of fraud. The Fraud and Compliance function has been reacting to fraud and attempts thereof. This has temporarily changed the focus of the work.

There have been 73 Covid related business rate grant fraud referrals. During 2020/21 36 cases were closed. The table below shows the reasons these were closed.

| Closure Reason | Number of Cases |
|--|-----------------|
| Recommendations Made/Attempted fraud [no financial loss] | 17 |
| Attempted Organised Fraud [no financial loss] | 4 |
| No Fraud/No Further Action | 15 |

The police's National Investigation Service [NATIS] are investigating the organised and cross boundary fraud activities targeting Local Authorities.

NAFN produced intelligence alerts notifying its Local Authority members of organised criminals targeting the grant schemes by submitting fake applications in the names of legitimate companies. Checking these alerts timeously prevented payment of grants to the organised criminals.

3.5 NATIONAL FRAUD INITIATIVE

The National Fraud Initiative (NFI) is a data matching exercise conducted by the Cabinet Office, to assist in the prevention and detection of fraud. Data is collected from around 1,200 participating organisations across public and private sectors including government departments. Data matching involves comparing sets of data electronically, such as the

payroll or benefit records, against other records held by the same or another body to see how far they match. The data matching focuses on the identification of potentially fraudulent claims.

In January 2021, the NFI released the first biannual set of data matches to all Councils for review, they will from time to time update these adding extra matches.

Checks comparing the match against Housing Benefit and Council Tax Support records are undertaken. Housing Benefit fraud identified is referred to the Department for Work and Pensions for investigation. The Fraud and Compliance function will investigate Council Tax Support fraud.

This year 155 matches in total have been released, these are as follows

| Council Tax Reduction Scheme | | Housing Benefit Claimants | |
|------------------------------|---------|---------------------------|---------|
| Risk | Matches | Risk | Matches |
| High | 19 | High | 13 |
| Medium | 80 | Medium | 1 |
| Low | 31 | Low | 8 |
| Nil | 3 | Nil | 0 |
| Total | 133 | Total | 22 |

The Fraud and Compliance Officer has checked 85 matches so far, 5 cases have led to further enquiries, either a referral to DWP, benefit reassessments or an investigation. The Fraud and Compliance function will report further on the outcome of these matches in next year's report.

3.6 FRAUD AWARENESS TRAINING

Fraud awareness sessions occur on a rolling basis for Revenues, Benefits and One Stop Shop staff. These sessions include:

- The security of claims (including staff declaring an interest in any claims/properties)
- What is fraud within the differing areas of Revenues and Benefits
- Fraud in the 'hidden economy' incorporating what to look out for
- A general Question and Answer session.

New Council employees and members have to complete an online fraud awareness course, as part of their induction to the Council. An external company previously hosted this online training, however, the contract for this has ended. A new fraud awareness course has been created. Once finalised it will be hosted on Rossendale BC's intranet.

A fraud awareness session was presented to the Finance & Exchequer Team, specifically relating to the Covid-19 Business Rates grant fraud, as that team process the grant applications.

3.7 SURVEILLANCE

Surveillance is only authorised in appropriate cases where considered necessary and proportionate, in line with the Regulation of Investigatory Powers Act (RIPA). During 2020/21 no cases were identified for surveillance.

3.8 SPECIAL EXERCISES

There were no special exercises during 2020/21, due to the pandemic.

3.9 NEW INITIATIVES

From 29th April 2019 the Council has signed up to a national offer of joint working with officers from the DWP on allegations of fraud which include Council Tax Support. This was a voluntary scheme.

The Fraud and Compliance Officer and a criminal investigator from the DWP will work together on suitable cases. This includes close liaison during the investigation and the lawful sharing of evidence obtained. Both officers will interview the customer under caution, once the evidence gathering process is complete. The DWP will refer suitable cases to the Crown Prosecution Service for consideration of legal proceedings in respect of the DWP and local authority offences.

The advantages of the joint working include:

- DWP have a specialist surveillance team who will conduct any surveillance required.
- The customer having to attend one interview.
- One case proceeding through the courts at the same time.
- Local authorities do not pay any prosecution/legal costs.

The Fraud and Compliance Officer started joint working on four cases, however, due to Covid-19 DWP Investigation Officers are temporarily assisting with other duties within their organisation. These investigations are continuing and it is hoped the DWP Investigators will re-join the investigations once they return to their duties.

It has been agreed that the DWP will conduct interviews under caution at the Rossendale One Stop Shop. This will commence once the Covid restrictions have been removed, the infrastructure and risk assessments have all been completed and agreed.

3.10 PERFORMANCE AND STATISTICS

During 2020/21 158 allegations of fraud were received from various sources such as anonymous referrals, the Council's online fraud referral form, the HB/CT processing team, the Business Rates team etc.

| Fraud Area | Number of Referrals |
|--|---------------------|
| Council Tax Support | 53 |
| Housing Benefit | 29 |
| Council Tax [single person discount/exemptions etc.] | 48 |
| Business Rates [grant fraud/small business rate relief fraud etc.] | 83 |

During the 2020/21 year 37 cases were referred to the DWP for their consideration. The DWP's Criminal Investigation Team issued no requests for information in relation to their investigations relating to Housing Benefit fraud. There were 4 requests from the DWP's Compliance Team for further information, in relation to their non-criminal investigations.

Following the Fraud And Compliance Officers involvement/investigations, the following overpayments/adjustments were identified

| Area | Value |
|-----------------------------------|-----------|
| Housing Benefit overpayment | £12976.61 |
| Council Tax Support adjustment | £7592.94 |
| Single Person Discounts withdrawn | £3213.65 |
| Council Tax Exemptions withdrawn | £6948.05 |

Two £50 Housing Benefit, six £70 Council Tax Support and one Council Tax Single Person Discount penalty of £70.00 were applied.

An additional methodology to identify counter fraud performance is also in place. This is because when a claim for an allowance, discount, reduction, benefit or exemption ends or reduces as a result of an intervention by the Fraud and Compliance function, the value of the intervention is actually not just the amount of any overpayment that has occurred.

It is recognised that there is also a “future” saving, resulting from preventing further incorrect payments being made. In these cases, the weekly amount of reduced entitlement that is applied following a counter fraud intervention is multiplied by 52. It is reasonable to believe that the award would have continued for an average of one year, had no intervention taken place. This was agreed as an appropriate performance measure by the Lancashire and Greater Manchester Fraud Investigators Group.

The weekly figure for the Council is £89.52, giving estimated “future” savings for 2020/21 of £4,655.04. It should be noted that “future” savings can only be estimated, but do help demonstrate another benefit to the Council of undertaking counter fraud work. This saving is only calculated against Council Tax Support.

Also £27,869.81 of exemptions were withdrawn following investigations into National Non Domestic Rated properties [Business Rates].

Additionally, the prevention of approximately £210,000 of Business Rate Covid grants from being paid. [Central government funds].

The “Analyse Local” System is utilised to generate additional income, by finding business rates and rateable values that are not on our system and increased rateable values on business premises. During 20/21 the use of Analyse Local to assist in business rates forecasting generated a total additional rateable value of £87,250. Based on the 2020/21 rate multipliers and for a full year this equates to £44,194.25 in gross rates payable.

Of note, very few civil penalties were applied during 2020-21 for a number of reasons, mainly due to Covid-19, not interviewing customers and the work of the Fraud and Compliance function being predominantly focused on Business Rate Grant fraud.

3.11 RECOVERY

Capita actively recover any Housing Benefit overpayments, Council Tax Support adjustments, discounts and exemption removals raised because of fraud activities. Fraudulent Housing Benefit overpayments attract a 40% subsidy, this means that any monies collected over 60% of the overpayment, is additional income for the Council. If 100% of the overpayment is recovered then the Council would retain 140% of the original overpaid. Fraudulent overpayments are not separately recorded from other recoverable overpayments such as council error. In 2020/21 £213,726 of recoverable overpayments were raised and £219,156 collected at a collection rate of 119.54%. Overpayment collection is reported quarterly as a key performance indicator.

3.12 OTHER LOCAL AUTHORITY FRAUD PREVENTION ACTIVITY

The Exchequer Team continue to verify any changes to bank details they receive before amending details on their system. They never use the contact details supplied on the change request notification to verify the change, but will check for another contact on the internet etc.

NAFN issued intelligence alerts relating to criminals targeting various areas of Local Authority business, such as payment of invoices and payroll, these were passed to the relevant teams to make them aware of impending threats.

3.13 COVID-19 ORGANISED CRIME

Organised criminals have targeted local authorities nationally, attempting to obtain business rate grants fraudulently.

Four organised crime attempts were identified in Rossendale last year, there was no financial loss to the Council.

Rossendale Council was targeted in two ways.

Firstly applications were received in the name of a genuine company held on Business Rate records, however the application contained forged company logo's on correspondence, email address domains were different from the genuine company etc. Criminals submitted two applications in the name of a famous bakery with two branches in Rossendale.

Secondly criminals attempted to register a business in a premise falsely and submit a grant application.

NATIS a branch of the police are investigating the organised criminals at a national level.

3.14 SOCIAL MEDIA & ROSSENDALE BC WEBSITE

The Council's Facebook page and website have been utilised positively to notify scams to Rossendale residents, this quickly alerts them to phishing attempts and scams currently circulating.

A resident used the Council's Facebook page to check whether an email they had received from Governments Digital Service Team about a Council Tax Reduction, was genuine or not. Upon checking the email it was apparent it was a scam. The Council's social media was used to alert our residents to it, including highlighting the contents of the email, warning them not to click on the fraudulent link it contained and advising the email was not from the government. The scam email was reported to Action Fraud.

4. RISK

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

In common with all other public bodies, Rossendale Borough Council is potentially vulnerable to fraud, either internally by its employees, or externally from members of the public. The Council has an on-going duty to protect public funds. This report, summarises the work of the Fraud and Compliance function and provides a key source of assurance for the Council on the adequacy and effectiveness of its counter fraud arrangements.

5. FINANCE

5.1 The financial implications of failing to protect the Council are potentially substantial. The Council's strategy for tackling fraud provides an assurance that public funds are being

protected from abuse. Fraud leaves the Council with less to spend on services for residents and costs taxpayers' money.

6. LEGAL

6.1 The work outlined herein supports good governance and demonstrates effective financial stewardship and strong public financial management. It is supported through other policies and procedures to include the Council's Whistleblowing policy.

7. POLICY AND EQUALITIES IMPLICATIONS

7.1 There are no policy implications and no consultation required. All relevant policies continue to be promoted to all staff via online media such as the Intranet.

8. CONCLUSION

8.1 This report has been developed to provide performance information in relation to the activities undertaken by officers and to demonstrate the joint working with other agencies on either a mandatory or voluntary commitment basis.

This work has resulted in fraud being identified and repayments to the Council and partners being made.

An element of the work programme is determined by the number of fraud referrals received. There would normally be scope within the workload for other proactive exercises to be undertaken. However, due to the Covid-19 grant fraud, and the need to jointly work with DWP on criminal investigations, it is doubtful that any proactive exercises will be conducted during 2021/22.

To summarise, as a result of actions by the Council's Fraud and Compliance function during 2020/21 there have been £12,976.61 Housing Benefits overpayments raised, £7,592.94 Council Tax Support adjustments created, £3,213.65 Single Person Discounts were withdrawn and £6,948.05 Council Tax Exemptions were removed.

National Non Domestic Rates exemptions were removed to the value of £27,869.81. Rossendale BC, will receive a proportion of this.

No background papers

| | | | |
|---------------------------------------|---|--------------------------|--|
| Subject: | Empty Homes project | Status: | Public |
| Report to: | Audit & Accounts Committee | Date: | 28 th July 2021 |
| Report of: | Chief Executive | Portfolio Holder: | Leader of the Council |
| Key Decision: | <input type="checkbox"/> Forward Plan <input checked="" 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: | Chief Executive | Telephone: | 01706 252447 |
| Email: | neilshaw@rossendalebc.gov.uk | | |

1. RECOMMENDATION

That the Committee considers the update on the Empty Homes project and the actions to manage the project in the future.

2. PURPOSE OF THE REPORT

To provide an update on the Empty Homes project and outline the future approach to managing the project.

3. BACKGROUND

- 3.1. On 14 November 2012 the council entered into a consortium agreement with the Homes & Communities Agency (HCA), to deliver a housing purchase and repair scheme. The scheme was to bring properties back into use across Pennine Lancashire. It was agreed with the HCA that the council would act as an accountable body for five East Lancashire councils: Rossendale, Pendle, Burnley, Blackburn and Hyndburn.
- 3.2. AAW were commissioned to act as the managing agent for the authorities. Owners of empty properties were assigned 5 or 10 year leases to AAW in return for guaranteed rent (70% of the LHA rates) and council tax. The 30% rent balance would then be retained by AAW to cover management costs and repairs. The nature of these leases has been fundamental to the costs incurred by the council for the duration of the project. Where the properties were not at the Decent Homes Standard, owners could either:
 - Commission AAW to undertake the necessary improvement works or
 - Undertake the works themselves and obtain re-imburement from AAW
- 3.3. January 2015 saw the demise of AAW following the council's refusal to provide financial assistance to the company. At the time of collapse, 357 properties remained on the scheme. The total HCA grant claimed by AAW at this point was circa £4.7m.
- 3.4. With the demise of AAW, the council became responsible for tenants. LCC undertook an internal audit to understand the failings of the scheme. The key failings confirmed in the LCC Internal Audit report were:
 - No assessment was made of the risks and appropriate controls in taking up the funding and operating the programme
 - The former Chief Executive did not obtain indemnities from other Pennine Lancashire councils
 - Normal controls, expected procedures and statutory requirements were over-ridden
 - Insufficient involvement of the council's legal and financial statutory officers

- 3.5. There was inadequate supervision of a single member of staff who was effectively made responsible for the management of the entire programme, and the scope to act in whatever way they felt was appropriate. Officers involved in working with AAW failed to inform members in a structured way on the operation of the programme. There was a failure to sufficiently involve the council's statutory officers in the decision-making process. In parallel, a police investigation commenced to explore evidence of illegality on AAW's behalf. Further details on the background to the project and progress up to 31 March 2020 were provided to the Audit & Accounts Committee in July 2020.

4. THE LAST YEAR

- 4.1. Managing the project continues to be complex and challenging. 69% of the properties have now been removed from the scheme. No leases were due for termination in 2020. There has therefore been no change in the number of properties remaining on the project in the last year.
- 4.2. 83% of the 113 remaining properties are currently tenanted, providing homes for local people in East Lancashire. In 2020/21, 65 properties were repaired. This shows good progress on putting properties in good condition to let (or to repair current tenant damage). The scale of repairs in the last year were unusually high but also illustrates the scale of repair works which are on-going through the life of the project.
- 4.3. Leases on 5 properties have expired but remain in the scheme. The impact of Covid has meant the council has not been able to obtain vacant possession for these properties despite significant negotiation with sitting tenants. The council is in negotiation with 3 tenants and in negotiation through Calico for owners to accept sitting tenants for 2 properties. The lease expiry for the next tranche of properties is not until March 2022 when leases on 5 properties will come to an end.
- 4.4. Calico continue to act as managing agents for the majority of the properties. The remainder are managed by a letting agent.
- 4.5. During the last twelve months there has been significant on-going legal activity responding to claims for repairs and other related housing costs. In December 2020, the council successfully defended a claim. A further significant claim relating to 51 properties pursuing property costs has been brought in Spring 2021 and is on-going.
- 4.6. In June 2021 the Police investigation into the collapse of AAW concluded. The Police determined there was insufficient evidence for a criminal prosecution.
- 4.7. The Cabinet have received quarterly updates on the progress of the project. Regular project team meetings take place and the Chief Executive remains as the Project Sponsor to oversee the project.
- 4.8. The council is keen to demonstrate it has learned the lessons of 2015. The council agreed an audit of the actions from the 2015 improvement plan to check these changes are still in place and processes have improved. The auditors provided 'moderate assurance' that the actions have been implemented, identifying that many actions had been implemented, but that there was a need for improvement in some areas, particularly training. The council's Constitution has been revised since 2015 to address issues arising from the collapse of AAW. The Scheme of Delegation now clearly sets out procurement responsibilities for staff and members, and project management arrangements are simply stated. Most importantly, robust project management principles had been established, with the formation of a Programme Board. However, some training on key changes has not been delivered in the last two years, for example, on fraud awareness and refresher on procurement procedures. The latter is planned in for Quarter 2 this year.

5. FINANCE

- 5.1. As at the 31 March 2021, the net costs for 2020/21 were £885k. £550k of the costs are capital expenditure. **The total net cost of the project to the end of 2020/21 was £6.995m.** This includes £1.02m of owner loans provided for as doubtful debts for accounting purposes. Whilst the council has provided for the owner loans there are land charges on the properties, therefore the council will ultimately seek to recover the £1.02m.
- 5.2. The table, below, outlines the annual costs of the project over the first seven financial years:

| Empty Homes Recovery Scheme costs | Report as at 31/03/2021 | | |
|--|-------------------------|-----------------|---------------|
| | Revenue £000 | Capital £000 | Total £000 |
| 2014/15 net operating costs | 278 | | 278 |
| 2015/16 net operating costs | 896 | 312 | 1,208 |
| 2016/17 net operating costs | 1,306 | 2,159 | 3,465 |
| 2017/18 net operating costs | 461 | 27 | 488 |
| 2018/19 net operating costs | 83 | 71 | 154 |
| 2019/20 net operating costs | 613 | 110 | 723 |
| 2020/21 net operating costs | 335 | 550 | 885 |
| Total Recovery Costs to be funded | 3,972 | 3,229 | 7,201 |
| HCA Grant | | -2,891 | |
| Repay HCA grant on returned properties | | 1,410 | |
| Repay HCA re Martin Proffitt Ltd | | 169 | |
| Net HCA Grant | | | -1,312 |
| Contributions from other Authorities | | | -330 |
| Provision set aside for doubtful loans | | | 1,023 |
| Compensation on returned properties | | | 413 |
| Total Net cost to RBC | | | 6,995 |

- 5.3. The 2020/21 costs are outlined in more detail, below:

| | Revenue Actual | Capital Actual | |
|--|-------------------|-------------------|-----------------|
| Building Renovation Costs ¹ | | £550,152 | £550,152 |
| General Repairs ² | £23,786 | | £23,786 |
| Leaseholder Payment | £144,694 | | £144,694 |
| Council Tax | £70,485 | | £70,485 |
| Professional Fees ³ | £50,712 | | £50,712 |
| Door Security | £4,688 | | £4,688 |
| Settlement Payments to Owners ⁴ | £50,526 | | £50,526 |
| Legal Fees | £13,678 | | £13,678 |
| Provision for Bad Debt | £12,628 | | £12,628 |
| Repayment of Principal | £67,295 | | £67,295 |
| Other Costs Recovered | -£67,766 | | -£67,766 |
| Rental income ⁵ | -£35,642 | | -£35,642 |
| | | | £885,236 |

¹ Capital repair costs associated with significant end of lease property improvements to ensure they meet the Decent Homes Standard

² Day to day repairs including tenant damage (beyond wear and tear)

³ Primarily building surveyor costs

⁴ Legal settlement with owners, primarily back rent previously withheld

⁵ This does not include rental income received by Calico for the 87 properties they manage, as part of the agreement is to cover their tenant management costs

5.4. Properties are to be returned to owners at Decent Homes standard and therefore both renovation/repair costs (£550k capital & £23k revenue) and significant settlement payments to owners (£50k), have been incurred to enable the properties to be returned to owners in an appropriate condition. A number of these properties have been void (empty) for long periods of the duration of their lease. These properties have been void due to either their condition or an inability/lack of proactivity to let them.

5.5. The council has included a revenue budget of £300k and a capital budget of £600k in the Medium Term Financial Strategy (MTFS) for 2021/22 for the project. Where possible, for capital improvement works, the council will continue to capitalise this cost to reduce the impact on the council's revenue budget. The MTFS is reviewed annually and this review takes into account the projected future costs of the project, reviewed each year.

6. LEGAL

6.1. The legal issues including the property leases are explored in the report. The council has a legal agreement with Calico Homes to manage 87 properties in the project.

6.2. The council is managing a live legal claim relating to 51 properties pursuing property costs and this is on-going. If the court finds in favour of the claimant the council carries the financial risk, the scale of which is unknown until settlement of the case.

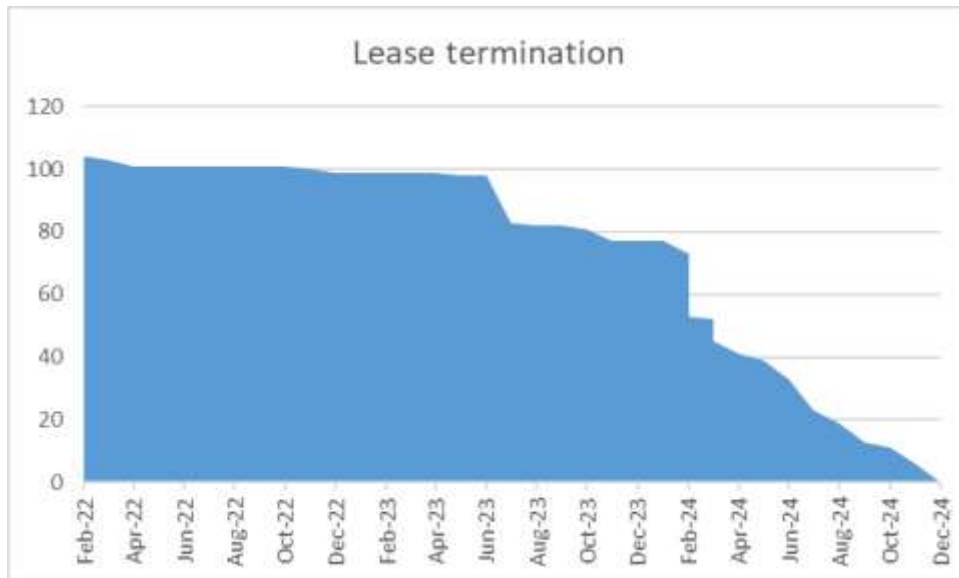
7. THE FORTHCOMING YEAR

7.1. The council continues to keep the project under close scrutiny. The following key issues have been identified.

7.2. Managing the implications of the leases

Managing the project has been extremely challenging. The structure of the legal agreement in relation to the leases has placed the vast majority of the financial liability on the council. The nature of these leases has been fundamental to the costs incurred by the council for the duration of the project. Due to the nature of the leases it is not possible to significantly reduce the likely cost of future repairs and end of lease costs.

7.3. The profile of the termination of the leases is summarised in the table, overleaf:



7.4. At the end of March 2021 there are £331k owner loans outstanding. These are protected by local land charges on each individual property, being paid off monthly through the rental income and the council should expect to recoup this loan income. There are tenant arrears of £331k. The council will be seeking active recovery of these arrears but to be prudent has set aside a Doubtful Debt Provision of £288k, leaving a potential £43k outstanding.

7.5. Management and control of the project

Officers have aimed to manage the project throughout to the best of their ability. Issues have often emerged when works have not previously been undertaken to properties during the AAW management of the scheme. The scale of these works and the nature of the leases have made managing the project extremely challenging. There has been on-going tight control of the project. Officers continue to actively contract manage Calico and the other letting agent, challenge contractors cost estimates, ensure works are completed to an appropriate standard and properties proactively returned to owners at lease expiry. This has led to a reduction in a number of contractor estimates and a more productive relationship being built with Calico. A new project support officer was recruited in Q1 this year, which will help the project team's capacity. The project reports to the council's Programme Board and quarterly updates are provided to the Cabinet.

7.6. Handling on-going legal disputes with owners

The council aims to minimise legal claims in relation to repairs and other property related costs but the condition of the leases are extremely restrictive for the council. A significant claim relating to 51 properties pursuing property costs has been brought in Spring and is on-going. Claims are being actively managed and challenged but these are likely to have an on-going financial impact on the project and are being factored into the anticipated future cost projections (although estimating actual cost is very difficult).

7.7. Transparency

The project reports to the council's Programme Board, as outlined earlier, so robust monitoring can take place, particularly in relation to the financial progress of the project. Regular updates are provided for the Cabinet and this is the second of an annual update provided for the Audit & Accounts Committee, to enable information to be published in the public domain.

8. CONCLUSIONS

- 8.1. Since the start of the project in 2014/15 the number of properties in the scheme has reduced from 357 to 113. This has significantly reduced the council's liability on the project for the remainder of the leases – until December 2024. The net cost of the project to date has been £6.995m. Over 80% of the remaining properties are tenanted, providing a home for local people and those in need of housing.
- 8.2. The nature of the leases has been fundamental to the costs incurred by the council for the duration of the project. The structure of the leases continue to significantly limit the council's ability to reduce costs. The council is actively seeking to mitigate future cost through:
- Active pursuit of rent arrears
 - Removal of properties from the scheme at the earliest opportunity
 - Ensure leases are terminated at end date and properties returned to owners promptly
 - Legal claims are actively managed and challenged
 - Ensure repair costs are value for money
 - Owner loans are repaid
- 8.3. The council has included a revenue budget of £300k and a capital budget of £600k in the Medium Term Financial Strategy (MTFS) for 2021/22 for the project. The MTFS is reviewed annually and this will take into account the projected future costs of the project, reviewed each year. The council is working with the tenants of the 5 properties where leases have expired, with a view to returning the properties to owners and removing them from the scheme.

| Background Papers | |
|--|---|
| Document | Place of Inspection |
| Management response to the Lancashire County Council Internal Audit report: "Bringing Empty Homes into Use" (inc the LCC Internal Audit report) Council, 9 December 2015 | https://www.rossendale.gov.uk/meetings/meeting/874/council |
| Empty Homes project Audit & Accounts Committee, 28 July 2020 | https://www.rossendale.gov.uk/meetings/meeting/1208/audit_and_accounts_committee |

10. TERMS OF REFERENCE FOR THE AUDIT AND ACCOUNTS COMMITTEE

Statement of purpose

1. The Audit and Accounts Committee is a key component of Rossendale Borough Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
2. The primary purpose of the committee is to provide independent assurance to the members (being those charged with governance) of the adequacy of the risk management framework and the internal control environment. It provides independent review of the Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.
3. The committee's members should therefore behave objectively and independently in their deliberations and decisions.

Governance

The committee will:

4. Review the Council's corporate governance arrangements against the good governance framework, and consider annual governance reports and assurances.
5. Review and recommend the local code of corporate governance for adoption by the Council.
6. Review the annual governance statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account the head of internal audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
7. Consider the Council's arrangements to secure value for money, and review assurances and assessments on the effectiveness of these arrangements.
8. Consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
9. Consider the Council's arrangements for discharging its duties in relation to promotion and maintenance of high standards of conduct by members and co-opted members, in accordance with the Localism Act 2011.
10. To make recommendations to the Cabinet, Council and other organisations where appropriate.

Risk management and control

The committee will:

11. Monitor the effective development and operation of the risk management framework and processes across the Council.
12. Monitor progress in addressing risk-related issues reported to the Committee.
13. Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
14. Review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
15. Monitor the counter-fraud strategy, actions and resources, including any instances of

whistleblowing.

Internal audit

The committee will:

16. Consider the internal audit charter approved by Lancashire County Council.
17. Approve the risk-based internal audit plan, including the Internal Audit Service's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
18. Approve significant interim changes to the risk-based internal audit plan and resource requirements.
19. Make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
20. Consider reports from the head of internal audit on internal audit's performance during the year, including the performance of any other external providers of internal audit services.
These will include:
 - a. Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.
 - b. Regular reports on the results of the Audit Quality Assurance and Improvement Programme.
 - c. Reports on instances where the Internal Audit Service does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the annual governance statement.
21. Consider the head of internal audit's annual report:
 - a. The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement.
 - b. The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion, which will assist the committee in reviewing the annual governance statement.
22. Consider summaries of specific internal audit reports as requested.
23. Receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the Council or there are concerns about progress with the implementation of agreed actions.
24. Contribute to the Audit Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.

External audit

The committee will:

25. Consider the appointment of the Council's external auditor proposed by Public Sector Audit Appointments Limited and assess whether there are any valid reasons for the Council to object.
26. Support the external auditor's independence through consideration of its annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments Limited.
27. Approve the letters of representation required by the external auditor and consider the

external auditor's annual letter, audit opinion, relevant reports, and the report to those charged with governance.

28. Consider specific reports as agreed with the external auditor.
29. Comment on the scope and depth of external audit work and to ensure it gives value for money.
30. Commission additional work from the external auditor as necessary.

Financial reporting

The committee will:

31. Review and approve the annual statement of accounts. Specifically, it will consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
32. Consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability arrangements

The committee will:

33. Report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements; and internal and external audit functions.

| | | | |
|---------------------------------------|--|--|--|
| Subject: | Internal Audit Annual Assurance Opinion 2020/21 | Status: | For Publication |
| Report to: | Audit and Accounts Committee | Date: | 28 th July 2021 |
| 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 2020/21. |

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 2020/21, 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 2020/21



Rossendale Borough Council
Internal Audit Service annual report 2020/21

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Introduction

Purpose of this report

- 1.1 In March 2020 the Audit and Accounts Committee considered and approved an internal audit plan for 2020/21. This was subsequently revised to take account of the pandemic, and the Committee approved a shortened plan at their July 2020 meeting. 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 2020/21. An Internal Audit Service Charter is in place that establishes the framework within which the Internal Audit Service operates to best serve the council and to meet its obligations under professional standards.
- 1.3 This report is written in the context of the impact of the Covid pandemic which required a shortened plan to be agreed due to council managers' reduced capacity to support audits due to their additional Covid-related work, as well as the redeployment of Internal Audit staff. Despite this, we have carried out sufficient work in council services, systems and processes to support an overall assurance opinion.

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 | Housing Regeneration |
| Leisure services | | Street sweeping | Planning Licensing |
| 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 2020/21 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 | 1 | | 1 | | | | |
| Business effectiveness | 2 | | | | | | 2 |
| Service delivery | 2 | | | | | 1 | 1 |
| Service support | 1 | | 1 | | | | |
| Business processes | 5 | 4 | 1 | | | | |
| Total | 11 | 4 | 3 | 0 | 0 | 1 | 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 and we are satisfied that work is in hand to implement agreed actions.

3 Key issues and themes

3.1 Delivery of the shortened audit plan has been affected by the additional work and different ways of working required of people during the pandemic and, as a result, audits have generally taken longer to complete than we would otherwise have expected. Despite this, we have completed all but one planned audit (aside from deferrals) and assurance opinions have been positive, with all audits being given substantial or moderate assurance, though with some need for improvement agreed with managers. Two of the moderate opinions reflected improvements needed in the critical area of emergency planning and business continuity, and in the ongoing response to the empty homes scheme. However, our annual assurance opinion reflects the fact that systems and processes are generally working effectively. In most of the areas audited we were satisfied that policy and procedures were in place, but were often overdue for review and revision and there was a clear need for further staff training in some areas to ensure staff are aware of correct processes.

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 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 July 2020. Of 11 planned audits we completed seven, one is in progress and three have been deferred to 2021/22. We agreed action plans to address areas for improvement and will follow up implementation of these in our 2021/20 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 | | ✓ | ✓ |

External review

- 7.2 Our previous 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. Our next external assessment is due at the end of 2022.
- 7.3 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

- 7.4 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 | | | | |
| Rossendale Improvement Plan | Final Report | Moderate | 1+2 | The council's governance framework was revised to address issues arising from the Empty Homes Scheme and we found improvements in some areas, including project management. |
| Business effectiveness | | | | |
| IT service continuity (MIAA) | Deferred | N/A | 1+2 | At management's request work is planned to start in August 2021. |
| ICT Strategy (MIAA) | Deferred | N/A | F | |
| Service delivery | | | | |
| Rossendale Together Barnfield | Progressing | | 1+2 | |
| Service support | | | | |
| Health and Safety | Deferred | N/A | 1+2 | Work will start after the planned review by the council's insurers. |
| Emergency Planning and Business Continuity | Final Report | Moderate | 1+2 | While the council has effective procedures for assessing risk, maintaining emergency and business continuity plans, coordinating with the resilience forum and communicating with the public there was a need for improvement in some areas. |

Rossendale Borough Council: Internal Audit Service annual report 2019/20

| Audit Title | Status | Assurance | Type | Summary of findings |
|-------------------------------|--------------|-------------|------|--|
| Business processes | | | | |
| Payroll | Final report | Substantial | 2 | Payroll controls are operating effectively to ensure salaries are accurately and promptly paid. |
| Accounts payable | Final report | Substantial | 2 | Controls are operating effectively despite changes in some controls due to the pandemic. |
| Accounts receivable | Final report | Moderate | 2 | Controls are broadly effective but some improvement is needed and several previous actions have not been implemented. |
| General ledger and budget | Final report | Substantial | 2 | Controls are operating effectively although reporting to members had been affected by the pandemic. |
| Income collection and banking | Final report | Substantial | 2 | All controls were operating effectively overall, with some limited changes to mitigate the impact of the Covid19 pandemic. |

| Stage of audit process | Number | Percentage |
|-------------------------------|-----------|-------------|
| Complete/ final report | 7 | 77% |
| Draft report | 0 | 0% |
| Progressing | 1 | 1% |
| Not yet started | 0 | 0% |
| Deferred | 3 | 32% |
| Total number of audits | 11 | 100% |

Annex B

Findings arising from each audit completed during the year

Governance and democratic oversight

Rossendale Improvement Plan – Moderate Assurance

- 1.1. The Rossendale Improvement Plan was developed by the council to address issues arising from the Empty Homes Programme. It identified four key themes and related improvement actions, implementation of which was monitored and reported to members. This ended in 2018 when the Plan was considered to have been implemented. In 2020 the Chief Executive asked us to look again at Plan improvements and whether they remain in place. This audit therefore reviewed council's governance framework and supporting principles. 2021/22 audits of procurement and performance management will look at these systems in detail.
- 1.2. We confirmed that the Constitution had been revised in line with Plan actions, is reviewed and approved annually by Full Council and complies with the Chartered Institute for Public Finance and Accountancy's (CIPFA) International Framework for Good Governance in the Public Sector. The Scheme of Delegation sets out procurement responsibilities for staff and members, project management arrangements are simply stated and we can provide some assurance over compliance with them. Changes to council policies and processes are approved at an appropriate management level. However, training and the induction process needs to be refreshed in key areas, although we are aware of some current training in areas such as procurement. We also acknowledge that development and delivery of some training, such as the in-house fraud module, may have been impacted adversely by the pandemic.

Service support

Emergency Planning and Business Continuity – Moderate Assurance

- 1.3. The council's civil protection duties as a category 1 responder are set out in the Civil Contingencies Act 2004 and we have used associated Government guidance to test compliance with these duties. We confirmed that the council has a local civil emergency plan and business continuity and recovery plans designed to deliver statutory obligations, and is an active member of the Lancashire Resilience Forum (LRF), the multi-agency responder panel, from which the council draws on shared risk registers, plans, communication channels and training. We were satisfied that the council has effective

procedures for assessing risk, maintaining emergency and business continuity plans, coordinating with LRF members and communicating with the public. However, there was a need for improvement in some areas. For example, two out of the ten service areas had no completed business continuity plan, we could not confirm that incident logging forms were completed, plans need to be tested, training refreshed and the local civil emergency plan contained some errors.

Business processes

Key financial systems

Accounts Receivable – Moderate Assurance

- 1.4. While controls are broadly effective there are issues in some areas that require action, and several previous actions have not been implemented. We confirmed that access to the debtor system is appropriately restricted and invoices cannot be amended once raised. The procedure for raising, sending reminders and recovering debtor invoices is generally compliant with the debt management policy, and payments received are accurately recorded on the general ledger. The debtor control account is accurately reconciled and reviewed by an additional officer. The quarterly reporting of aged debt to members is sufficient to provide oversight and context regarding the council sundry debt position. However, the updated debt management policy does not appear to have been shared across the council. There is a need for guidance on raising debtor invoices, management of debtor records and more consistent retention of supporting evidence. We also noted inconsistency with the content of debtor invoice reporting to Legal Services. We have agreed actions in this report to address these issues, and management have again agreed to implement actions agreed in our 2018/19 audit report.

General Ledger and Budget – Substantial Assurance

- 1.5. We confirmed access to the general ledger system is appropriately restricted and control accounts have assigned responsible officers. Journals entered and virements are supported by an appropriate reason and evidence, the suspense account is cleared periodically and control accounts are reconciled either on a monthly or annual basis. We noted that quarterly budget monitoring reporting to members was delayed due to work pressures following the beginning of the covid19 pandemic. As a result, both quarter 1 and 2 reports were combined and presented to members in December 2020, and the quarter 3 report in February 2021. We noted minor issues with the recording of quarterly budget monitoring discussion with budget holders. Due to working from home arrangements for finance officers, we were told that meetings were not held and discussion of

variances with budget holders was done informally over the phone. We were provided with sufficient evidence of budget monitoring otherwise and accepted this explanation as a reasonable adjustment to existing controls.

Income and Banking – Substantial Assurance

- 1.6. The council's financial procedures define key controls with regards to income and banking. We confirmed separation of duties is maintained and access to the receipting system is appropriately restricted. Income received is identifiable, receipted and banked promptly and reconciled regularly with unallocated transactions investigated and resolved. We confirmed all controls were operating effectively overall, with some limited changes to mitigate the impact of the Covid19 pandemic. We were told that due to the change in working arrangements, the assistant accountant had provided cover for the receipting process for a brief period. Although this may be considered a conflict to the established separation of duties procedures, we accepted this as an exception given the small team size and the need to limit how many officers were on site. We found that some income recorded on the market spreadsheet was not banked promptly, with approximately £1.8k of income collected over a four month period banked in one sum. This is non-compliant with the council's financial procedures and should be addressed with advice and guidance.

Accounts Payable – Substantial assurance

- 1.7. The council's Civica Creditor's financial software enables automated matching to purchase orders and goods received notes so that invoices can be processed for payment more efficiently. The Finance Service working arrangements have changed significantly due to the pandemic which necessitated changes in existing controls, such as use of email to evidence approval, and we have taken this into account in our audit testing. Overall, accounts payable controls are adequately designed and operating effectively. The requisition, purchase order, invoice and payment processes have appropriate separation of duties. User access to Civica is appropriate to roles and access is subject to appropriate line manager approval. Expenditure is accurately coded to the general ledger and creditor control accounts are reconciled weekly and monthly, and variances explained. Quarterly monitoring reports were delayed over summer 2020 due to the pandemic, but are normally submitted for Cabinet review with an explanation of variances between forecast and actual budgets.

Payroll – Substantial assurance

- 1.8. The council's payroll included 160 employees at the time of testing and is processed through the Complete Human Resource Information System (CHRIS21). Overall, we can provide substantial assurance that payroll controls are adequately designed and operated effectively to ensure salaries are accurately and promptly paid. The tax parameters in the payroll system are

aligned with central government figures and system access is appropriately restricted. Separation of duties between key functions is maintained, exception reports are reviewed prior to processing payment runs and BACS and control accounts are reconciled and approved. While the council's current organisational structure chart has not been submitted for senior management review and approval, we confirmed that the structure aligned with payroll. Access to CHRIS21 is appropriately restricted to payroll and HR officers. New starters are now fully supported by evidence of proof of right to work in the UK, and leavers are promptly removed from payroll. Starting and final salaries are calculated accurately. For voluntary deductions, evidence of agreement in certain cases, such as union membership, should be retained.

Deferred audits

- 1.9. We deferred the planned Health and Safety audit to 2021/22 to better align with a planned health and safety review by the council's insurers, and replaced this with an audit of emergency planning and business continuity. Mersey Internal Audit Agency (MIAA) have had to defer their audits of IT business continuity and the ICT strategy follow up work due to difficulties in aligning this with the availability of council managers. This work is now scheduled to start in August.

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 and Accounts Committee, which has been limited in its range during 2020/21. Sufficient, reliable and relevant evidence has been obtained to support the recommendations made.

Limitations to the scope of our work

- D.7 The scope of internal audit work has been restricted by the impact of the COVID-19 pandemic on the organisation, but this has not limited the scope of the annual opinion provided.

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.

| | | | |
|---------------------------------------|--|--|--|
| Subject: | Internal Audit Progress Report Qtr 1 2021/22 | Status: | For Publication |
| Report to: | Audit and Accounts Committee | Date: | 28 th July 2021 |
| 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 progress report for Qtr 1 2021/22 |

2. PURPOSE OF REPORT

- 2.1 To support the Audit and Accounts Committee in fulfilling its responsibility to monitor performance against the internal audit plan, and to consider a summary of internal audit activity and the level of assurance it gives over the council's governance, risk management and internal control arrangements.

3. BACKGROUND AND OPTIONS

- 3.1 In the context of fulfilling its responsibility to monitor the adequacy and effectiveness of the internal audit service, and to review internal audit reports, the Committee is asked to consider the assurance provided by the Internal Audit Service.

4. RISK

- 4.1 All the issues raised and the recommendation(s) in this report involve risk considerations as set out below:
- This report addresses the adequacy of the council's management of risks in respect of the areas subject to audit.

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 audit programme is progressing in line with the plan.

No background papers

Rossendale Borough Council

Internal Audit Service

Progress report on delivery of the 2021/22 internal audit plan

Quarter 1 2021/22



Internal Audit Service

1. Introduction

1.1. This report supports Audit and Accounts Committee's responsibility under its terms of reference to consider regular performance reports from the internal audit function on progress with delivery of the 2021/22 audit plan agreed at the March 2021 Committee meeting. Our annual assurance opinion report, also submitted to the July 2021 Committee, sets out the position with delivery of the 2020/21 audit plan including summary audit findings.

2. Summary of progress against the 2021/22 audit plan

2.1. The table below shows the current status of audits. Work on the audit plan has started and a number of audits are at the planning stage or are progressing, though none have yet been completed to the stage of a draft report.

| Audit Title | Status | Audit Type | Assurance Opinion |
|---|-------------|------------|-------------------|
| Governance and democratic oversight | | | |
| Performance management | Not started | 1+2 | |
| GDPR/ information security policies | Not started | 1+2 | |
| Rosendale Improvement Plan | Not started | F | |
| Risk Management | Not started | F | |
| Freedom of information/ subject access requests | Not started | F | |
| Business effectiveness | | | |
| Procurement | Started | 1+2 | |
| Critical application review – Civica (MIAA) | Not started | 1+2 | |
| IT - Homeworking arrangements (MIIA) | Not started | 1+2 | |
| IT Service Continuity (MIAA) | Started | F | |
| Digital Strategy | Started | F | |
| Service delivery | | | |
| Planning Controls | Not started | 1+2 | |

Internal Audit Service - Progress Report 2021/22

| Audit Title | Status | Audit Type | Assurance Opinion |
|--|-------------|------------|-------------------|
| Commercial rents | Not started | 1+2 | |
| CCTV regulatory compliance | Not started | F | |
| Rossendale Together Barnfield | Not started | F | |
| Service support | | | |
| Health and Safety | Not started | 1+2 | |
| Emergency Planning and Business Continuity | Not started | F | |
| Purchase/ lease rental | Not started | F | |
| Business processes (follow up and compliance) | | | |
| Business grant allocations | Started | 1+2 | |
| Accounts payable | Not started | 2 | |
| Accounts receivable | Not started | 2 | |
| General ledger, budget setting and monitoring | Not started | 2 | |
| Income collection/ banking | Not started | 2 | |
| Payroll | Not started | 2 | |
| Council tax | Started | 2 | |
| Business rates/ NNDR | Started | 2 | |
| Housing benefits | Started | 2 | |

Audit type:

- '1' - phase one/ consultancy work
- '2' - phase two/ compliance testing
- '1+2' - full risk and control evaluation
- 'F' - follow-up work.

3. Update on the National Fraud Initiative (NFI)

3.1. The main exercise is run every two years. Matches were released in February 2021 but there were subsequent releases during the year and all datasets have now been uploaded to the NFI website.

| 2020/21 biennial exercise | Number | | | | | Savings |
|------------------------------------|-----------|------------|------------|----------|----------|--------------|
| | Reports | Matches | Processed | Frauds | Errors | £ |
| Housing benefit | 14 | 126 | 26 | 0 | 1 | 2,210 |
| Payroll to payroll/ creditors | 2 | 8 | 8 | 0 | 0 | 0 |
| Council tax reduction scheme | 12 | 138 | 119 | 0 | 1 | 551 |
| Creditors - duplicates | 6 | 266 | 0 | 0 | 0 | 0 |
| SBGF/ RHLG - Duplicates | 4 | 27 | 7 | 0 | 0 | 0 |
| Discretionary/ Other Grants | 1 | 5 | 0 | 0 | 0 | 0 |
| Value Added Tax | 1 | 23 | 0 | 0 | 0 | 0 |
| Procurement – payroll | 2 | 13 | 7 | 0 | 0 | 0 |
| Individuals - more than one report | 1 | 17 | 0 | 0 | 0 | 0 |
| Total | 48 | 623 | 167 | 0 | 2 | 2,761 |

3.2. Separate matching is undertaken of council tax data to the electoral roll. Data is released in December when the process to check matches begins. The council also buy comparison against a range of other data sets in all local authorities and a new premium single person discount match. The table below shows the latest matches, numbers processed and outcomes.

3.3. Premium Council Tax data is re-matched against data from a credit agency, for which RBC pays a fee. Checks are now progressing on data. Council Tax matches were released in February 2021. Checks are being completed and outstanding matches are under investigation. Council tax and the electoral register have now been uploaded to the NFI website.

| Data categories | Number | | | | | Savings |
|---|---------|---------|-----------|--------|--------|---------|
| | Reports | Matches | Processed | Frauds | Errors | £ |
| Premium council tax – SPD July 2021 | 3 | 937 | 933 | 17 | 19 | 16,075 |
| Council Tax to HMRC household composition July 2021 | 1 | 1738 | 1738 | 68 | 79 | 67,467 |

| Data categories | Number | | | | | Savings |
|--|----------|-------------|-------------|------------|------------|----------------|
| | Reports | Matches | Processed | Frauds | Errors | £ |
| Premium council tax – SPD February 2021 - electoral register | 2 | 697 | 693 | 41 | 71 | 39,012 |
| Council Tax rising 18s | 2 | 58 | 58 | 0 | 20 | 404 |
| Council tax – Other datasets Jan 2020 release | 1 | 1100 | 1100 | 6 | 3 | 4,505 |
| Total | 9 | 4530 | 4522 | 132 | 192 | 127,463 |

4. Audit assurance levels and classification of residual risk

4.1. The definitions of the assurance given by internal audit work, and the categories of residual risk used to prioritise any actions arising from audit work are set out below.

Assurance levels

4.2. Note that 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 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.

Residual risks

- **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.

| | | | |
|---------------------------------------|--|--------------------------|--|
| Subject: | Internal Audit Charter | Status: | For Publication |
| Report to: | Audit and Accounts Committee | Date: | 28 th July 2021 |
| Report of: | Head of Internal Audit | 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, Internal Audit Manager | Telephone: | 01772 534898 |
| Email: | Mark.Baskerville@lancashire.gov.uk | | |

| | |
|-----|---|
| 1. | RECOMMENDATION(S) |
| 1.1 | The committee should consider and approve the Internal Audit Charter. |

2 PURPOSE OF REPORT

- 2.1 The Audit and Accounts Committee's terms of reference require it to advise the Council on planned internal audit activity and results including the standards within which the service operates.

3 BACKGROUND AND OPTIONS

- 3.1 The Internal Audit Service is a key element of the council's governance arrangements and is a statutory service in the context of the Accounts and Audit Regulations 2015. The standard setters responsible for defining proper practices in terms of the Accounts and Audit Regulations have issued Public Sector Internal Audit Standards (PSIAS) requiring Internal Audit to establish and periodically review a Charter, which is attached at 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 supports the Leader and Chief Executive's report in the Annual Governance Statement.

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

- 6.1 Any implications are commented upon in the report.

8. CONCLUSION

- 8.1 The Internal Audit Charter is appended for consideration and approval.

No background papers

Rossendale Borough Council

Internal Audit Service Charter

1 Introduction

- 1.1 This charter establishes the framework within which Lancashire County Council's Internal Audit Service operates to best serve Rossendale Borough Council and to meet its professional obligations under applicable professional standards. It defines the purpose, authority and responsibility of internal audit activity, establishes the Internal Audit Service's position in relation Rossendale Borough Council; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.
- 1.2 It will be subject to periodic review by the head of internal audit and presented to the Audit and Accounts Committee for approval.

2 Relevant regulations and interpretation

- 2.1 The requirement for an internal audit function in local government is set out in the Accounts and Audit Regulations 2015 ('the Regulations').
- "Internal audit: A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal auditing standards or guidance." *Regulation 5. (1)*
Accounts and Audit Regulations 2015
- 2.2 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 *Mission of Internal Audit* and the mandatory elements of the Global Institute of Internal Auditors' International Professional Practices Framework (the *Core Principles for the Professional Practice of Internal Auditing*, the *Code of Ethics*, the *Standards* and the *Definition 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.
- 2.3 Lancashire County Council's Internal Audit Service therefore operates in accordance with this mandatory definition, code, standards and advice.
- 2.4 Section 151 of the Local Government Act 1972 states that every local authority in England and Wales should "make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs".

Rossendale Borough Council Internal Audit Service Charter

In its *Statement on the Role of the Chief Financial Officer in Local Government* CIPFA has defined 'proper administration' as including compliance with the statutory requirements for accounting and internal audit. It also requires the person fulfilling the role of Chief Finance Officer to ensure an effective internal audit function is resourced and maintained.

3 Definitions

- 3.1 Both the Global Institute of Internal Auditors and *PSIAS* set out the following definition of internal auditing:

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

*Global Institute of Internal Auditors, and
Public Sector Internal Audit Standards, 2017*

- 3.2 The Global Institute of Internal Auditors and *PSIAS* also refer to the 'board' and 'senior management' and *PSIAS* recognise that these terms need to be interpreted in the context of the Council's own governance arrangements.

- 3.3 *PSIAS* defines the board as:

"The highest level of governing body charged with the responsibility to direct and/ or oversee the activities and management of the organisation. [...] 'Board' may refer to an audit committee to which the governing body has delegated certain functions."

Public Sector Internal Audit Standards, 2017

- 3.4 In relation to Rossendale Borough Council, the board is defined as the Audit and Accounts Committee.
- 3.5 Senior management is defined as the council's Corporate Management Team. This consists of the Chief Executive/ Head of Paid Service; Head of Finance (S151 officer); Head of Legal; Director of Economic Development, Director of Communities and the Head of People and Policies.
- 3.6 *PSIAS* also refers to the 'chief audit executive' who is deemed to be the head of internal audit.

4 Responsibilities

- 4.1 The Regulations set out that the Council must ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that financial and operational management is effective; and includes effective arrangements for the management of risk.

Rossendale Borough Council Internal Audit Service Charter

- 4.2 Rossendale Borough Council has taken the decision to outsource its internal audit provision to Lancashire County Council's Internal Audit Service. However responsibility for maintaining an adequate and effective system of internal audit remains with Council.
- 4.3 It is the role of the Internal Audit Service to provide independent assurance that these risk management, control and governance processes are adequately designed and effectively operated. *PSIAS* make clear that the provision of this assurance is internal audit's primary role and that this requires the head of internal audit to provide an annual opinion based on an objective assessment of the framework of governance, risk management and control.
- 4.4 This assessment will be supported by the identification, analysis, evaluation and documentation of sufficient information on each individual audit assignment, and the completion of sufficient assignments to support an overall opinion for the organisation as a whole. The scope of internal audit's work therefore encompasses all of the functions, services and activities of the Council.
- 4.5 The requirement to be independent and objective means that the Internal Audit Service cannot assume management responsibility for risk management, control or governance processes. However, the Internal Audit Service may support management by providing consultancy services. These are advisory in nature and are generally performed at the specific request of the organisation, with the aim of improving governance, risk management and control. They will also contribute to the overall assurance opinion.
- 4.6 Accountability for responses to the Internal Audit Service's advice and recommendations for action lies with senior management, who either accept the advice or accept the risks associated with not taking action. Audit advice, including where the Internal Audit Service has been consulted about significant changes to internal control systems, is given without prejudice to the right of the Internal Audit Service to review and recommend further action on the relevant policies, procedures, controls and operations at a later date.
- 4.7 The head of internal audit will provide an annual report incorporating an overall opinion, a summary of the work that supports that opinion, and a statement of conformity with *PSIAS* and the results of the quality assurance and improvement programme.
- 4.8 A note of the responsibilities of the Corporate Management Team ('senior management') and the Audit and Accounts Committee ('the board') in relation to the internal audit function are set out in the appendix to this charter. The Internal Audit Service's responsibilities are set out in *PSIAS*, and these are supported by detailed operational policies and procedures that are regularly reviewed and updated as necessary.

Rossendale Borough Council Internal Audit Service Charter

5 Independence, objectivity, and integrity

- 5.1 The Internal Audit Service remains independent of the other functions of the Council and no member of the Internal Audit Service has any executive or operational responsibilities. Auditors are expected to deploy impartial and objective professional judgement in all their work.
- 5.2 The Internal Audit Service's work programme and priorities are determined in consultation with senior management and the Audit Committee but remain a decision 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, and specifically the Audit and Accounts Committee. They have the formal opportunity prior to each committee meeting to meet with the chair of the Committee.
- 5.3 All auditors make an annual declaration of their interests and update this during the year as necessary, and where any auditor has a real or perceived conflict of interest this is managed to maintain the operational independence of the service as a whole. If independence or objectivity are impaired in fact or appearance, then the nature of the impairment is disclosed as appropriate. The head of internal audit makes an annual declaration that the internal audit function is operationally independent.
- 5.4 All auditors also make an annual declaration that they have read and are aware of the obligations placed on them by the *Public Sector Internal Audit Standards* and, specifically the *Code of Ethics*. They each acknowledge that they must adhere to the *Code of Ethics* and demonstrate integrity, objectivity, competence and confidentiality in the discharge of all their duties.

6 Reporting lines and relationships

- 6.1 The head of internal audit and audit manager report functionally to the Audit and Accounts Committee and have direct access to the council's senior management.
- 6.2 The head of internal audit and the audit manager have, in addition, access to the chair of the Audit and Accounts Committee which meets at least four times each year, and the head of internal audit or the audit manager reports to each meeting of that committee under its terms of reference. The committee is responsible for approving the annual audit plan.
- 6.3 The head of internal audit and, the Internal Audit Service as a whole, adhere to the requirements of CIPFA's *Statement on the Role of the Head of Internal Audit*.
- 6.4 The Internal Audit Service and the Council's external auditor operate to a protocol which sets out the relationship between internal and external audit, and supports regular liaison between the two services, leading to more effective performance of both and avoiding duplication of work.

Rossendale Borough Council Internal Audit Service Charter

7 Access to information

- 7.1 The Internal Audit Service has the right of unrestricted and direct access to the records (however held), assets, premises and officers of the Council. The Internal Audit Service has the authority to obtain all such information and explanations as it considers necessary to fulfil its responsibilities.
- 7.2 Internal auditors respect the value and ownership of information they receive and the reports they produce, and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so. They are prudent in the use and protection of information acquired in the course of their duties and shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the Council's legitimate and ethical objectives.

8 Internal audit resources

- 8.1 The Council's Head of Finance/ S151 Officer is responsible for ensuring that internal audit resources are sufficient to meet their responsibilities and achieve their objectives. If the head of internal audit or the Audit and Accounts Committee considers that the level of audit resources or the terms of reference in any way limits the scope of internal audit, or prejudices the ability of the Internal Audit Service to deliver a service consistent with its statutory and related requirements, they will advise the Council accordingly.
- 8.2 The Council determines through its budget the number of audit days in the annual audit plan. The Internal Audit Service's resources are therefore deployed to meet an annual audit plan that pays regard to the relative risks accepted, and levels of assurance required by the Council and Audit and Accounts Committee.

9 Competency

- 9.1 The head of internal audit and audit managers are required to hold appropriate professional audit qualifications. These are defined as full membership of one of the institutes of the Consultative Committee of Accountancy Bodies or full professional membership of the Chartered Institute of Internal Auditors. It is expected that senior auditors will either hold, or be close to and actively working towards, full professional qualification but, exceptionally, they may be qualified by experience at a demonstrably professional level.
- 9.2 The county council's performance and development opportunities are applicable to all staff within the Internal Audit Service, which supports continuous staff performance appraisal and development.

10 Quality assurance and improvement

- 10.1 The head of internal audit operates a quality assurance and improvement programme that both monitors the on-going performance of internal audit activity and periodically assesses the Internal Audit

Rossendale Borough Council Internal Audit Service Charter

Service's compliance with *PSIAS*. This includes both internal and external assessments and is set out in a separate *Quality Assurance and Improvement Programme*.

10.2 The results of the quality assurance and improvement programme including any areas of non-conformance with *PSIAS* are reported annually to senior management and the Audit and Accounts Committee. This report will include information regarding:

- The scope and frequency of both the internal and external assessments.
- The qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest.
- Conclusions of assessors.
- Corrective action plans.

11 Non-audit work

11.1 *PSIAS* recognises that the Internal Audit Service may go beyond the work needed to meet its assurance responsibilities and provide services to support management, including consultancy services. Such services apply the professional skills of internal audit and contribute to the overall assurance opinion.

11.2 Lancashire County Council's Internal Audit Service facilitates the Council's participation in the National Fraud Initiative, which matches data from the Council's information systems with information held by other bodies to identify potentially fraudulent activity.

11.3 The Internal Audit Service is not responsible for the prevention or detection of fraud and corruption. Managing the risk of fraud and corruption is the responsibility of management. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption and to any indications that fraud and corruption may have occurred. Internal audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected.

11.4 The head of internal audit or the audit manager should be informed of all suspected or detected fraud, corruption or impropriety and will consider the implications for her opinion on the adequacy and effectiveness of the relevant controls, and the overall internal control environment.

Responsibilities in relation to the internal audit function

The Council's Senior Management Team ('senior management') will:

- Consider the Internal Audit Charter, including the internal audit function's purpose and authority, and the mandatory elements of the International Professional Practices Framework.
- Consider, and contribute to the development of the risk-based internal audit plan, supporting its completion within the organisation.
- Make appropriate enquiries to determine whether there are inappropriate scope and/ or resource limitations to the internal audit function.
- Receive and consider the results of the quality assurance and improvement programme, including areas of non-conformance with *PSIAS*.

The Audit and Accounts Committee ('the board') will:

- Consider and approve the Internal Audit Charter.
- Consider and approve the risk-based internal audit plan, including the Internal Audit Service's approach to using other sources of assurance and any work required to place reliance upon those other sources.
- Approve significant interim changes to the risk-based internal audit plan and resource requirements.
- Make appropriate enquiries of senior management and the head of internal audit to determine whether there are inappropriate scope and/ or resource limitations to the internal audit function.
- Receive reports from the head of internal audit on the Internal Audit Service's performance and audit findings, including the head of internal audit's annual report and overall opinion for the year.
- Receive and consider the results of the quality assurance and improvement programme, including areas of non-conformance with *PSIAS*, considering whether the non-conformance is significant enough that it must be included in the annual governance statement.
- Consider and approve any significant consulting services not already included in the audit plan, in light of any potential impairments to the auditors' independence or objectivity.

Audit Progress Report

Rossendale Borough Council

July 2021



1. Audit progress
2. National publications

01

Section 01:

Audit progress

Audit progress

Purpose of this report

This report provides the Audit Committee with an update on progress in delivering our responsibilities as your external auditors and also includes, at Section 2, for your information, a summary of recent national reports and publications.

Certification of Housing Benefits subsidy claim

This is an 'agreed upon procedures' assurance engagement in respect of the Council's annual subsidy claim to DWP for housing benefits, as detailed in guidance issued by the DWP "Housing Benefits Assurance Process" (HBAP). The total subsidy claimed for 2019/20 per the final claim was £14,858,122. We submitted our HBAP Report to the DWP on 29 March 2021, in line with the agreed extension date.

We are pleased to report that we identified fewer issues as part of our 2019/20 HBAP work in comparison to our work in 2018/19.

Matters reported:

- In one case the Council did not hold sufficient evidence to enable us to fully complete the required case testing.
- As part of our review of the subsidy claim form reconciliation we identified a number of differences which led to minor amendments to the claim form. The overall impact of the amendments on the total subsidy for the year was £-175.

02

Section 02:

National publications

National Publications

| | Publication/update | Key points |
|---|--|---|
| Chartered Institute of Public Finance and Accountability (CIPFA) | | |
| 1. | Consultation on stronger Prudential Code | CIPFA is consulting on the Prudential Code, including proposals to strengthen the requirements for commercial investments. |
| 2. | Fraud and Corruption Tracker | CIPFA's latest information has been published. |
| 3. | CIPFA Bulletin 06 – Application of the Good Governance Framework 2020/21 | Provides updated guidance and takes into account the introduction of the CIPFA Financial Management Code 2019 during 2020/21. |
| 4. | CIPFA Bulletin 09: Closure of the 2020-21 Financial Statements, 30 April 2021 | This bulletin provides guidance for local government bodies on a range of issues that may need to be considered as part of their 2020-21 accounts preparation. |
| Ministry of Housing, Communities and Local Government (MHCLG) | | |
| 5. | MHCLG's Consultation on amendments to the Accounts and Audit Regulations 2015 | Consultation closed on the 1 st March 2021; the Accounts deadline was set as 31 July 2021 and Audit deadline of 30 September 2021. |
| 6. | MHCLG - Methodology for allocating £15 million to local bodies and review of Appointing Person regulations, 20 April 2021 | £15 million in additional funding is available in 2021/22 towards external audit fees. Consultation on amending the timescale for setting fee scales. |
| 7. | MHCLG - Local authority financial reporting and external audit: Spring update, 19 May 2021 | A new regulator, the Audit, Reporting and Governance Authority (ARGA), to replace the FRC, preferred system leader. Public Sector Audit Appointments (PSAA) role to continue into next national procurement. |
| National Audit Office (NAO) | | |
| 8. | Local government finance in the pandemic, March 2021 | The report found that the Department's successful monthly collection of data and continued intensive engagement with the sector provided a good evidence base to underpin the financial and other support provided by government. |

National Publications

| | Publication/update | Key points |
|-----------------------------|---|---|
| National Audit Office (NAO) | | |
| 9. | Timeliness of local auditor reporting in England, 2020 | The report is based on published data, the views of local authority finance directors, key stakeholders in the audit landscape, and audit firms. |
| 10. | Public service pensions | This report outlines how the public service pensions landscape has changed since the Hutton Review and highlights key challenges for the future. |
| 11. | NAO Updated Guidance for Auditors, April 2021 | Revised guidance for VFM arrangements work under the new Code of Audit Practice, including extended deadlines, and updated guidance on consideration of going concern in the public sector context. |
| 12. | NAO Report – <i>Initial learning from the government’s response to the COVID-19 pandemic, May 2021</i> | Latest NAO report on learning from the government response to the pandemic. |

NATIONAL PUBLICATIONS

CIPFA

1. CIPFA consults on a stronger Prudential Code, January 2021

CIPFA has launched a consultation on proposals to strengthen the Prudential Code, following growing concerns over local government commercial property investments. The Prudential Code is a professional code of practice that aims to ensure local authorities' financial plans are affordable, prudent and sustainable. To date, the provisions in the Code have not prevented a minority of councils from taking on disproportionate levels of commercial debt to generate yield. The proposed changes are intended to prevent future misinterpretations of the Code and strengthen the necessary regard to its provisions to protect local decision making and innovation. The consultation will be open for 10 weeks and responses must be submitted by 12 April 2021.

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/cipfa-consults-on-stronger-local-government-prudential-code>

2. Fraud and corruption Tracker, February 2021

The latest CIPFA Fraud and Corruption Tracker (CFaCT), which includes local government data between 1 April 2019 and 31 March 2020, provides a baseline illustration about the prevalence of grant fraud in the public sector, just before unprecedented levels of COVID-19 grant funding for councils were released by the government in March of last year. The report follows previous warnings from the National Crime Agency and other law enforcement bodies of an increase in cases related to suspected COVID-19 grant fraud. Valued at an estimated loss of £36.6m, the report reveals only 161 instances of grant fraud occurred in 2019/20.

The report also shows that council tax continued to be the largest area of identified fraud for councils, with more than 30,600 cases totalling £35.9m in 2019/20. This year, 32% of respondents also stated their organisation had been a victim of a Distributed Denial-of-Service (DDoS)/hacking attack in the last 12 months, a 5% increase from the previous year. Survey respondents also expressed concern about councils' inability to tackle usual areas of fraud due to resource being re-directed into the processing and review of COVID-19 business grants.

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/grant-fraud-represented-less-than-of-uk-public-sector-fraud-pre-pandemic>

NATIONAL PUBLICATIONS

CIPFA

3. CIPFA Bulletin 06, Application of the Good Governance Framework 2020/21, February 2021

This bulletin covers the impact of the continuing COVID-19 pandemic on governance in local government bodies and the requirements of the Delivering Good Governance in Local Government Framework 2016 CIPFA and Solace (the Framework). It also takes into account the introduction of the CIPFA Financial Management Code 2019 (FM Code) during 2020/21.

<https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-06-application-of-the-good-governance-framework-202021>

4. CIPFA Bulletin 09: Closure of the 2020-21 Financial Statements, 30 April 2021

Auditors will wish to be aware that CIPFA have published Bulletin 09: Closure of the 2020-21 Financial Statements. This bulletin provides guidance for local government bodies on a range of issues that may need to be considered as part of their 2020-21 accounts preparation.

Hot topics include accounting for grant funding in the pandemic, accounting for dedicated schools grant deficits and accounting for collection fund surpluses and deficits in 2020/21.

<https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-09-closure-of-the-202021-financial-statements>

NATIONAL PUBLICATIONS

MHCLG

5. MHCLG's Consultation on amendments to the Accounts and Audit Regulations 2015, February 2021

MCHLG has consulted on its proposed changes to the accounts publication deadline for 2020/21 and 2021/22.

The draft regulations includes provisions, at regulation 2 to change the publication deadline for principal authorities from 31 July to 30 September as proposed in recommendation 10 by the Redmond review, but for 2 years - 2020/21 and 2021/22. The intention is for the amended deadline to be reviewed after that period when it will be clearer as to whether the audit completion rate has improved.

The draft regulations also enable principal bodies to publish their draft accounts for inspection, linked to the later publication deadline, by removing the fixed period for public inspection, to say instead that the draft accounts must be published on or before the first working day of August. This will allow authorities and audit firms more flexibility to schedule their audits in line with the later publication deadline but, importantly, will not prevent them from being signed off earlier. This mirrors the approach taken in the Accounts and Audit (Amendment) (Coronavirus) Regulations 2020.

MCHLG's consultation closed on 1 March 2021.

6. MHCLG - Methodology for allocating £15 million to local bodies and review of Appointing Person regulations, 20 April 2021

The Ministry of Housing, Communities & Local Government (MHCLG) announced as part of its response to the Redmond Review, that it would provide £15 million in additional funding in 2021/22 towards external audit fees and the development of the proposed new standardised statement of service information and costs. The department has now launched a short, four-week consultation, seeking views on the on the methodology for allocating these funds to local bodies.

<https://www.gov.uk/government/consultations/consultation-on-allocation-of-15-million-to-local-bodies-for-audit/redmond-review-response-changes-to-the-audit-fees-methodology-for-allocating-15-million-to-local-bodies>

Running alongside this, the department has also launched a separate six-week consultation on the implementation of changes to the fee setting process for principal bodies set out in the Local Audit (Appointing Person) Regulations 2015. The consultation primarily seeks views on amending the timescale for setting fee scales, enabling the appointing person to consult on and approve a standardised additional fee, and for such payments to be made in year rather than at the completion of the audit.

<https://www.gov.uk/government/consultations/amendments-to-local-audit-fee-setting-arrangements>

NATIONAL PUBLICATIONS

MHCLG

7. MHCLG - Local authority financial reporting and external audit: Spring update, 19 May 2021

In December 2020, MHCLG delivered its response to the Redmond Review. This report details the actions already taken to implement the Redmond Review recommendations, and also sets out the government's thinking on the recommendations relating to systems leadership.

In March 2021 the government published a White Paper setting out its plans to reform corporate audit, reporting and governance. The White Paper set out details of how the government proposes to establish a new regulator, the Audit, Reporting and Governance Authority (ARGA), to replace the FRC. It also set out government plans to create a new audit profession that is distinct from the accountancy profession, and to encourage competition in the market for audit of large listed companies. We have looked at options for local audit in the context of these wider reforms.

In this context, it is our view that ARGA, the new regulator being established to replace the FRC, would be best placed to take on the local audit system leader role.

The Department welcomes the changes made in the latest Code of Audit Practice in relation to VFM reporting. Until recently, the Code required auditors to give a binary opinion on whether the proper arrangements were in place. However, this was revised in the recent update to the Code, which now requires auditors to provide a narrative statement on the arrangements in place. The department welcomes this change, as it is our view that the binary value for money judgement required under the previous Code did not provide sufficient information for taxpayers or local bodies, particularly in a context where the complexity and commercialisation of local authority finances has increased. The new value for money requirements in the updated Code including a new commentary on governance, arrangements for achieving financial sustainability, and improving economy, efficiency and effectiveness - should help to address this.

MHCLG has confirmed that PSAA is the organisation best placed to act as the appointing body, including overseeing the next procurement of audit contracts. There is a balance to be struck between cost and quality. Historically, there were concerns that fees were too high and it was right that real savings were delivered for the taxpayer following the abolition of the Audit Commission. However, the context has changed since 2014, including the structure of the market, plus new obligations and the complexity of the work. It is striking that local audit scale fees reduced by 40% between 2014/15 and 2018/19, while central government and FTSE100 fees have increased by 20%. We have been working closely with PSAA in recent months to develop our plans for allowing greater flexibility to reflect additional costs in audit fees, and are allocating £15m to local bodies to help with this and the additional requirements associated with implementing Redmond's recommendations.

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-spring-update/local-authority-financial-reporting-and-external-audit-spring-update>

NATIONAL PUBLICATIONS

National Audit Office

8. Local government finance in the pandemic, March 2021

The NAO published its report *Local government finance in the pandemic* in March 2021. Local authorities in England have made a major contribution to the national response to the pandemic. This has in turn placed significant pressure on finances, which in many cases were already under strain. The report examines if MHCLG's approach to local government finance in the COVID-19 pandemic enabled the Department to assess and fund the costs of the new services which local authorities have been asked to deliver. It also examines whether the Department fulfilled its responsibilities in securing financial sustainability across the sector. The report focuses on:

- the financial health of the sector before the pandemic and the financial impact of the pandemic in 2020/21;
- action taken by the government to support the sector in 2020/21, including its effectiveness; and
- action taken by government to support the sector's financial sustainability in 2021/22.

The report found that the Department's successful monthly collection of data and continued intensive engagement with the sector provided a good evidence base to underpin the financial and other support provided by government. Action by the Department and wider government to support the sector averted system-wide financial failure at a very challenging time and means that the Department managed the most severe risks to value for money in the short term.

However, the financial position of local government remains a cause for concern. Many authorities will be relying on reserves to balance their 2020/21 year-end budgets. Despite continuing support into 2021/22, the outlook for next year is uncertain. Many authorities are setting budgets for 2021/22 in which they have limited confidence, and which are balanced through cuts to service budgets and the use of reserves.

<https://www.nao.org.uk/report/local-government-finance-in-the-pandemic/>

NATIONAL PUBLICATIONS

National Audit Office

9. NAO Report – Timeliness of local auditor reporting in England, 2020

On 16 March, the NAO published its report Timeliness of local auditor reporting on local government in England, 2020. Since 2015, the Comptroller and Auditor General (C&AG) has been responsible for setting the standards for local public audit in England, through maintaining a Code of Audit Practice and issuing associated guidance to local auditors. This report sets out the:

- roles and responsibilities of local auditors and national bodies to the local audit framework in England; and
- facts relating to the decline in the timeliness of delivering audit opinions on local government in England and the main factors contributing to that decline in timeliness.

The report is based on published data, the views of local authority finance directors, key stakeholders in the audit landscape, and audit firms. The report also considers the impact on central government. Given the increasing financial challenge and service pressures on local authorities since 2010, local councils need strong arrangements to manage finances and secure value for money.

The report concludes that the position for 2019/20, with 55% of local authorities failing to publish audited accounts by 30 November, is concerning, given the important part that external audit plays in assurance over taxpayers' money both centrally and locally.

Since the NAO reported on local authority governance and audit in 2019, and despite efforts by the various organisations involved in the local audit system and by the Ministry of Housing, Communities and Local Government, the report concludes that the situation has worsened. The increase in late audit opinions, concerns about audit quality and doubts over audit firms' willingness to continue to audit local authorities all highlight that the situation needs urgent attention, which will require co-operation and collaboration by all bodies involved in the local audit system, together with clear leadership from government.

<https://www.nao.org.uk/report/timeliness-of-local-auditor-reporting-on-local-government-in-england-2020/?slide=1>

NATIONAL PUBLICATIONS

National Audit Office

10. NAO Report – public service pensions, March 2021

As an employer, the government provides public service employees with access to occupational pension schemes. As at 31 March 2020, there were more than 8 million members of four of the largest public service pension schemes (the armed forces, civil service, NHS and teachers' pension schemes), of which 2.8 million were retired and receiving pension benefits and 5.2 million were either current or former employees. Around 25% of pensioners and 16% of the working-age population are members of a public service pension scheme.

In general, public service pensions have become more expensive over time as the number of people receiving them has increased, owing to more members entering retirement and living longer. This trend applies across public and private pensions and is consistent with international experience. In 2010 the government established the Independent Public Service Pensions Commission, chaired by Lord Hutton (the Hutton Review) to undertake a fundamental structural review of public service pensions. Following the Hutton Review final report in March 2011, and a period of negotiations with trade unions representing public service employees, the government introduced reforms intended to manage the future costs of providing pensions.

Public service pensions are a notable benefit to public servants. HM Treasury focuses on the affordability of these pensions and who pays for them. The total costs of providing pensions have been increasing over time, reflecting increasing numbers of pensioners. The government's pension reforms over recent years have contained the rise in future taxpayer costs by making pensions less generous and by increasing contributions from employees. However, taxpayer funding has increased and it will take decades for the full effects of the 2011/2015 reforms to be seen in the government's affordability measure. The balance of taxpayer funding has shifted from central payments by HM Treasury to employer contributions by departments and organisations to ensure that employers bear the consequences of their employment decisions.

However, HM Treasury needs to monitor more than just affordability. Government's approach to protecting those nearest retirement has been ruled unlawful and will cost time and money to resolve. The government's reforms also take no account of pensions as a recruitment and retention tool, with pensions continuing to be relatively inflexible; the only real choice for most employees is to stay in the scheme or opt out altogether.

<https://www.nao.org.uk/report/public-service-pensions/>

NATIONAL PUBLICATIONS

National Audit Office

11. NAO Updated Guidance for Auditors, April 2021

In April 2021, the Comptroller and Auditor General (C&AG) approved and published updated auditor guidance:

Auditor Guidance Note 03 (AGN 03) - Auditors' Work on Value for Money Arrangements. This has been updated to enable auditors to give their opinion on the financial statements if they have not yet completed all their VFM arrangements work (where there is no material impact on the opinion), including the approach to reporting any further issues if necessary by exception when auditors issue their certificate. The AGN also introduced revised deadlines for the Auditor's Annual Report, which includes the new commentary on VFM arrangements, of up to 3 months after issuing the audit opinion.

Auditor Guidance Note 07 (AGN 07) – Auditor Reporting. This was updated to bring it into line with AGN 03 as above.

Supplementary Guidance Note 01 (SGN 01) - Going Concern – Auditors' responsibilities for local public bodies. The SGN focus is primarily on *Practice Note (PN) 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom, (Revised 2020)*, setting an expectation that auditors will follow the approach it sets out. This recognises that going concern in the public sector context includes the concept of the 'continued provision of services' and the legislative basis for public services, which means that the circumstances that will give rise to a material uncertainty in going concern are relatively limited and rare, and would normally require legislative changes. This view is also reflected in the CIPFA Code, which recognises that the financial statements are prepared on a going concern basis.

The NAO guidance does, however, highlight the wider issue of financial sustainability and funding for public services. Management will still need to undertake a going concern assessment, and disclose an appropriate narrative within its financial statements in relation to the impact of the pandemic and pressures on funding, and disclose any potential material uncertainties should they exist.

All of the NAO auditor guidance is publicly available at this link: <https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>

NATIONAL PUBLICATIONS

National Audit Office

12. NAO Report – *Initial learning from the government’s response to the COVID-19 pandemic, May 2021*

The NAO has recently published its *Initial learning from the government’s response to the COVID-19 pandemic* report, which is part of a programme of work the NAO is undertaking to support Parliament in its scrutiny of government’s response to COVID-19. The report finds that the COVID-19 pandemic has stress-tested the government’s ability to deal with unforeseen events and potential shocks. Government has often acted at unprecedented speed to respond to a virus which has caused dramatic disruption to people’s lives, public service provision and society as a whole. Government had to continue to deliver essential public services, while reprioritising resources to deliver its response to the COVID-19 pandemic and supporting staff to work from home. In its response, government has had to streamline decision-making, work across departments and public bodies and use a range of delivery structures.

Departments will need to reflect on the lessons learned to ensure that they capitalise on the benefits and opportunities these new ways of working have brought.

This report draws out learning from the reports that we have published to date, as well as other work we have published that covered the COVID-19 pandemic. It sets out this learning across six themes:

- risk management;
- transparency and public trust;
- data and evidence;
- coordination and delivery models;
- supporting and protecting people; and
- financial and workforce pressures.

The NAO will continue to draw out learning from the government’s response to the pandemic from our future work.

The full report is available from the NAO website. <https://www.nao.org.uk/wp-content/uploads/2021/05/Initial-learning-from-the-governments-response-to-the-COVID-19-pandemic.pdf>

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