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|---------------------------------------|--|--|--|
| <b>Subject:</b>                       | Internal Audit Progress Report Qtr 2 2022/23                   | <b>Status:</b>                             | For Publication                          |
| <b>Report to:</b>                     | Audit and Accounts Committee                                   | <b>Date:</b>                               | 28 September 2022                        |
| <b>Report of:</b>                     | Head of Internal Audit (Internal Audit Service)                | <b>Portfolio Holder:</b>                   | Resources                                |
| <b>Key Decision:</b>                  | <input type="checkbox"/> Forward Plan <input type="checkbox"/> | General Exception <input type="checkbox"/> | Special Urgency <input type="checkbox"/> |
| <b>Equality Impact Assessment:</b>    | Required:  | No   | Attached: No                             |
| <b>Biodiversity Impact Assessment</b> | Required:  | No   | Attached: No                             |
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|     |   |
|-----|---|
| 1.  | <b>RECOMMENDATION</b>   |
| 1.1 | The committee are asked to consider the internal audit progress report for Qtr 2 2022/23. |

## 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 2022/23 internal audit plan**

**Quarter 2 July - September 2022**



## Internal Audit Service

### 1. Introduction

- 1.1. This report supports Audit and Accounts Committee's responsibility under its terms of reference to consider performance reports from internal audit on progress with delivery of the 2022/23 audit plan, agreed at the March 2022 Committee meeting. Our annual assurance opinion report, also submitted to this Committee, reports delivery of the 2020/21 audit plan.

### 2. Summary of progress against the 2022/23 audit plan

- 2.1. Work on the plan is progressing and all but one 2021/22 audits are now completed. We have completed a further unplanned grant certification and we have issued two draft and one final audit report where we gave substantial assurance. A further four audits are progressing including the IT audits which Mersey Internal Audit Agency (MIIA) will undertake. While we are not yet at the stage where we can formally report assurances from the audits in progress, audit findings indicate good levels of compliance with established policies and procedures. The table below shows the current status of all audits.
- 2.2. In addition to planned work we have undertaken three short, unplanned audits of Covid-related grants, and provided assurance that the council complied with grant conditions.

| Audit Title                                      | Status      | Audit Type | Assurance Opinion |
|--|-------------|------------|-------------------|
| <b>Governance and democratic oversight</b>       |             |            |                   |
| Delegated decision making by officers            | Not started | 1+2        |                   |
| Leisure Trust                                    | Not started | 1+2        |                   |
| Performance management                           | Not started | F          |                   |
| GDPR/ information security policies              | Not started | F          |                   |
| <b>Business effectiveness</b>                    |             |            |                   |
| Financial sustainability                         | Not started | 1+2        |                   |
| IT threat and vulnerability management (MIIA)    | Progressing | 1+2        |                   |
| IT critical application review of payroll (MIIA) | Progressing | 1+2        |                   |
| Procurement                                      | Not started | F          |                   |
| IT Critical application review of Civica (MIAA)  | Not started | F          |                   |
| IT Homeworking arrangements (MIIA)               | Not started | F          |                   |
| IT Service Continuity (MIAA)                     | Not started | F          |                   |

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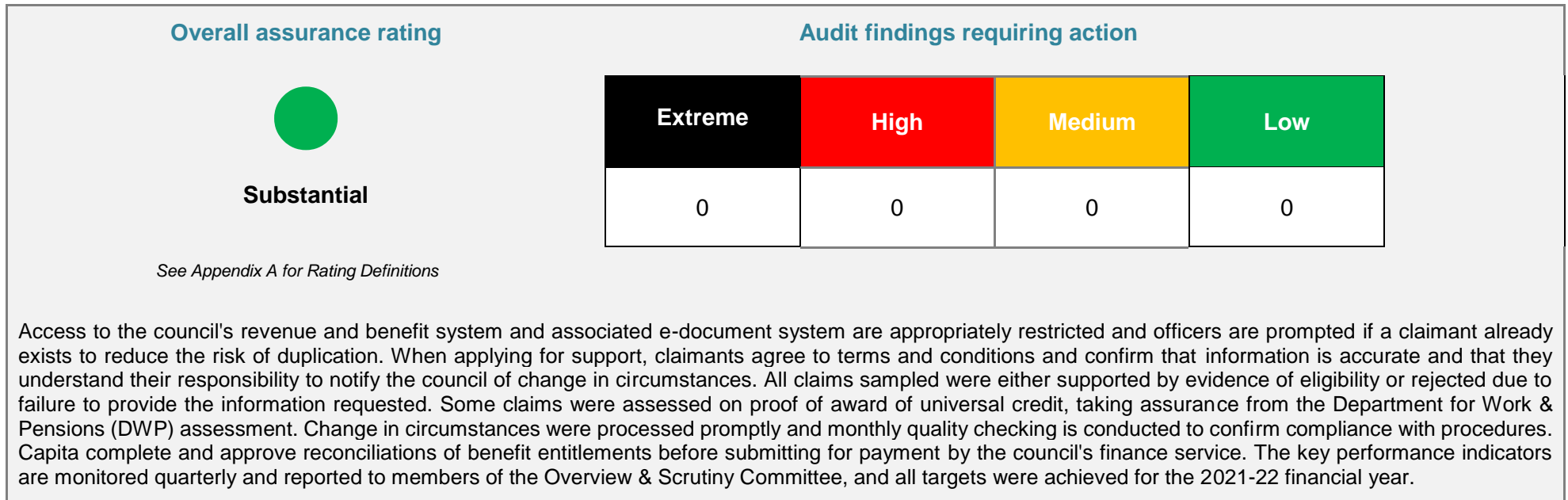
| Audit Title  | Status      | Audit Type | Assurance Opinion                |
|--|-------------|------------|----------------------------------|
| <b>Service delivery</b>                                    |             |            |                                  |
| Corporate project delivery                                 | Not started | 1+2        |                                  |
| Planning controls  | Not started | F          |                                  |
| Commercial rents   | Not started | F          |                                  |
| <b>Service support</b>                                     |             |            |                                  |
| Health and safety (deferred from 2021/22)                  | Progressing | 1+2        |                                  |
| Sickness absence   | Not started | 1+2        |                                  |
| <b>Business processes (follow up and compliance)</b>       |             |            |                                  |
| 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  | Progressing | 2          |                                  |
| Council tax  | Draft       | 2          |                                  |
| Business rates/ NNDR                                       | Draft       | 2          |                                  |
| Housing benefits   | Final       | 2          | Substantial                      |
| COMF grant certification (unplanned work)                  | Completed   | 2          | Compliance with grant conditions |
| Protect and Vaccinate Grant certification (unplanned work) | Completed   | 2          | Compliance with grant conditions |
| Test and Trace Grant certification (unplanned work)        | Completed   | 2          | Compliance with grant conditions |

| Stage of audit process                                  | Number of audits |
|---|------------------|
| Completed (no report necessary)/ Final Report delivered | 4                |
| Draft report  | 2                |
| Progressing   | 4                |
| Not started   | 17               |
| Deferred/ cancelled                                     | 0                |
| <b>Total number of audits</b>                           | <b>27</b>        |

### 3. Extracts from Audit Reports

3.1. Extracts of assurance summaries, findings and agreed actions are shown below.

## Housing Benefit and Council Tax Support



### Background

This audit has been undertaken in accordance with the 2022/23 Internal Audit Plan as approved by the Audit & Governance Committee. The audit covers the period April 2021 to March 2022 and was conducted in conformance with Public Sector Internal Audit Standards.

### Context

The council outsources housing benefit and council tax support claims to Capita PLC. The council's Service Assurance team monitor performance against this contract through key performance indicators and report quarterly to Members for oversight. The Northgate system is used to input and manage claims and evidence of eligibility is stored on Info@Work, an electronic document management system. There were 256 housing benefit and 1448 council tax support claims during April 2021 to March 2022

### Previous audit

An internal audit was last carried out in November 2021. This resulted in a substantial assurance opinion being issued.

### Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

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- Failure to maintain an accurate housing benefit and council tax support database, potentially resulting in fraudulent payments;
- Benefits claims are not processed promptly resulting in poor value for money and reputational loss for the council;
- Incorrect or fraudulent claims are accepted, including voids and claims on multiple properties, resulting in financial loss;
- Failure to identify changes in circumstances could result in overpayments and/or fraudulent payments.

### Key Findings

|   |   |  |   |
|---|---|--|---|
| System access                                     | 53 unique user accounts had access to Northgate benefits and revenue modules. All officers were employed by either Capita or the council and access was appropriate to their role. We confirmed one officer who changed role no longer had access the system.   |  | ● |
| New Claim Eligibility and Processing              | For new claims, users receive an error message if the name or national insurance number already exists, to reduce duplication. Claimants were required to declare other income, capital and properties. Before submission the claimant must agree to terms and conditions, including notification of changes in circumstances. Eligibility was confirmed in line with policy or rejected, usually where supporting evidence was not provided. Evidence of approved claims was retained, with assurance taken from DWP assessment.                         |  | ● |
| Change in Circumstance (CIC) and Quality Checking | Claims amendments were actioned correctly. Notifications from ATLAS and housing benefit matching service were processed promptly. New claims and changes in circumstances were quality checked monthly by a single officer and action was taken to address issues. These were checked by the line manager but as the officer had processed some claims they were checking their own work. However, thematic tests were carried out to provide assurance that Capita delivered on their contract and will include whether this arrangement is appropriate. |  | ● |
| Reconciliation and Separation of Duties           | Payments were reconciled and matched between the Northgate and Civica systems. The process involved both Capita officers confirming the accuracy of payment and approving the payment total and two Rossendale officers who process and approve the payments, ensuring sufficient separation of duties.   |  | ● |
| Performance and oversight                         | Rossendale and Capita senior management meet quarterly to agree targets for the financial year and monitor performance and issues arising. Key performance indicators are reported quarterly to members of the Overview & Scrutiny committee and all targets were achieved during the 2021-22 financial year.   |  | ● |

#### 4. Update on the National Fraud Initiative (NFI)

4.1. 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.

| 2021/22 biennial exercise          | Number    |            |            |          |           | Savings       |
|------------------------------------|-----------|------------|------------|----------|-----------|---------------|
|                                    | Reports   | Matches    | Processed  | Frauds   | Errors    | £             |
| Housing benefit                    | 7         | 24         | 24         | 0        | 1         | 2,210         |
| Waiting Lists                      | 7         | 102        | 102        | 1        | 0         | 0             |
| Payroll to payroll/ creditors      | 2         | 8          | 8          | 0        | 0         | 0             |
| Council tax reduction scheme       | 14        | 206        | 193        | 0        | 7         | 23,292        |
| Creditors - duplicates             | 6         | 266        | 239        | 0        | 0         | 0             |
| SBGF/ RHLG - Duplicates            | 4         | 38         | 37         | 0        | 5         | 40,815        |
| Discretionary/ Other Grants        | 1         | 8          | 8          | 0        | 0         | 0             |
| Value Added Tax                    | 1         | 23         | 23         | 0        | 0         | 0             |
| Procurement – payroll              | 2         | 13         | 13         | 0        | 0         | 0             |
| Unknown grant types (between)      | 1         | 1          | 1          | 0        | 0         | 0             |
| Individuals - more than one report | 1         | 19         | 0          | 0        | 0         | 0             |
| <b>Total</b>                       | <b>46</b> | <b>708</b> | <b>648</b> | <b>1</b> | <b>13</b> | <b>66,317</b> |

4.2. 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 buys a 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. Premium Council Tax data is re-matched against data from a credit agency, for which the council pays a fee. Checks are now progressing on data. Council Tax matches were released in February 2021 and the table below shows statistics as at July 2022. 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                 | 1       | 333     | 333       | 1      | 12     | 8,889   |
| Council Tax to HMRC household composition | 1       | 1028    | 940       | 0      | 37     | 9,826   |



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| Data categories                              | Number   |             |             |          |            | Savings       |
|--|----------|-------------|-------------|----------|------------|---------------|
|  | Reports  | Matches     | Processed   | Frauds   | Errors     | £             |
| Premium council tax – SPD electoral register | 1        | 178         | 178         | 0        | 36         | 6,511         |
| Council Tax rising 18s                       | 1        | 28          | 25          | 0        | 22         | 0             |
| Council Tax – Other datasets                 | 2        | 2787        | 2787        | 0        | 28         | 7,089         |
| Council Tax – All datasets                   | 1        | 1780        | 1780        | 0        | 0          | 0             |
| <b>Total</b>                                 | <b>7</b> | <b>6134</b> | <b>6043</b> | <b>1</b> | <b>135</b> | <b>32,315</b> |

## Audit assurance levels and classification of residual risk

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 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.
- **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.
- **Limited assurance:** there are some significant weaknesses in the design and/ or operation of the framework of control that put the achievement of its 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 its objectives.

## Classification of residual risks requiring management action

All actions agreed with management are stated in terms of the residual risk they are designed to mitigate.

- **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.*

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