

Meeting of: Audit & Accounts Committee

Date: 30th November 2022

Time: 6.30pm

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

The meeting will also be live streamed at the following link:

<https://www.youtube.com/channel/UCrLsMDOP7AYxik5pNP0gTIA/streams>

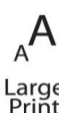
Supported by: Glenda Ashton, Committee and Member Services Officer Tel: 01706 252423

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 28 th September 2022	
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
B.	COMMUNITY ENGAGEMENT	
B1.	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. 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	Glenda Ashton, Committee and Member Services Officer 01706 252423 glendaashton@rossendalebc.gov.uk Please register an agenda related

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

اردو বাংলা



ITEM		Lead Member/Contact Officer
	<p>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>public question by emailing democracy@rossendalebc.gov.uk no later than 12noon on Wednesday 30th November 2022</p>
C.	<p>Chair's Update To receive communications from the Chair</p>	Councillor MacNae
D.	ORDINARY BUSINESS	
D1.	Corporate Risk Report Q2 2022/23	<p>Karen Spencer, Chief Finance Officer 01706 252465 karens pencer@rossendalebc.gov.uk</p>
D2.	Internal Audit Progress Report Oct-Nov Q3 2022/23	<p>Mark Baskerville Lancashire County Council mark.baskerville@lancashire.gov.uk</p>
E.	<p>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.</p>	
E1.	Standards Complaints Update (verbal)	Councillor MacNae
E2.	Whistleblowing update (verbal)	Councillor MacNae



Neil Shaw
Chief Executive

Date Published: 22nd November 2022

MINUTES OF: THE AUDIT AND ACCOUNTS COMMITTEE

DATE OF MEETING: 28TH SEPTEMBER 2022

**PRESENT: Councillor MacNae (Chair)
Councillors Kenyon, McMahon, Morris (sub for Cllr Steen),
Procter & Woods
Mr S McManus, Co-opted member**

**IN ATTENDANCE: Mr N Shaw, Chief Executive, RBC
Ms K Spencer, Chief Finance Officer (S151 Officer), RBC
Mr A Allen, Director of Communities, RBC
Mrs C Law, Head of People and Policy, RBC
Mr M Baskerville, LCC Internal Auditors
Mr A Dalecki, LCC Internal Auditors
Miss G Ashton, Committee Officer, RBC**

ALSO PRESENT: Councillor Walmsley, 1 member of the Press

OBSERVED REMOTELY: 1 member of the public

1. APOLOGIES FOR ABSENCE

1.1 Apologies were received from Councillor Steen.

2. MINUTES OF THE MEETING HELD ON 27TH JULY 2022

2.1 In relation to item 10.2, bullet point 10, the Chief Executive advised that the statutory responsibility for the Medium Term Financial Strategy falls with the s151 Officer and not the Chief Executive.

RESOLVED:

The minutes of the meeting held on 27th July 2022 were agreed as a correct record.

3. URGENT ITEMS OF BUSINESS

3.1 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 Councillor Morris raised a question on behalf of a member of the public. He was advised to raise the question at Full Council.

6. CHAIR'S UPDATE

6.1 The Chair reiterated his comments from the last meeting, that the Committee had important items to discuss and scrutinise and a co-operative approach, without politics, was requested.

7. CORPORATE RISK REPORT Q1 2022/23

7.1 The Chief Finance Officer presented the report, which asked members to note the Corporate Risk Register, the risk consequence, mitigation action and level of risk as detailed in Appendix 1. Of the 11 risks, 3 were red and the red risk owners had been invited to attend the meeting to provide an update and answer questions.

7.2 The following comments were made and clarifications provided:

- It was important for members to monitor, challenge and identify risks.
- Members were asked to look at risks retrospectively and whilst horizon scanning is taking place, this wasn't demonstrated in the report. In order for the Committee to be able to fulfil its role, this will be evidenced in future reports.
- In relation to the Medium Term Financial Strategy (MTFS), it was accepted that the risk level was unlikely to change as there were factors outside the Council's powers.
- Further savings and income generation would not bridge the funding gap.
- It was unclear how much Government funding Councils would receive.
- In relation to the Sustainable Workforce risk it was noted that salaries were comparable with other District Councils but not with larger authorities and the private sector. Job evaluation/benchmarking takes place on hard to fill posts and market supplements are considered.
- It was acknowledged that a considerable amount of work was taking place around recruitment and retention and Officers were thanked.
- Recruitment and retention was reported in the Performance Report to the Overview and Scrutiny Committee and Officers discuss issues with their Lead Members. A full report to Overview and Scrutiny was suggested.
- There were issues recruiting to all positions, especially key posts. Any vacancies had an impact on teams and services as Rossendale was a small authority.
- The Head of People and Policy was confident that measures put in place would see improvements in recruiting to lower graded roles but the key management positions had been advertised more than once and the roles and job descriptions had been reviewed. Low salaries was an issue.
- Compensating lower grades for additional work carried out to cover vacant roles was suggested.
- Providing training and development opportunities for existing staff would help with staff retention.
- In respect of Risk 11 it was noted that this was no longer the impact of COVID-19 and the title of the risk should be changed.
- The rising cost of utilities was having a financial impact on the running of pool facilities.
- The proposed leisure strategy was bold and exciting and the issues were understood and were being addressed.
- The Chief Executive expressed concerns regarding the unknown impact of the energy crisis and the financial impact on the leisure trust.
- An increase in the Government living wage had impacted on the leisure trust and the 10% increase to the foundation wage next year could also have a knock on affect.
- The Council were looking to reduce carbon at their leisure assets and could make use of the Carbon Reduction fund.
- It was noted that Risk 5 would probably change to amber in quarter 2 due to risks in changes to Government policy.
- In relation to Risk 7, 95% of staff had completed the Information and Cyber Security

training. The remaining staff were on maternity leave.

- The training had been rolled out to members on two occasions but only 4 councillors had completed the course. Training to be rolled out again and raised at group meetings.
- It was noted that there were plans to hold face to face sessions.

RESOLVED:

- The Audit and Accounts Committee noted the Corporate Risk Register as detailed in the report.
- Members noted the risk consequence, mitigation action and level of risk as detailed in Appendix 1.

8. EMPTY HOMES PROJECT UPDATE

8.1 The Chief Executive outlined the report, which asked members to consider the update on the Empty Homes project and the actions to manage the project in the future. The project was being rigorously managed and to maintain transparency a report was taken to the Programme Board. Also, Cabinet were updated quarterly and an annual update report is brought to the Audit & Accounts Committee.

8.2 In response to comments from the Committee it was noted that:

- It was important to recruit a Housing Programme Manager as an experienced Project Manager was needed. The post had been advertised but recruitment was difficult as the post was only for a 2-year fixed period.

RESOLVED:

- The Audit & Accounts Committee considered the update on the Empty Homes project and the actions to manage the project in the future.

9. INTERNAL AUDIT PROGRESS REPORT Q2 2022/23

9.1 The Head of Internal Audit, LCC outlined the report, which asked members to consider the internal audit progress report for quarter 2 2022/23. It was noted that the figures in the last update were incorrect but the new figures were correct.

9.2 The following comment was made:

- The report was clear and focussed.

RESOLVED:

- The Audit and Accounts Committee considered the internal audit progress report for quarter 2 2022/23.

10. EXCLUSION OF PUBLIC AND PRESS

RESOLVED:

- That the public and press be excluded from the following items of business under Section 100(A)(4) of the Local Government Act 1972 since the items involved the likely disclosure of exempt information under Paragraphs 1 and 2 of Schedule 12A to the Local Government Act 1972.

11. STANDARDS COMPLAINTS UPDATE (VERBAL)

11.1 An update was provided in relation to Standards Complaints.

RESOLVED:

- That the update was noted.

12. WHISTLEBLOWING UPDATE (VERBAL)

12.1 An update was provided in relation to Whistleblowing.

RESOLVED:

- That the update was noted.

The meeting concluded at 7.51pm

Signed (Chair)

Date

Subject:	Quarter 2 Corporate Risk Register Update (July, August and September) 2022/23	Status:	For Publication
Report to:	Audit and Accounts	Date:	30 th November 2022
Report of:	Head of Finance	Lead Member:	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:	Karen Spencer	Telephone:	01706 252409
Email:	karens pencer@rossendalebc.gov.uk		

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

- 2. EXECUTIVE SUMMARY**
 - The Quarter 2 (Q2) Corporate Risks Register Update is reporting for months July, August and September.
 - The report includes updates for the council’s 11 Corporate Risks.
 - Overall, the council’s performance is strong but the growing financial pressures in-year are creating cost pressures which the council must monitor closely as the year progresses.
 - The report concludes 3 Corporate Risks rated ‘red’ on the RAG status.

- 3. BACKGROUND**
- 3.1 The council details its approach to managing risk in its Risk Management Strategy. This was updated in March 2016.
- 3.2 The strategy sets out the framework of monitoring and reporting of risks. The council has identified 11 Corporate Risks and these are monitored via the quarterly performance management reporting schedule using a RAG rating dashboard to report the risk status. These are reported to both the Overview and Scrutiny Committee and Cabinet.
- 3.3 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. OVERALL SUMMARY OF PERFORMANCE**
- 4.1 The council has reviewed and continues to monitor the council’s Corporate Risks.
- 4.2 The Corporate Risks are categorised at the end of Q2 as follows:

	Quarter 2 2022/23
Low	3
Medium	5
High	3

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

Corporate Risk 1	Likelihood	Impact	Overall risk	Status
Sustainability of the Medium Term Financial Strategy (MTFS)	A	1	A1	RED

The February 2022 MTFS indicates that the MTFS funding gap will continue to increase over the current lifecycle unless further savings/income generation schemes are identified. The impact from the employers pay offer, the current economic crisis as well as the increased uncertainty around future central government funding following the formation of the new Government, is placing significant additional pressure on the MTFS. Officers are seeking to maximise efficiencies and make savings wherever possible, however following the years of austerity the council has already suffered, opportunities for making savings without affecting service delivery are minimal. The council is also striving to maximise income opportunities through its ongoing property reviews and subsequent marketing of sites and rent reviews. It is likely that the legal claims arising from the Empty Homes scheme will also have an adverse impact on the MTFS if settled in the claimants' favour. Officers are monitoring the scheme closely and managing the claims where possible. In the Autumn Statement the Chancellor offered councils the option to increase Council Tax by up to 3% (with an additional 2% for councils with social care responsibility) from 2023/24 without requiring a referendum, Members will consider this option as part of the budget process.

Corporate Risk 6	Likelihood	Impact	Overall risk	Status
Sustainable Workforce	B	2	B2	RED

The cumulative staff turnover at Q2 is 8.76% within the 'red' RAG status. Recruitment continues to be challenging with senior officer and professional roles which is causing workload issues on teams. During Q2 three Head of Service roles have been advertised, Head of Housing and Regeneration role has been appointed, recruitment to Head of Financial Services and Head of Environment is ongoing.

Both absences due to Covid-19 and the Heavy Goods Vehicle driver shortage has now reduced, and the number of days lost due to sickness absence per full time equivalent employee at Q2 is 4.37% within the 'green' RAG status.

Corporate Risk 11	Likelihood	Impact	Overall risk	Status
Financial Sustainability of Council Owned Leisure Assets	A	2	A2	RED

The key risk to the financial sustainability of the Trust is no longer Covid-19 but the cost of living crisis. In particular fuel inflation and the high rise (c7%) in the Living Wage has impacted on the Trust and they are now projecting a £600k deficit for the current year. A report is to be taken to Full Council in November 2022 to outline how this risk is being mitigated as much as possible, however many of the factors are beyond the Trusts' and the council's control. To date no specific help has been announced by Government. Looking forward the

announcement in the Autumn Statement of the 9.7% increase in the living wage from April 2023 will place additional pressure on the Trust.

4.4 The risks will continue to be monitored by Management Team on a regular basis.

5. FINANCE

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

6. LEGAL

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

7. POLICY AND EQUALITIES IMPLUICATIONS

7.1 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.

8. REASON FOR DECISION

8.1 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	
Corporate Risk Register	Appendix 1

Corporate Risks

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.

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 definition of the likelihood and impact can be found in the council's Risk Management Strategy 2016.

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

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

Description
The Council’s latest Medium Term Financial Strategy (MTFS) update published February 2022 indicates an underlying funding gap of c£600k per annum from 2023/24 onwards. The council must take appropriate action in order to balance its annual expenditure against its available annual income and other revenue resources. 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. The current cost of living crisis may also add to the pressure on the MTFS through pay award, utility costs, contract inflation and Council Tax/NNDR collection rates.

Risk Consequence
If the council is not able to prepare a balanced budget there would be legal ramifications, but it would ultimately impact on the level of services the council is able to deliver to Rossendale residents and would result in major reputational damage.

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

Mitigation
The MTFS does not indicate a significant narrowing of the gap in the next four years. 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.

Risk assessment RAG status (after mitigation)	Likelihood	Impact	Overall	Status
	C	2	C2	AMBER

Quarter 2 Update
The February 2022 MTFS indicates that the MTFS funding gap will continue to increase over the current lifecycle unless further savings/income generation schemes are identified. The impact from the employers pay offer, the current economic crisis as well as the increased uncertainty around future central government funding following the formation of the new Government, is placing significant additional pressure on the MTFS. Officers are seeking to maximise efficiencies and make savings wherever possible, however following the years of austerity the council has already suffered, opportunities for making savings without affecting service delivery are minimal. The council is also striving to maximise income opportunities through its ongoing property reviews and subsequent marketing of sites and rent reviews. It is likely that the legal claims arising from the Empty Homes scheme will also have an adverse impact on the MTFS if settled in the claimants’ favour. Officers are monitoring the scheme closely and managing the claims where possible. In the Autumn Statement the Chancellor offered councils the option to increase Council Tax by up to 3% (with an additional 2% for councils with social care responsibility) from 2023/24 without requiring a referendum, Members will consider this option as part of the budget process.

Quarter 2 risk assessment RAG status (current)	Likelihood	Impact	Overall	Status
	A	1	A1	RED

Risk 2 – Major disaster affecting the delivery of council services	Responsible Officer – Clare Law
---	--

Description
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.

Risk Consequence
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.

Initial risk assessment RAG status (without mitigation)	Likelihood	Impact	Overall Risk	Status
	C	1	C1	AMBER

Mitigation
A robust overall council Emergency and Business Continuity Plan is in place. Service continuity 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 overall plan and their service plan and keep them under review. The council is a member of Lancashire County Council Local Resilience Forum (LRF). Officers attend meetings and undertake regular training exercises. The council plans are available on the Resilience Direct website. Mutual aid agreements are in place with all Local Authorities across Lancashire.

Risk assessment RAG status (after mitigation)	Likelihood	Impact	Overall Risk	Status
	C	2	C2	AMBER

Quarter 2 Update
The council has implemented a flexible working policy with agile working now fully embedded into relevant roles. Covid-19 absence is now managed through the Absence Management Policy and the council continues to follow Government advice. The review of local service plans for Winter has commenced.
An Emergency Planning Team Meeting was held on 27th September 2022. Operation London Bridge – the plan for managing and co-ordinating actions following the death of the Sovereign has been activated following the death of Her Majesty Queen Elizabeth II. The implementation of the plan was reviewed and the points raised will be included into the review of the local plan. One incident relating to a damaged building had been reported, but did not require intervention from the council. Officers regularly attend flood meetings and a maintenance programme is in place to ensure culverts and gullies are kept clear to help reduce the flood risk.

Quarter 2 risk assessment RAG status (current)	Likelihood	Impact	Overall Risk	Status
	C	2	C2	AMBER

Risk 3 – Incident resulting in death or serious injury or HSE investigation	Responsible Officer – Jane Riley
--	---

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 and others who may be affected by our work. In the event of a RIDDOR reportable accident, there is a risk of an HSE investigation and potential for a civil claim for damages.

Risk Consequence
Failure to comply with current legislation and demonstrate compliance may result in harm to staff and others, financial loss and enforcement action.

Initial risk assessment RAG status (without mitigation)	Likelihood	Impact	Overall Risk	Status
	D	2	D2	AMBER

Mitigation
The council has health and safety policies and procedures including a health and safety incident reporting procedure in place along with a safe working culture. Actions need to be completed to address and implement a consistent approach across the council in order to secure compliance.

Risk assessment RAG status (after mitigation)	Likelihood	Impact	Overall Risk	Status
	E	2	E2	GREEN

Quarter 2 Update
The council is working towards compliance, the implementation of the 4-year Health and Safety plan has continued during Q2. The first two workplace inspections were completed and the resultant action plans are being implemented. This has enhanced joint working with the Trades Union Health and Safety Representatives and contributes to increased consultation and co-operation.
The review of health and safety policies has been completed and a programme is in place to update existing policies and compile some additional policies where they are required. Work is underway to deliver a Staff Wellbeing Day in Q3 and to recruit Workplace Health and Wellbeing Champions.
CMT have approved the recruitment of a full-time trainee Health and Safety Officer from the existing establishment. This will increase the resources available to deliver on the action plan and will contribute to succession planning.

Quarter 2 risk assessment RAG status (current)	Likelihood	Impact	Overall Risk	Status
	D	2	D2	AMBER

Risk 4 – Sustainability of the County Council budget			Responsible Officer - Karen Spencer	
Description Like all local authorities, Lancashire County Council has to maintain a balanced budget. If the County Council are required to make savings this may impact on service provision across the county.				
Risk Consequence Budget reductions may have an impact on service provision for our residents. There is also a risk of cost shunting to district councils.				
Initial risk assessment RAG status (without mitigation)	Likelihood	Impact	Overall	Status
	C	3	C3	AMBER
Mitigation The council will continue to work with Lancashire County Council to find ways of reshaping services to reduce costs whilst ensuring shared outcomes are achieved. The council continues to support joint leadership and Chief Executive meetings to find new ways of working together for the benefit of our residents. The council will continue to interrogate Lancashire County Council savings proposals and identify risks to our residents and to our services.				
Risk assessment RAG status (after mitigation)	Likelihood	Impact	Overall	Status
	C	3	C3	AMBER
Quarter 2 Update The Lancashire County Council's 2022/23 budget approved in February 2022 announced further savings of c£11m, however these were mainly resulting from income generation schemes and a change in internal working practices. The council continues to suffer from increased fly-tipping and the associated costs, which has in part resulted from the implementation of the reduced opening hours of the Lancashire County Council Household Waste Recycling Centres savings proposal. LCC are predicting a budget gap of c£87m for 2023/24 and are considering savings proposals of c£55m to help bridge the gap. The proposals include potential reductions to adults and children's services, reduced winter gritting and fewer grass verge cuts. These proposals are likely to have an impact on Rossendale Residents.				
Quarter 2 risk assessment RAG status (current)	Likelihood	Impact	Overall	Status
	C	3	C3	AMBER

Risk 5 – Changes to Government policy on the delivery of the council’s services			Responsible Officer - Neil Shaw	
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.				
Initial risk assessment RAG status (without mitigation)	Likelihood	Impact	Overall Risk	Status
	E	2	E2	GREEN
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 council’s Corporate Management Team monitor and assess government’s position on funding to be distributed to local authorities and other Government announcements that impact funding.				
Risk assessment RAG status (after mitigation)	Likelihood	Impact	Overall Risk	Status
	E	2	E2	GREEN
Quarter 2 Update The council continues to monitor the potential impact of the Levelling Up & Regeneration Bill introduced to Parliament in May 2022. The Bill proposes opportunities to ‘level up’ areas of the UK and could have an impact on current and future rounds of Levelling Up funding. It is not yet clear how the new Government may (or may not) significantly change the council’s Levelling Up Fund bid. The council has therefore judged that the likelihood of this risk occurring has increased in Q2.				
Quarter 2 risk assessment RAG status (current)	Likelihood	Impact	Overall Risk	Status
	C	2	C2	AMBER

Risk 6 – Sustainable Workforce		Responsible Officer - Clare Law		
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.				
Initial risk assessment RAG status (without mitigation)	Likelihood	Impact	Overall Risk	Status
	D	3	D3	AMBER
Mitigation The council has robust HR policies and procedures, an agreed Authorised Establishment, performance management framework and Service Area Business Continuity Plans in place to mitigate any staffing challenges such as loss of staff due to the impact of an epidemic or pandemic. HR will work with managers to develop workforce succession planning. The council provides an attractive benefit package including final pension scheme, flexible working, generous annual leave, a purchase leave scheme, free onsite parking, family friendly policies, discounted gym memberships and a cycle scheme to attract and retain staff.				
Risk assessment RAG status (after mitigation)	Likelihood	Impact	Overall Risk	Status
	E	3	E3	GREEN
Quarter 2 Update The cumulative staff turnover at Q2 is 8.76% within the red RAG status. Recruitment continues to be challenging with senior officers and professional roles which is causing work load issues for teams. During Q2 three Head of Service roles have been advertised, Head of Housing and Regeneration role has been appointed, recruitment to Head of Financial Services and Head of Environment is ongoing. An options appraisal is completed for all vacancies prior to advertisement of a vacancy, a further appraisal is completed following an unsuccessful recruitment exercise, which may result in the attachment of a market supplement or use of agency staff to fill the vacancy. Both absences due to Covid-19 and the Heavy Goods Vehicle driver shortage has now reduced, and the number of days lost due to sickness absence per full time equivalent employee at Q2 is 4.37% within the green RAG status.				
Quarter 2 risk assessment RAG status (current)	Likelihood	Impact	Overall Risk	Status
	B	2	B2	RED

Risk 7 – Insufficient data and cyber security			Responsible Officer - Andrew Buckle	
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 General Data Protection Regulation (GDPR), Payment Card Industry Data Security (PCI-DSS).				
Initial risk assessment RAG status (without mitigation)	Likelihood	Impact	Overall Risk	Status
	C	1	C1	AMBER
Mitigation To protect against a data breach the council, host all council data in Tier 3 Data Centres located in different geographical regions and are backed up daily. The council's Data Centres hold the following accreditations: ISO27001:2013, PCI-DSS. The council adopts a Risk Insight approach to determine the treat Landscape and more importantly its evolution. The council 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. A cyber security training is to be provided for all staff.				
Risk assessment RAG status (after mitigation)	Likelihood	Impact	Overall Risk	Status
	D	1	D1	AMBER
Quarter 2 Update The PSN testing and certification process has been completed and submitted, and we are awaiting confirmation. In addition Internal vulnerability scanning has been successfully implemented, this provides a checking process to identify the latest external threats and vulnerabilities detailing both the security and business risk.				
Quarter 2 risk assessment RAG status (current)	Likelihood	Impact	Overall Risk	Status
	D	1	D1	AMBER

Risk 8 – Poor communications and public relations			Responsible Officer - Clare Law	
Description Good communication and public relations is essential to inform, maintain and develop relationships with residents, customers and partners to provide effective and efficient 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.				
Initial risk assessment RAG status (without mitigation)	Likelihood	Impact	Overall Risk	Status
	B	1	B1	RED
Mitigation Communication methods are in place to support face to face, mail or electronic communications with a developed website and social media channels to provide 24/7 communication service. The council has an experienced public relation and communications function to support council officers to deal with communications in a timely manner and promote the work of the council.				
Risk assessment RAG status (after mitigation)	Likelihood	Impact	Overall Risk	Status
	D	1	D1	AMBER
Quarter 2 Update Viva PR has continued to deliver the agreed communications plan including updates to the council’s website and social media posts to residents and communities. CMT receive a weekly communications update, which includes horizon scanning and potential risks. Whilst there were no major or specific risks forecast for Q2 we were able to issue several updates and press releases relating to successful prosecutions under Operation Trident which target and combats fly tipping and abandoned vehicles in the borough. These have been topics which traditionally receive a lot of negative reaction from residents and seen as areas where the council could do more. The strategic outline business case (SOBC) for the city valley rail link was submitted to government, which could have been a potential risk with opposition from East Lancashire Railway (ELR) Positive messaging and communication planning helped ensure there was very little negative feedback.				
Quarter 2 risk assessment RAG status (current)	Likelihood	Impact	Overall Risk	Status
	E	1	E1	GREEN

Risk 9 – Non – Delivery of Corporate Projects			Responsible Officer - Neil Shaw	
Description The council has agreed the 11 corporate projects for 2022/2023 to support the delivery of Corporate Plan.				
Risk Consequence Failure to deliver the corporate projects would have a detrimental impact on the delivery of the council's Corporate Plan 2021-25, 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.				
Initial risk assessment RAG status (without mitigation)	Likelihood	Impact	Overall Risk	Status
	C	2	C2	AMBER
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. The 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.				
Risk assessment RAG status (after mitigation)	Likelihood	Impact	Overall Risk	Status
	E	2	E2	GREEN
Quarter 2 Update The Programme Board continues to monitor all the projects (last meeting on 15th August 2022). All projects are on track and within budget.				
Quarter 2 risk assessment RAG status (current)	Likelihood	Impact	Overall Risk	Status
	E	2	E2	GREEN

Risk 10 – Response and Recovery to Covid-19 Pandemic			Responsible Officer - Neil Shaw	
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.				
Initial risk assessment RAG status (without mitigation)	Likelihood	Impact	Overall Risk	Status
	E	2	E2	GREEN
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. At the start of 2022, most Covid-19 restrictions had been lifted but the council will keep the situation under review.				
Risk assessment RAG status (after mitigation)	Likelihood	Impact	Overall Risk	Status
	B	3	B3	AMBER
Quarter 2 Update The council continue to maintain a contingency plan for a potential tightening of Government restrictions. However, this has not developed during Q1 and Q2 and therefore the overall level of risk in terms of the impact of the Covid-19 continues to reduce over the last 6 months. We continue to monitor the situation.				
Quarter 2 risk assessment RAG status (current)	Likelihood	Impact	Overall Risk	Status
	E	3	E3	GREEN

Risk 11 – Financial Sustainability of Council Owned Leisure Assets			Responsible Officer – Adam Allen	
Description National lockdowns due to Covid-19 resulted in council owned leisure facilities closing for extended periods. During closure no income was received and outside of lockdown periods, income was significantly reduced. The cost of living crisis will have a significant negative impact on utility and salary costs for the Trust. This has impacted the financial sustainability of the Trust.				
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 was managed in 2021/22 through additional government grants and council support, however the real impact is likely to be felt in 2022/23.				
Initial risk assessment RAG status (without mitigation)	Likelihood	Impact	Overall Risk	Status
	A	2	A2	RED
Mitigation A report on the impact of all facilities has been produced by KKP and recommendations to minimise impact have been 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 has been received though this is limited in its amount and did not cover retrospective losses. Constant monitoring of future business plans and work in partnership to maximise income and reduce costs continues.				
Risk assessment RAG status (after mitigation)	Likelihood	Impact	Overall Risk	Status
	A	2	A2	RED
Quarter 2 Update The key risk to the financial sustainability of the Trust is no longer Covid-19 but the cost of living crisis. In particular fuel inflation and the April 2022 high rise (c7%) in the Living Wage has impacted on the Trust and they are now projecting a £600k deficit for the current year. A report is to be taken to Full Council in December 2022 to outline how this risk is being mitigated as much as possible, however many of the factors are beyond the Trusts' and the council's control. To date no specific help has been announced by Government. Looking forward the announcement in the Autumn Statement of the 9.7% increase in the living wage from April 2023 will place additional pressure on the Trust.				
Quarter 2 risk assessment RAG status	Likelihood	Impact	Overall Risk	Status
	A	2	A2	RED

Subject:	Internal Audit Progress Report Oct- Nov Qtr 3 2022/23	Status:	For Publication
Report to:	Audit and Accounts Committee	Date:	30 November 2022
Report of:	Head of Internal Audit (Internal Audit Service)	Lead Member:	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
1.1	The committee are asked to consider the internal audit progress report for October and November Qtr 3 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 3 October – November 2022



Internal Audit Service - Progress Report 2022/23 Quarter 3

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.

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

- 2.1. Of 19 full audits we have completed seven, issued one as draft and are progressing eight including two IT audits being undertaken by Mersey Internal Audit Agency (MIIA). These figures include a number of unplanned grant certifications which arose in-year. While we are not yet at the stage where we can report assurances from the audits in progress, initial findings give us some cause for concern about the adequacy of the resources available to carry out key tasks, such as financial reconciliations, and the impact of the council's ongoing difficulties in recruiting and retaining staff in key areas such as Finance and Planning. The table below shows the current status of all audits.

Audit Title	Status	Audit Type	Assurance Opinion
Governance and democratic oversight			
Delegated decision making by officers	Not started	1+2	Set at Final Report
Leisure Trust	Not started	1+2	
Performance management	Not started	F	
GDPR/ information security policies	Not started	F	
Business effectiveness			
Financial sustainability	Not started	1+2	Set at Final Report
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	

Internal Audit Service - Progress Report 2022/23 Quarter 3

Audit Title	Status	Audit Type	Assurance Opinion
Service delivery			
Corporate project delivery	Progressing	1+2	Set at Final Report
Planning controls	Not started	F	
Commercial rents	Not started	F	
Service support			
Health and safety (deferred from 2021/22)	Draft	1+2	Set at Final Report
Sickness absence	Progressing	1+2	
Business processes (follow up and compliance)			
Accounts payable	Progressing	2	Set at Final Report
Accounts receivable	Progressing	2	
General ledger, budget setting and monitoring	Progressing	2	
Income collection/ banking	Progressing	2	
Payroll	Final	2	Substantial
Council tax	Final	2	Moderate
Business rates/ NNDR	Final	2	Moderate
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

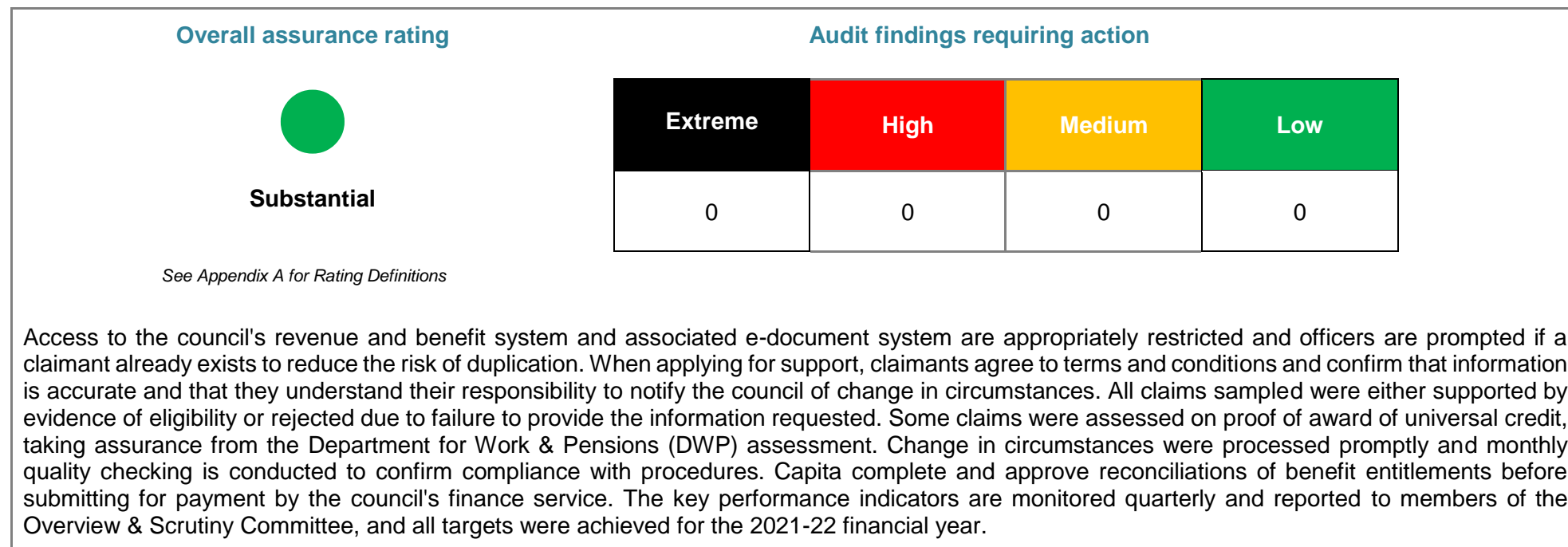
Internal Audit Service - Progress Report 2022/23 Quarter 3

Stage of audit process	Number of audits
Completed (no report necessary)/ Final Report delivered	7
Draft report	1
Progressing	8
Not started (including follow up of 8 audits from 2021/22)	11
Deferred/ cancelled	0
Total number of audits	27

3. Extracts from Audit Reports

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

Housing Benefit



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.

Internal Audit Service - Progress Report 2022/23 Quarter 3

Scope of Audit

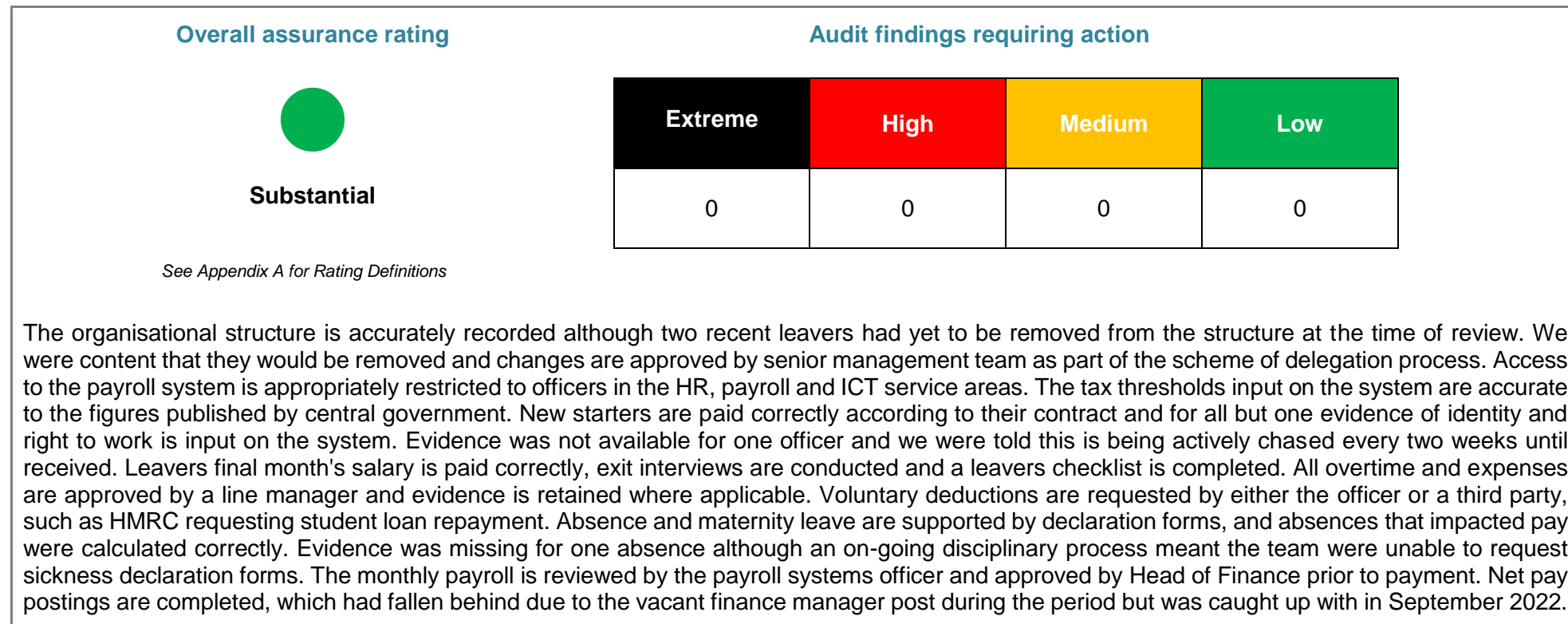
In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

- 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

Area of Coverage	Commentary	Action ref	Assessment
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.		●

Payroll



Background

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

Context

The council uses the Complete Human Resource Information System (CHRIS21) to administer and calculate payroll. HR and payroll functions are undertaken by council officer's and system access is restricted to those in HR, payroll and ICT service. The council employed 170 officers at the time of our review, with an approximate monthly net pay of £310k.

Previous audit

The previous audit was carried out in December 2021 giving substantial assurance with no improvement action required.

Internal Audit Service - Progress Report 2022/23 Quarter 3

Scope of Audit

We 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:

- Non-compliance with tax legislation related to employees, including the incorrect processing of deductions from salaries may lead to fines and penalties being imposed by HM Revenue and Customs;
- Access to the payroll system is not restricted or personal data is not stored securely;
- Unauthorised amendments to pay are processed resulting in inaccurate or untimely payment of salaries;
- Amendments relating to new starters and leavers are processed incorrectly or without sufficient authorisation, potentially resulting assets belonging to the Council being lost or stolen;
- Salaries and deductions are incorrectly calculated leading to employees being over or under paid;
- Bogus employees are set up on the payroll system enabling misappropriation of Council funds.

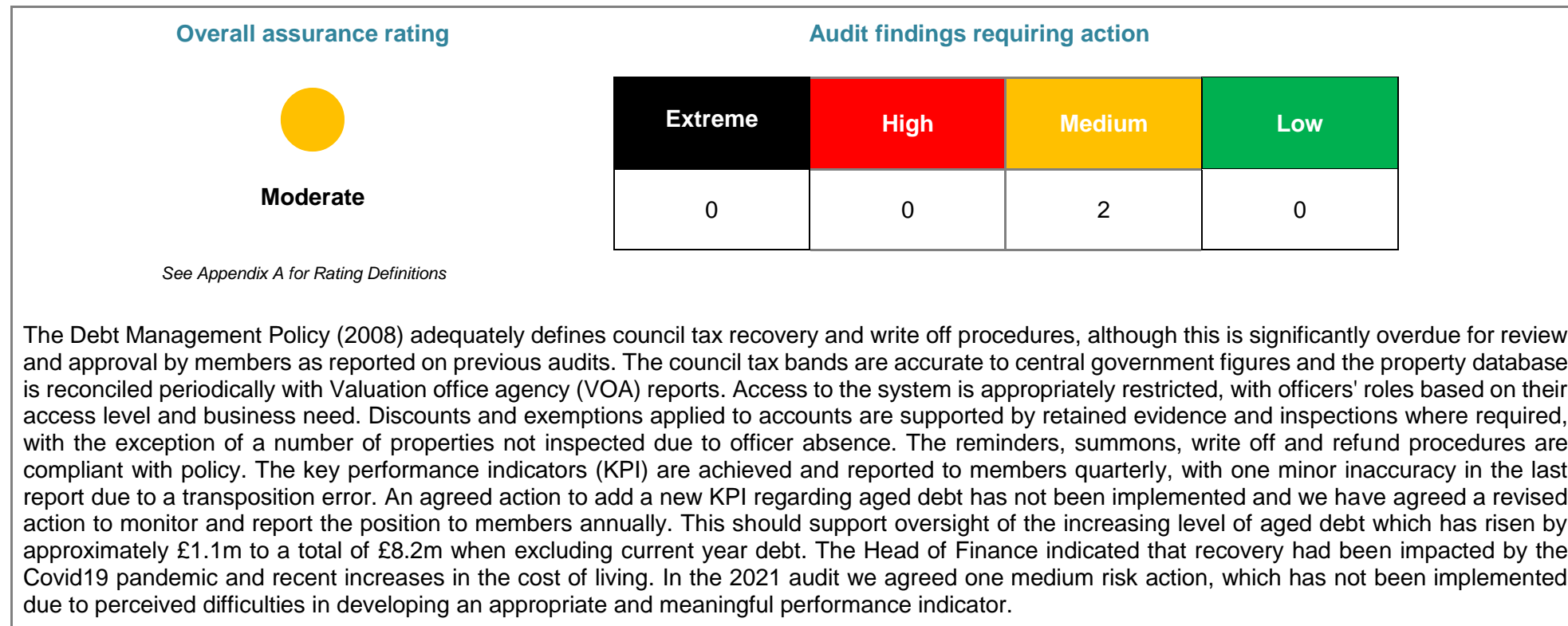
Key Findings



Area of Coverage	Commentary	Action ref	Assessment
Organisational Structure	The structure chart and CHRIS21 system matched with minor differences relating to how the role was recorded on the system and one officer was excluded as they were on a temporary contract which were not typically included on the formal structure.		●
System parameters and access	The government tax thresholds were correctly input on CHRIS21. All system user accounts had access appropriate to role and were officers in People & Policy and IT. High level access was appropriately restricted.		●
Overtime, Expenses and Voluntary deductions	Overtime, mileage and expenses claims were supported by evidence and an approved claim form and were paid promptly and correctly and there was evidence of management review. Voluntary deductions were supported by formal requests.		●
Reconciliation	Exception reports were produced to support monthly review of the accuracy of payroll prior to approval by the Head of Finance, and payment. The net pay postings and BACs submission forms matched the total net amount of the payroll files reviewed. The vacant finance manager post had resulted in additional work to address control account reconciliations, as raised in our 2021-22 general ledger report. We have therefore not raised a further action in this report.		●

Internal Audit Service - Progress Report 2022/23 Quarter 3

Absence and Maternity	Sick absence was supported by declaration forms. For employees on long term absence and maternity leave, sickness declaration forms and MATB1 were completed and retained. We confirmed pay was correctly adjusted according to the employee's contract and statutory pay.		●
New starters and leavers	New starters were paid correctly and most had completed a personal file checklist, and appointment forms, statement of particulars and proof of identity and right to work in the UK were retained. For two employees no proof of identity and right to work was held on file but we accepted explanations given as reasonable as there is a control to gather the outstanding evidence and a national insurance number recorded on the system. Evidence of exit interviews, resignations and completed leavers checklists were retained for leavers. One officer did not have a resignation letter on the system as this was a temporary contract. Final pay was calculated and paid correctly and the system end date matched the resignation or temporary contract. Two officers still on the structure had left only recently.		●

Council Tax



Agreed actions from the audit	Action ref	Priority
The Debt Management Policy (2008) should be reviewed and revised to ensure it is up to date, to correct any inaccuracies and to ensure policy reflects relationship between the council and the service provider Capita. The revised policy should be submitted to Members for consideration and approval.	4.1	
The Service Assurance Team should monitor the level of aged council tax debt annually and report the overall level of aged debt with supporting narrative to members.	4.2	

Internal Audit Service - Progress Report 2022/23 Quarter 3

Background

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

Context

Council tax administration and recovery is outsourced to Capita PLC. The council's Service Assurance (SA) team monitor contract performance against a service level agreement. The systems referred to in this report are Northgate, for managing property database and recovery action, and the Info@Work electronic document management system (EDMS) for storing supporting evidence.

Approximately £43m total council tax bills were raised during 2021-22, with 95.6% collected by year end.

Previous audit

An internal audit of Council Tax was last carried out in November 2021. This resulted in moderate assurance with one medium risk action regarding the reporting of the aged debt level.

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:





- The council tax database is not accurately maintained resulting in failure to raise invoices or incorrect invoice values;
- Discounts and exemptions are incorrectly awarded resulting in a loss of income for the council;
- Refunds are made when there is no credit on the account resulting in a loss of funds;
- Outstanding amounts are not recovered promptly or written off inappropriately.

Follow up of 2021-22 audit


Action reference and description	Status
Action 1 - The council should consider undertaking an annual review of aged debt in revenues (Council tax and NNDR) with the aim of reducing the overall debt position. To inform this review, a key performance indicator should be developed. KPI performance against target should be reported in quarterly performance reports, to support Member oversight. Risk rating: Medium	Not implemented. We have again raised an action regarding monitoring and reporting of aged debt to members. The level of aged debt has been increasing by approximately £1m each year.

Internal Audit Service - Progress Report 2022/23 Quarter 3


Key Findings

Area of Coverage	Commentary	Action ref	Assessment
Debt Management Policy	The Debt Management Policy had not been reviewed and revised since 2008 and while it adequately defined recovery and write off procedures it was out of date in some areas. We agreed an action to address this in 2018-19 and subsequent audit reports but this has not yet been implemented. We were told an updated version was being drafted.	4.1	
System accuracy and access	Access to systems was appropriately restricted for the council tax (revenue) module. Precepts matched those approved by full Council in February 2021 as part of the 2021/22 council budget and were reported on the council website. The Valuation Office Agency to Northgate reconciliation was completed promptly and all totals matched. Two reconciliations were completed and checked by the same officer due to lack of resources to undertake checks.		
Discount and exemptions	Discounts and exemptions were correctly assessed as eligible. For exemptions applicable for a limited period, such as student status, end dates were input. Where required, property inspections generally took place in a timely way although three properties on the inspection timetable had not been inspected due to extended staff absence. We accepted that this will be monitored more closely to ensure sufficient resilience to cover absence.		
Recovery action and aged debt	Accounts were supported by evidence of recovery action which complied with the Debt Management Policy, resulting in either agreement of instalment plans or summons to arrange liability orders and bailiff action. For aged debt, there was evidence of active recovery action although overall aged debt had increased by £1.1m to £8.2m, excluding 2022/23 following a trend of annual increases. The SA team leader had full access to the Northgate system and ran aged debt reports for review. We agreed an action in our 2021-22 report to define a key performance indicator (KPI) to support monitoring activity but this was not implemented due to perceived difficulties in defining an acceptable level of debt. We have therefore agreed an action to ensure reports to Members provide sufficient oversight.	4.2	
Refund and Write Offs	Write-offs in 2021-22 were compliant with Debt Management Policy and appropriately approved based on their value, including approval by Cabinet prior to write-offs exceeding £5k. Refunds had accounts in credit at the time of refund and were processed and approved by two different officers with the reason supported by evidence.		


Internal Audit Service - Progress Report 2022/23 Quarter 3

Performance and oversight	The council, Capita officers and the portfolio holder met quarterly to agree performance targets for the 2021-22 financial year, monitor performance and address issues. The annual performance report for 2020-21 provided a contextual narrative and a new collection target of 94.7% for 2021/22. This was a reduction from 96.7% in 2020/21 due to suspended recovery action during Covid19. The rate was included in quarterly performance reports to Overview & Scrutiny Committee, though in quarters 2 and 4 the targets were incorrectly quoted due to a transposition error. Overall, the targets were achieved for 2021/22.		
---------------------------	--	--	---

Business Rates

<p>Overall assurance rating</p> <div style="text-align: center; margin: 10px 0;">  </div> <p>Moderate</p> <p><i>See Appendix A for Rating Definitions</i></p>	<p>Audit findings requiring action</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <tr> <td style="background-color: black; color: white; padding: 5px;">Extreme</td> <td style="background-color: red; color: white; padding: 5px;">High</td> <td style="background-color: orange; padding: 5px;">Medium</td> <td style="background-color: green; padding: 5px;">Low</td> </tr> <tr> <td style="padding: 5px;">0</td> <td style="padding: 5px;">0</td> <td style="padding: 5px;">2</td> <td style="padding: 5px;">0</td> </tr> </table>	Extreme	High	Medium	Low	0	0	2	0
Extreme	High	Medium	Low						
0	0	2	0						

The debt management policy (2008) adequately defines recovery and write off procedures although, as reported in a number of audits since 2019, it is significantly overdue for review and approval by members. We have again raised an action in our Council Tax 2022-23 audit report to review and approve the policy. Access to the system is appropriately restricted, with officer's access levels suitable to their role and business need. The rates input on the system are correct to central government figures and the property database is periodically reconciled to Valuation Office Agency (VOA) reports as agreed in a previous audit. There is no approval of reconciliations by a more senior officer and we have agreed a further action to address this. Reductions and exemptions to business rates are appropriately applied and supported by evidence retained on the system. Inspections are carried out where required, in most cases to confirm eligibility, and reasonable explanations provided for those that are missed. The recovery, write off and refund procedures are compliant with the policy and there has been a reduction in the amount of aged debt when compared to the prior year. All performance indicators are achieved and reported to members quarterly for oversight. In our 2021 audit of NNDR we gave a moderate assurance opinion, agreeing two medium risk actions on the debt management policy and system user access and one low risk action on reconciliation of the database. We have followed up implementation of these actions and can confirm that one medium action has not yet been implemented, one has been implemented and the low-risk action has been partially implemented (see Table 2.5 below).

Agreed actions from the audit	Action ref	Priority
The VOA and Northgate reconciliation should be checked by a manager or other officer that was not involved in the reconciliation to confirm accuracy.	4.1	

Background

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

Internal Audit Service - Progress Report 2022/23 Quarter 3

Context

The council outsource the NNDR service to Capita PLC. The council's service assurance (SA) team monitor contract performance through key performance indicators which are reported to members quarterly. The systems referred to in this report are Northgate, for managing accounts, properties and recovery action, and the Info@Work electronic document management system (EDMS) for retaining supporting evidence. Approximately £13m of NNDR bills were raised during 2021-22, with 98.1% collected by year end. There is evidence of recovery action on all prior years with the level of aged debt decreasing by approximately £250k to £1.6m.

Previous audit

An internal audit of NNDR was last carried out in November 2021.

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:

- The NNDR database is not accurately maintained resulting in failure to raise invoices or incorrect invoice values;
- Bill reductions are incorrectly awarded resulting in fraud and a loss of income for the council;
- Refunds are incorrectly made resulting in a loss of income;
- Outstanding amounts are not recovered promptly or written off inappropriately.

Follow up of 2021-22 agreed actions

Action reference and description	Status
<p>Action 1 - The debt management policy (2008) should be reviewed and revised to ensure it is up-to-date, to correct inaccuracies and to ensure policy reflects the relationship between the council and Capita. The revised policy should be considered and approved by Members.</p> <p>Risk rating: Medium</p>	<p>Not Implemented –The Service Assurance Team confirmed that the policy had not yet been updated and approved by members, although the policy is being re-drafted. This action has been raised again in the council tax 2022-23 audit report.</p>
<p>Action 2 - The Valuation Office Agency reconciliation process should be modified to support completion when working from home, including recording and retaining evidence of manager review and approval in email chains.</p> <p>Risk rating: Low</p>	<p>Partially Implemented – The VOA reconciliation is now undertaken weekly and the process is sufficiently robust to account for officers working from home. However, there was no evidence of approval by a senior officer and this action has been raised again in the current NNDR report.</p>
<p>Action 3 - User access accounts should be reviewed to ensure officers are still employed and have appropriate access. This review should be repeated periodically.</p> <p>Risk rating: Medium</p>	<p>Implemented – We confirmed user access rights have been reviewed and amended. All user accounts reviewed had levels of access appropriate to the role and all officers were still employed by the council.</p>

Key Findings

Area of Coverage	Commentary	Action ref	Assessment
Debt management policy	The policy was last updated and approved by members in 2008. We agreed an action to address this in our 2018-19 NNDR audit report (January 2019) and raised this in audit reports since, but the policy had not been updated. The current policy defined recovery and write off procedures but was out of date and included minor errors, such as summons costs.	4.1	
System accuracy and access	Access to the council tax (revenue) module was appropriately restricted and a previous action raised was implemented. Bills were correctly calculated based on rates updated annually. Valuation Office Agency reports were reconciled to Northgate promptly but the May 2021 reconciliation was delayed due to absence and limited resources meant reconciliations were not checked by a manager or senior officer once completed.		
Reductions and exemptions	Discounts and exemptions were supported by evidence held on the system, local knowledge such as an area known to be designated a rural village, or were based on the low rateable value of the property (less than £15k). Inspections took place where required though there were some delays in establishing the liable party.		
Recovery action and aged debt	Recovery action was compliant with the debt management policy. Most accounts followed the standard recovery route. Reminders were issued in a timely way. Most cases resulted in an instalment plan. Aged debt had generally reduced across all years. The overall level of debt, excluding the current year, had decreased by approximately £250k to £1.6m mostly from recent years, indicating that recovery procedures operated effectively.		
Performance and oversight	Rossendale and Capita senior managers met quarterly to agree targets, monitor performance and address any issues. The annual report confirmed a new target of 94.2% for 2021/22 collection rate reduced from 98.2% in 2020-21 due to the suspended recovery action due to Covid19. The NNDR collection rate was reported quarterly to Overview & Scrutiny Committee in performance reports though in quarters 1 and 2 the annual target was misquoted as 83.8% and there were other minor discrepancies regarding the quarterly target due to a transposition error. The annual target was achieved and the collection rate had recovered well.		

4. Update on the National Fraud Initiative (NFI)

Internal Audit Service - Progress Report 2022/23 Quarter 3

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 were uploaded to the NFI website. The 2020/21 exercise is now closed and 2021/22 data sets are in the process of being uploaded.

2021/22 biennial exercise	Number					Savings
	Reports	Matches	Processed	Frauds	Errors	£
Housing benefit	7	25	25	0	1	2,210
Waiting Lists	8	108	108	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	38	0	9	90,815
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
Total	47	715	656	1	17	116,317

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	1028	0	93	18,250

Internal Audit Service - Progress Report 2022/23 Quarter 3

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	25	25	0	22	0
Council Tax – Other datasets	2	2787	2787	0	28	7,089
Council Tax – All datasets	1	1780	124	0	0	0
Total	7	6131	4475	1	191	40,739

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.