

Subject:	Internal Audit Progress Report Qtr 4 Dec 2022 – February 2023	Status:	For Publication
Report to:	Audit and Accounts Committee	Date:	08 March 2023
Report of:	Head of Internal Audit (Internal Audit Service)	Portfolio Holder:	Resources
Key Decision:	<input type="checkbox"/> Forward Plan <input type="checkbox"/>	General Exception	<input type="checkbox"/> Special Urgency <input type="checkbox"/>
Equality Impact Assessment:	Required: No	Attached:	No
Biodiversity Impact Assessment	Required: No	Attached:	No
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1.	RECOMMENDATION
1.1	The committee are asked to consider the internal audit progress report for December 2022 to February 2023 Quarter 4.

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 The issues raised and the recommendation in this report involve risk considerations as set out below and 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 4 December 2022 – February 2023



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 (excluding follow up work) we have completed thirteen, issued one as draft and are progressing six. Audits include a number of unplanned grant certifications which arose in-year. Assurances provided on audits completed to date are largely positive (Substantial or Moderate). We gave Limited assurance in our audit of Health and Safety due to the need for additional resources to support service delivery, which has since been addressed through the recruitment of an additional health and safety officer. While we are not yet at the stage where we can report assurances from all audits, we continue to have concerns about the adequacy of the resources available to carry out key tasks, such as financial reconciliations, and the impact of difficulties in recruiting and retaining staff. However, there have been positive developments in these areas over the last few months, with permanent staff recruited to the Health and Safety and Planning functions.

2.2. 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	Progressing	1+2	
Leisure Trust	Not started	1+2	
Business effectiveness			
Financial sustainability	Progressing	1+2	
IT threat and vulnerability management (MIIA)	Final	1+2	● Substantial
IT critical application review – HR (MIIA)	Progressing	1+2	
Service delivery			
Corporate project delivery	Final	1+2	● Substantial
Service support			
Health and safety (deferred from 2021/22)	Final	1+2	● Limited

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Audit Title	Status	Audit Type	Assurance Opinion
Sickness absence	Final	1+2	● Moderate
Business processes (follow up and compliance)			
Accounts payable	Draft report	2	Reported at final
Accounts receivable	Draft report	2	Reported at final
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	● Complies with grant conditions
Protect and Vaccinate Grant certification (unplanned work)	Completed	2	● Complies with grant conditions
Test and Trace Grant certification (unplanned work)	Completed	2	● Complies with grant conditions
Follow up			
IT Critical application review of Civica (MIAA)	Completed	F	N/A
IT Homeworking arrangements (MIIA)	Completed	F	
Performance management	Progressing	F	
GDPR/ information security policies	Progressing	F	
Procurement	Progressing	F	
Planning controls	Progressing	F	


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Stage of audit process	Number of audits
Completed (no report necessary)/ Final Report delivered	13
Draft report	2
Progressing (includes follow up audits)	9
Not started (including follow up of 8 audits from 2021/22)	1
Deferred/ cancelled	0
Total number of audits	25

3. Extracts from Audit Reports

3.1. Extracts of assurance summaries, findings and agreed actions for from final audit reports completed in this period are shown below.

Corporate Project Delivery

Overall assurance rating	Audit findings requiring action			
	Extreme	High	Medium	Low
Substantial	0	0	0	3
<p>The Programme Board (the Board) is responsible for overseeing and monitoring project delivery and this is supported by a formal terms of reference and Project Management Guidance Notes, and a process flow chart setting out the steps required to initiate, deliver, monitor and evaluate corporate projects. Significant effort has been put into developing these processes and documentation to support the work of the Board. Membership of the Board includes project sponsors, project managers, corporate officer and the accountant. The Board meets quarterly though its terms of reference stipulate they should meet every two months, and the Board should clarify the requirement for project managers' attendance. There are proper records maintained of each meeting including minutes and a detailed narrative on each project. All projects have an appointed sponsor and manager, though one had recently left the council and a replacement is due to start work in January 2023. Project management training has been provided for staff and further training provision is being considered, though this would benefit from an assessment of project management qualifications held by staff currently involved with project management.</p>				
<p>Corporate projects are included in the annual corporate plan and action plan for monitoring alongside the quarterly performance reports. Detailed plans containing project objectives are set out in a Project Initiation Document (PID) which is approved by the Board. Completion of other project documentation including risk registers and impact assessments are monitored through the Board checklist and these are saved in the supporting documents folder for each Board meeting. Progress updates are provided by project managers, and these are incorporated into the quarterly Board PDF Pack issued to Board members prior to quarterly meetings. Issues associated with delays and blockers on corporate projects are identified and raised at Board meetings for discussion though more consistent attendance by project managers would support discussion and agreement of action to resolve issues. Closure reports for completed projects are produced and presented to the Board whilst any learning points identified are taken forward and actioned.</p>				

Agreed actions from the audit	Priority
Consideration should be given to whether the quarterly frequency of Board meetings is sufficient to provide effective oversight and, if necessary, the Board's Terms of Reference should be amended to record the actual meeting frequency.	
The Programme Board should consider and agree requirements for project managers to attend Board meetings and the frequency of attendance required. The agreed requirements should be reflected in the Board's terms of reference and communicated to project managers.	
The project management qualifications of existing staff involved in the management and delivery of corporate projects should be established and recorded to inform training requirements and future provision.	

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Context

Project Management Guidance Notes and associated procedures support officers in the effective delivery of corporate projects through guidance on the steps required to initiate, monitor, deliver and evaluate projects. The guidance notes set out a clear definition for corporate projects and the roles and responsibilities of the project sponsor, project manager and the Programme Board. Corporate projects approved by the Corporate Management Team have a formal outline business case including a Project Initiation Document. Quarterly reports to the Board include an update on progress against corporate projects.


Scope

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 in the following areas:

- Project governance, policies and procedures;
- Training and awareness;
- Project compliance; and
- Monitoring and reporting.

The audit covers the period from January 2022 to December 2022 and testing included audit of compliance with project management requirements in a sample of corporate projects

Health and Safety

Overall assurance rating	Audit findings requiring action			
 Limited	Extreme	High	Medium	Low
	0	1	1	1




See Appendix A for Rating Definitions

The council's Health and Safety Policy (H&S) policy establishes governance arrangements with defined roles and responsibilities for members and officers. The policy refers to the statutory obligations, includes union representatives in activity such as policy approval, oversight and inspections and assigns required posts such as the competent person. The council has a current insurance policy with a Financial Conduct Authority (FCA) authorised insurer. We took assurance from action taken prior to our audit to develop and implement an action plan (the Plan) to drive a range of necessary improvements in the H&S framework and procedures. Our assurance opinion is based on our concerns that delivery of the Plan is not feasible by the deadlines set, given the resources available, the expectation that more actions will be added and that some actions have not been delivered on time. We strongly support the recent action taken to recruit a full-time trainee H&S officer, which increases the support available to deliver the plan, but the officer had not started at the time of writing and would need training time to become effective. There is no specific budget allocation for H&S either at a corporate or service level making assessment of resources required difficult and. We propose the action plan is reviewed and consideration given to whether there is sufficient resource for delivery in a timely manner given the risk associated. The action relating to budget allocation should be brought forwards to ensure H&S funding requirements are identifiable and met.

Guidance is available on the intranet although most have not been reviewed according to the schedule. The council should consider revising the schedule to ensure it is deliverable within the time frames. The intranet should be used to post bulletins regarding policy and procedures and share lessons learned if relevant for most officers. First aiders are trained and provision for fire wardens is currently being assessed with the intention of training all officers due to the work from home arrangements. The induction of new officers includes H&S guidance and statement of intent, with specific services having additional training if required by their role.

The corporate risk register includes a risk regarding H&S although the 'mitigation' narrative would be improved by including action plan progress such as the number of actions completed, in progress or delayed. A proposed annual progress report will also be submitted to senior management to support oversight. Service area risk assessments are undertaken and scored although most were passed the review schedule and the escalation process to corporate risk register is unclear. There is sufficient coverage in the action plan regarding risk management activities that we have not proposed action regarding this area. Internal inspections are undertaken with union representatives and scored reports issued with correction action. Reporting of incidents/accidents is sufficient and information logged and reported quarterly to the Joint Consultative Committee (JCC). Action is taken to address the root cause and minimise reoccurrence. We were unable to confirm when the council was last inspected by an external qualified assessor and propose this is added to the action plan to be implemented when the framework is sufficiently improved.

Section Two – Background and Scope

Agreed actions from the audit	Action ref	Priority
<p>The action plan should be reviewed to identify the relative priority of actions and whether there is scope, given the additional capacity, to bring forward delivery dates to ensure the Plan can be delivered more quickly. Specific issues to address whether:</p> <ul style="list-style-type: none"> • The review schedule for guidance and template documents is deliverable or needs to be extended for some; • An H&S budget allocation should be implemented sooner to ensure H&S spend can be effectively identified and monitored; and • An action for audit by an external qualified assessor should be added. 	4.1	
<p>The council intranet should be used to share bulletins on specific H&S issues including policy changes, recent incidents or accidents near misses, and lessons learned.</p>	4.2	
<p>The H&S risk on the corporate risk register (Risk 3) should include information on progress with delivery of the action plan, including the total number of actions completed, progressed and not yet due.</p>	4.3	

2.1 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 January to August 2022 and has been conducted in conformance with the Public Sector Internal Audit Standards.

2.2 Context


An effective H&S framework helps the council to meet its responsibilities and statutory obligations as an employer and service provider, by providing a safe working environment and preventing or reducing the risk of workplace incidents and occupational injury or ill health. Effective policy should set out the key roles, responsibilities and tasks for the council, employees and others to ensure everyone knows what is expected of them and to help avoid the consequences of workplace accidents or illness. The council has a formal H&S policy and established procedures maintained by the Head of People and Policy, supported by the Corporate Safety & Emergency Planning officer. The Joint Consultative Committee (JCC), which consists of senior management, members and union representatives, meet quarterly and provide oversight for H&S.

2.3 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:

- Policies and procedures are not compliant with statutory legislation resulting in harm to individuals, prosecution, significant fines and reputational damage;
- Action is not taken to identify, evaluate and address H&S incidents leading to avoidable ill-health, injury or death of council officers;
- Council H&S aims and objectives are not achieved as policies and procedures are not complied with;
- Inadequate management, members oversight and independent scrutiny leads to failure to identify risks to life or take proactive or remedial action.

Sickness Absence



Overall assurance rating	Audit findings requiring action			
 <p>Moderate</p>	<p>Extreme</p>	<p>High</p>	<p>Medium</p>	<p>Low</p>
	<p>0</p>	<p>0</p>	<p>2</p>	<p>1</p>

See Appendix A for Rating Definitions


The council's Absence Management Policy (Policy) comprehensive sets out the approach to sickness absence management including roles and responsibilities of both employees and managers and the People and Policy Team (PPT). The PPT provide regular support and have recently delivered training to managers to raise awareness of compliance with the Policy. Employees promptly notify their line manager of any absence, provide medical certificates, and keep in contact with managers during the period of absence. Managers maintain a local record of absences and report these to the Payroll Service as part of the monthly sickness return. Return to work interviews are performed by managers and records of these are kept locally although a copy of these should be retained on the HR file.

Trigger points are set in the Policy to identify repeated short and long-term absences. The Payroll Service produces monthly monitoring information which highlights absences that exceed thresholds and trigger points set out in the Policy and whilst this is shared with the Head of People and Policy and the HR Manager, heads of service and managers do not receive this information. Audit testing of a sample of absences where trigger points had been exceeded found instances of non-compliance with the Policy, where a formal Stage 1 meeting has not been held or was delayed. The provision of monitoring information to managers and targeted oversight by the HR Manager would support improved compliance and performance. Two long-term absences reviewed as part of the audit were ongoing for up to a year and such long-term absences have in the past contributed to the council breaching the sickness absence target. Whilst we appreciate there were complexities associated with these, including an ongoing disciplinary, formal sickness absence procedures had not been followed in accordance with the Policy. Management have reduced the time to arrange and hold Stage 1 meetings.

The council has an annual target of eight days full time equivalent (FTE) lost due to sickness absence. Targets to reduce absence are monitored quarterly as part of the performance report to senior management and the Overview and Scrutiny Committee. Due to the relatively small size of the workforce, sickness absence performance is susceptible to small variations and the introduction of a quarterly target may support timely monitoring and action to address under-performance.

Agreed actions from the audit	Priority
The Absence Management Policy is updated to require managers to provide copies of return-to-work interviews to the People and Policy Team and managers are advised of the change.	
A breakdown of sickness absences for each service is produced monthly and shared with respective heads of service and managers.	

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Agreed actions from the audit	Priority
Time periods for carrying out each stage of the Sickness Absence Management procedure should be recorded in the Absence Management Policy. This need not be within a specific period of time. For example, Stage 1 meetings may be required to be held as soon as possible after the officer returns to work, to ensure they are fit to return and update them on any issues arising during their absence. Monthly monitoring of compliance with the Policy should also be performed with periodic follow-up to ensure proper action has been taken by managers in accordance with the Policy.	

2.1 Background

This audit has been undertaken in accordance with the 2022/23 Internal Audit Plan.

2.2 Context

Absence management policy and procedures set out the roles and responsibilities of employees and managers in dealing with sickness absence including requirements for timely notification and recording, and maintaining contact. The People and Policy Team provides support to managers through regular briefings and attendance at key meetings. A corporate target for sickness absence has been set and quarterly performance indicator of eight days FTE is monitored and reported to senior management and members.

12.99 days FTE were lost due to sickness absence in 2021/22, reducing to 11.09 FTE excluding Covid-19 related absences. Long-term and short-term sickness absence was 8.59 and 4.39 days FTE respectively. Through the application of the Absence Management Policy the number of employees absent due to long-term sickness reduced from 4 to 2 employees during Q4. In the first six months of 2022/23 4.3 days FTE were lost which was an improvement against the same period in 2021/22.

2.3 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 in the following areas:

- Policy and procedures;
- Training and awareness;
- Operational compliance; and
- Sickness absence monitoring and reporting.

The audit covers the period from April 2021 to March 2022 and testing included audit of compliance with requirements in a sample of applications.

IT Threat and Vulnerability Management Review (MIAA)

2.1 Overall assurance rating



2.2 Assurance Summary

Overall, there is a good system of internal controls, including evidence of implemented solutions and tools being in place and operational providing real time detection and protection as well as cyber security awareness training for staff. Areas for improvement include formalising a hardening policy and assurance schedule, documenting an IT threat and vulnerability policy/ strategy and assurance from third parties and divisional Information Asset Owners (IAOs) would benefit from further clarity, with regular assurance reports for example for the website. ICT should periodically review that devices cross-correlate correctly across the dashboards, track trends and remediate any anomalies. They should also calibrate the monitoring solution dashboards periodically and agree a strategy for investigating issues using these solutions.

2.3 Background and context

We assessed how the council reviews and responds to key cyber security threats and to gain an understanding of how those threats are managed and mitigated, to ensure the controls meet Data Protection, General Data Protection Regulations and Networks and Information Systems (NIS) Directive Regulations. An incident or breach could result in significant disruption to essential services and financial penalties. Key to securing network and infrastructure is threat and vulnerability management, the practice of identifying, classifying, remediating, and mitigating security vulnerabilities. This generally refers to software vulnerabilities in computing systems however it can also extend to organisational behaviour and strategic decision-making. In addition, computing environments and associated risks are dynamic and evolve over time, as do security policy requirements, so threat and vulnerability management should be continuous. A regular assessment regime is essential to ensure that the organisation is aware of the risks that are present. There are a number of tools and control processes that can be part of a threat and vulnerability management framework but the most common include patch management, anti-virus, intrusion protection / detection systems, regular penetration testing and, of course, supporting policies and other documentation.

2.4 Scope of Audit

The review focused on the Council's threat and vulnerability management activities, including any provided via third parties, was limited to controls in place at December 2022 and excluded activities completed by partner organisations and other clients.

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 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	3	6	0	0	0	0
Waiting Lists	5	65	0	0	0	0
Payroll to payroll/ creditors	3	7	0	0	0	0
Creditors - duplicates	5	26	0	0	0	0
Value Added Tax	1	5	0	0	0	0
Procurement – payroll	9	9	0	0	0	0
Individuals - more than one report	1	6	0	0	0	0
Total	27	124	0	0	0	0

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
Premium council tax – SPD electoral register	2	461	461	0	53	9,620
Council Tax rising 18s	2	58	58	0	33	0
Council Tax – Other datasets	2	2787	2787	0	28	7,089

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	Number					Savings
Data categories	Reports	Matches	Processed	Frauds	Errors	£
Council Tax – All datasets	1	1780	589	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.