

Meeting of: Audit & Accounts Committee

Date: 8th March 2023

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 30 th November 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 question and you are only able to address the meeting once.	Glenda Ashton, Committee and Member Services Officer 01706 252423 glendaashton@rossendalebc.gov.uk Please register an agenda related public question by emailing democracy@rossendalebc.gov.uk no later than 12noon on

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

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ITEM	Lead Member/Contact Officer	
	<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>Wednesday 8th March 2023</p>
C.	<p>Chair's Update To receive communications from the Chair</p>	<p>Councillor MacNae</p>
D.	<p>ORDINARY BUSINESS</p>	
D1.	<p>Corporate Risk Register Update Q3 2022/23</p>	<p>Karen Spencer, Chief Finance Officer 01706 252465 karens pencer@rossendalebc.gov.uk</p>
D2.	<p>Internal Audit Progress Report Q4 2022/23</p>	<p>Mark Baskerville Lancashire County Council mark.baskerville@lancashire.gov.uk</p>
D3.	<p>Internal Audit Plan 2023/24 – April – September</p>	<p>Mark Baskerville Lancashire County Council mark.baskerville@lancashire.gov.uk</p>
D4.	<p>External Audit Strategy 2018/19</p>	<p>Alastair Newall Mazars Auditors alastair.newall@mazars.co.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.	<p>Standards Complaints Update (verbal)</p>	<p>Councillor MacNae</p>
E2.	<p>Whistleblowing update (verbal)</p>	<p>Councillor MacNae</p>



Adam Allen
Acting Chief Executive

Date Published: 28th February 2023

MINUTES OF: THE AUDIT AND ACCOUNTS COMMITTEE

DATE OF MEETING: 30TH NOVEMBER 2022

**PRESENT: Councillor MacNae (Chair)
Councillors McMahon, Procter, S Smith & Woods**

**IN ATTENDANCE: 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 Lythgoe and 1 member of the public

1. APOLOGIES FOR ABSENCE

1.1 Apologies were received from Councillor Kenyon and Mr McManus, Co-opted Member.

2. MINUTES OF THE MEETING HELD ON 28TH SEPTEMBER 2022

RESOLVED:

The minutes of the meeting held on 28th September 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 declaration of interests.

5. PUBLIC QUESTION TIME

5.1 There were no public questions.

6. CHAIR'S UPDATE

6.1 Members were encouraged to complete the Cyber Security training using the materials provided. 9 members are still to complete the training.

7. CORPORATE RISK REPORT Q2 2022/23

7.1 The Chair suggested the creation of a working group to look at best practice and ensure risks are consistent and are managed correctly. It was agreed that the Chair, Councillors Procter and Woods would work with the Chief Finance Officer and new Chief Executive, once appointed, to complete this work.

7.2 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.

7.3 The following comments were made and clarifications provided:

Risk 1 – Sustainability of the Medium Term Financial Strategy

- All options were being considered however it was noted that the funding gap was so great that the Council would need Government support to help bridge the gap. Capital receipts from the sale of assets were being considered however they could only be used to support capital expenditure and would not help in the short term. As a last resort reserves would be used, but based on current estimates they will only last approx. 3 years. The Council may need to look at larger changes and efficiency savings which would affect service delivery.
- The Chair suggested two potential options that would be required to bridge the deficit; funding structure changes or for the Council to consider becoming part of a Unitary Authority.
- Increasing Council Tax was unfair on residents and the sale of assets was not infinite.
- Detailed reports were taken to Cabinet on a regular basis and Management team are working with Cabinet to look at what savings the Council can make. Other ideas for savings and efficiencies were welcomed.
- Spend on non-statutory services was small and following years of funding reductions, savings to be found in statutory services was minimal. A considerable amount of work was taking place on income generation.
- It was noted that where Wind Farms straddle two authorities, the authority with the biggest rateable value would retain the business rates income for the whole site.
- Fracking in Rossendale was not an option due to its geology.

Risk 6 – Sustainable Workforce

- Staff undertaking training paid for by the Council are required to sign a training agreement. This outlines that staff must re-pay 100% of the fees if they leave the Council in the first 2 years or 50% in the third year.
- The Flexible Working Policy had recently been reviewed and 50% of staff were happy with the current arrangements i.e. up to 2 home working days per week. Officers could now accrue flexitime when working from home.
- More applications were being received for the vacant posts which was encouraging.

Risk 11 – Financial Sustainability of Council Owned Leisure Assets

- Work continued with Rossendale Leisure Trust and on leisure facilities in the borough. Detailed reports would be available for the December Council meeting.
- A formal letter had been issued to Rossendale Leisure Trust as a trigger point and for the trust to formalise their financial position.

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.
- That a politically balanced working group be created to include 3 members of the Committee, the Chief Finance Officer and the new Chief Executive. The group will look at best practice and ensure risks are consistent and are managed correctly.

8. INTERNAL AUDIT PROGRESS REPORT Q3 2022/23

8.1 The Head of Internal Audit, LCC outlined the report, which asked members to consider the internal audit progress report for quarter 3 2022/23. It was noted that the Health & Safety audit had now been completed and limited assurance awarded.

8.2 The following comments were made and clarifications provided:

- The Health & Safety audit had been delayed to enable Zurich to complete the assessment, which was also delayed. In the interim, the Health & Safety Officer completed an audit, refreshed the policy and drafted a 4-year improvement plan.
- A trainee H&S role had been created to help progress the work but training was needed before the improvement plan could be progressed in a timely manner.
- The auditors were happy with the H&S framework but quicker progress was needed on the timescales. Auditors to monitor.
- There had been difficulties agreeing a KPI in relation to Council Tax and Business Rates aged debts. It was noted that the Capita Governance Board review aged debts and debts are kept live and progressed wherever possible.

RESOLVED:

- The Audit and Accounts Committee considered the internal audit progress report for quarter 3 2022/23.

9. 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.

10. STANDARDS COMPLAINTS UPDATE (VERBAL)

10.1 An update was provided in relation to Standards Complaints.

RESOLVED:

- That the update was noted.

11. WHISTLEBLOWING UPDATE (VERBAL)

11.1 An update was provided in relation to Whistleblowing.

RESOLVED:

- That the update was noted.

The meeting concluded at 7.25pm

Signed (Chair)

Date

Subject:	Quarter 3 Corporate Risk Register Update (October, November and December) 2022/23	Status:	For Publication
Report to:	Audit and Accounts Committee	Date:	8 th March 2023
Report of:	Chief Finance Officer	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 3 (Q3) Corporate Risks Register Update is reporting for months October, November and December.
- 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 2 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 Q3 as follows:

	Quarter 3 2022/23
Low	3
Medium	6
High	2

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.

The Empty Homes scheme continues to have an adverse impact on the MTFS. The final lease is due to end in December 2024, officers continue to monitor the scheme closely and manage the claims where possible.

The 2023/24 provisional financial settlement offers 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 in the light of overall budget pressures and risk to services as part of the budget process.

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

The financial sustainability of the Leisure Trust remains a key risk to the Council. At the December 2022 Council meeting, it was agreed that an independent study would be commissioned to fully assess the risk to the Council and suggest mitigating actions. The study has been commissioned and the report is due back late April/early May. The findings will be reported to Council at the earliest opportunity.

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 B	Impact 2	Overall B2	Status 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 C	Impact 2	Overall C2	Status AMBER
Quarter 3 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. The Empty Homes scheme continues to have an adverse impact on the MTFS. The final lease is due to end in December 2024, officers continue to monitor the scheme closely and manage the claims where possible. The 2023/24 provisional financial settlement offers 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 in the light of overall budget pressures and risk to services as part of the budget process.				
Quarter 3 risk assessment RAG status (current)	Likelihood A	Impact 1	Overall A1	Status 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 3 Update A process is in place to ensure that the Council continues to follow Government guidance for Covid-19. Lateral flow tests are available for staff who need to test and Covid-19 absence continues to be monitored through the Absence Management Policy. The Operations Winter Plan was reviewed and presented to the JCC meeting in October 2022. Winter tyres had been introduced and were included in the plan and some contacts had been updated. The plan was agreed and will be formerly reviewed every 3 years. The local plans for Death of a Senior National Figure have been updated following the review by the Emergency Planning Team of the local response to Operation London Bridge in September 2022. All the points raised have been included in the review. National plans have not yet been adjusted, but any forthcoming adjustments will be incorporated into the local arrangements. Plans are available to the Emergency Planning Team on the shared drive. Officers continue to attend flood meetings and a programme of regular maintenance is in place to ensure culverts and gullies are kept clear to help reduce the flood risk.				
Quarter 3 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 – Clare Law	
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 3 Update Work continues to implement the 109 actions in the 4 year Health and Safety Action Plan, with progress on actions summarised as; completed/ongoing – 41, in progress – 10, not due – 58. The Health and Safety audit has been completed by Internal Audit and a rating of limited assurance was given in the final report. Three actions were advised, including reporting on progress against actions in the Health and Safety Plan; introducing a health and safety bulletin for staff and reviewing the timescales in the Health and Safety Action Plan in light of additional resources. All recommended actions will be completed by the end of Q4. A Staff Wellbeing Day was held in Q3 and evaluation of the day was positive. 7 expressions of interest were received from staff to volunteer as Workplace Health and Wellbeing Champions and they will be meeting in Q4 to take this initiative forward.				
Quarter 3 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 3 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. Lancashire County Council 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 3 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 3 Update The Council continues to monitor the potential impact of the long delayed Levelling Up & Regeneration Bill introduced to Parliament in May 2022. In Q3 the Government decided to make previously statutory house building targets ‘advisory’ (although in practical terms the impact on the Council is minimal). 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 continues to have increased in-year (as it has since Q2). At the time of writing (January 2023), the Council has been notified that the £17.9m bid to the Levelling Up Fund submitted in August has not been successful, although detailed feedback is still awaited. Discussions will continue with Department for Levelling Up, Housing and Communities in Q4 and it is expected that there will be a further round of Levelling Up Fund.				
Quarter 3 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 3 Update The staff turnover at Q3 is 7.82%, the level of staff turnover and recruitment has reduced this quarter and if this trend continues at this level or reduces further the annual target (15%) will be achieved. During Q3 there has been 15 posts advertised (1 newly established), 6 of these post are re-advertised due to unsuccessful recruitment. With the exception of a Senior Planning Enforcement Officer post all the finance and planning posts have now been successfully recruited. All senior officer posts including Chief Executive and Director of Economic Development have been successfully recruited. Recruitment is still challenging and HR continue to work to support Managers to successfully recruit to vacant posts. The number of days lost to sickness absence per full time equivalent at Q3 is 7.68 days, although this is due to long-term sickness which is being managed through the Absence Management Process. The annual pay award has been agreed and the risk of staff strike is unlikely.				
Quarter 3 risk assessment RAG status (current)	Likelihood	Impact	Overall Risk	Status
	C	2	C2	AMBER

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
	B	1	B1	RED
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 3 Update A number of Councils have been subject to Cyber-attacks, the Cabinet Office are advising that there is a heightened security risk level at the current time. Additional Cyber security training has been completed for Corporate Management Team, Councillors and Managers. Rossendale are now a member of the North West Cyber group receiving threat intelligence and also approaches used to combat security issues, the group meets on a monthly basis. The Rossendale Security in Depth has been implemented as part of this approach External and Internal vulnerability scanning has been deployed, this is used to identify the latest threats and vulnerabilities.				
Quarter 3 risk assessment RAG status (current)	Likelihood	Impact	Overall Risk	Status
	C	1	C1	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 3 Update VivaPR has continued to deliver the agreed communications plan including updates to the Council's website and social media posts to residents, businesses and communities. Corporate Management Team receive a weekly communications update, which includes horizon scanning and potential risks. Whilst there were no major or specific risks forecast for Q3, we issued 12 positive press releases during the quarter on topics such as the continued success of Operation Trident (which combats fly tipping and abandoned vehicles), Rossendale Works employment programme, the Councils 'Ease the Squeeze' campaign to assist the most vulnerable residents with cost of living crisis and the successful bid of almost £3m from the UK Shared Prosperity Funding. All of these pro-active positive releases help to promote the Council externally. They act as first point of contact for the media and always respond in a timely manner ensuring good working relationships with local and regional media. Additionally, VivaPR have been supported the recycling pilot project to increase recycling rates, with a branded and targeted PR campaign across social and traditional media.				
Quarter 3 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 project, and the Project Manager will be responsible for the day-to-day management of the 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 3 Update The Programme Board continues to monitor all the projects (last meeting on 7 November 2022). All projects are on track and within budget.				
Quarter 3 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 3 Update The Council continue to maintain a contingency plan for an alteration in Government restrictions. However, this has not developed during Q1-Q3 and therefore the overall level of risk in terms of the impact of Covid-19 continues to remain at a low level over the last 9 months. We continue to monitor the situation, particularly through the Winter months.				
Quarter 3 risk assessment RAG status (current)	Likelihood	Impact	Overall Risk	Status
	F	3	F3	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 3 Update The financial sustainability of the Leisure Trust remains a key risk to the Council. At the December 2022 Council meeting, it was agreed that an independent study would be commissioned to fully assess the risk to the Council and suggest mitigating actions. The study has been commissioned and the report is due back late April/early May. The findings will be reported to Council at the earliest opportunity.				
Quarter 3 risk assessment RAG status	Likelihood	Impact	Overall Risk	Status
	A	2	A2	RED

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
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 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

Internal Audit Service - Progress Report 2022/23 Dec – Feb Q4

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	


Internal Audit Service - Progress Report 2022/23 Dec – Feb Q4




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.	

Internal Audit Service - Progress Report 2022/23 Dec – Feb Q4

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

Internal Audit Service - Progress Report 2022/23 Quarter 3

	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.

Subject:	Internal Audit, Audit Plan April-September 2023/24	Status:	For Publication
Report to:	Audit and Accounts Committee	Date:	8 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
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 and approve the six month internal audit plan covering the period April – September 2023.

2. PURPOSE OF REPORT

2.1 The Audit and Accounts Committee's terms of reference require it to advise the council on the planned activity and results of internal audit.

3. BACKGROUND AND OPTIONS

3.1 Definition of internal auditing

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

"The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control." The Institute of Internal Auditors, Public Sector Internal Audit Standards, 2015

Relevant regulations

Internal audit: "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance." Regulation 5. (1)

Review of internal control system: "A relevant authority must, each financial year (a) conduct a review of the effectiveness of the system of internal control ... and (b) prepare an annual governance statement." Regulation 6. (1), Accounts and Audit Regulations 2015

4. RISK

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

- The responsibility for implementing, maintaining and reviewing the system of internal control rests with the council, but the process by which the effectiveness of its system of internal control is reviewed and the governance statement is made includes obtaining assurances on the effectiveness of key controls. In practice, these assurances will be

substantially drawn from the work of internal audit. The audit plan is therefore focused on providing these assurances to the chief executive and leader of the council who are jointly required to sign the annual governance statement

5. FINANCE

5.1 Any financial implications are commented upon in the report.

6. LEGAL

6.1 Any legal implications are commented upon in the report.

7. POLICY AND EQUALITIES IMPLICATIONS

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 plan is focused on an assessment of the risks to the achievement of the council's objectives, and the provision of assurance that the actions planned to mitigate these risks are adequate and effective.

No background papers

Rossendale Borough Council

Internal Audit Service

Internal Audit Annual Plan – April to September 2023/24



1. Introduction

- 1.1. This report sets out a six month internal audit plan for 2023/24, which we have discussed and agreed with the council's senior managers. The Audit and Accounts Committee is now asked to consider and approve it under its terms of reference. The plan is supported by an Internal Audit Strategy setting out statutory and professional requirements, planning principles and audit approach, and by a service Charter defining our purpose, authority, scope and responsibility, our position within the organisation, and rights of access to records, personnel and physical properties.
- 1.2. As in previous years, we have allocated 200 days audit resource for the year but in a change from former practice we have agreed audits that will be delivered in the first six months of 2023/24, rather than for the full 12 months as in previous years. The main reason for this is to give the new Chief Executive flexibility to agree audits based on his own assessment of need, while ensuring that priority audits are delivered in the first half of the year. The audit plan will still cover 12 months, to support the annual assurance opinion, and we will revisit the plan later in the year with senior managers and this Committee to agree how the 88 unallocated contingency days will be used to deliver further audits. Audits for the second half of the year will need to include annual audits of key financial systems, which we usually undertake in Qtr. 4.
- 1.3. The Internal Audit Service (the Service) applies the core principles set by the Chartered Institute of Internal Auditors, reiterated in Public Sector Internal Audit Standards, including integrity, competence and due professional care and independence.

2. The purpose of the internal audit plan

- 2.1. The council is responsible for a wide range of services across the borough, and its members and senior managers should be aware of the risks to achieving their service objectives inherent in their work. These should be managed by controls to reduce the risk to a corporately acceptable level. The Chief Executive, Audit and Accounts Committee and the council need assurance that these controls are adequately designed and operate effectively. At the end of the financial year the Chief Executive and Leader of the Council will jointly sign the annual governance statement (AGS) published with the council's financial statements.
- 2.2. The Head of Internal Audit is required by professional standards to give an annual assurance opinion on governance, risk management and control, over the adequacy and effectiveness of the management of risks to council objectives. The Audit and Accounts Committee's terms of reference require it to consider this annual opinion, and review and approve the AGS. The Committee should therefore consider and approve an internal audit plan which provides the assurance the council, Committee, Leader and Chief Executive need.
- 2.3. The overall opinion covers twelve months and supporting evidence relate to controls operating in that period, so the plan addresses work for one year but may make projections into future audit needs. The work will rarely be fully complete at the end of the year but will be sufficiently complete and reported by the time the council prepares its AGS shortly after the year end.

3. Obtaining the evidence to support an overall opinion for 2023/24

3.1. Our plan provides evidence necessary to support an opinion on governance, risk management and control and covers:

- Key components of each part of the opinion: aspects of the council's governance, risk management and control framework.
- Sufficient controls across the council's operations, so that a fair assessment may be made across the organisation.
- Controls that mitigate the most significant risks to an acceptable level, particularly those that operate most widely.
- The actions being taken to develop improved controls in the areas of greatest unmitigated risk.

3.2. Information from less formal sources may also inform the opinion. The diagram below shows a control framework for risk management, governance and control and the plan covers the assurances required, addressing areas of overall opinion, control and service delivery. The plan also includes follow up of actions agreed by managers from audits in the previous year.

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

4. The context of the audit work for the year

- 4.1. Audit work in 2023/24 will be sufficient to provide assurance over the council's frameworks of governance, risk management and control, supporting activity across governance, operations, services, systems and processes. We will inform the committee of any significant changes in planned work as we report progress during the year.

5. Deployment of audit resources

- 5.1. This audit plan is based on estimated days and is a best estimate of audit resources. We will deploy resources as effectively as possible, focussing on key areas of risk to achieve maximum benefit. The council uses the Lancashire County Council's contract with Mersey Internal Audit Agency (MIAA) for delivery of specialist IT audits. While the plan enables managers and members to see the scope and value of the audit work, a small number of audits may need to be worked on into the following year. Additional work may also be needed in-year at the expense of planned work, but the plan is sufficiently flexible to accommodate such changes. We will continually reassess resources against council priorities, amending the plan as required.

6. The assurance we will provide

- 6.1. The assurance we will provide falls into four categories: substantial, moderate, limited and no assurance.
- 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 the service, system or process.
 - Limited assurance: there are some significant weaknesses in the design and/ or operation of the framework of control that put the achievement of the service, system or process' objectives at risk.
 - No assurance: there are some fundamental weaknesses in the design and/ or operation of the framework of control that could result in failure to achieve the service, system or process' objectives.

7. The Internal Audit Service's responsibilities in relation to fraud and investigations

- 7.1. In addition to our audit work, the Internal Audit Service provides some support to the council in managing fraud risk, specifically through the provision of advice in respect of instances of suspected fraud or impropriety and supporting the council's response to the National Fraud Initiative.

8. Proposed audit programme for April – September 2023/24

- 8.1. This table below lists the audits we are planning to carry out in the first six months of 2023/24, including the type of audit and the number of days allocated: '1' - phase one/ consultancy work; '2' - phase two/ compliance testing; '1+2' - full risk and control evaluation; 'F' - follow-up on implementation of previously agreed actions.

Controls Assurance	Audit Scope	Audit Type	Audit Days	Total Days
Governance and democratic oversight				
Contract procedure rules	Scheme of delegation – review of new rules including benchmarking against other councils and compliance.	Full audit	15	15
Business effectiveness				
Working from Home Policy	Effectiveness of the policy in supporting delivery of the council's operations.	Full audit	15	27
Critical application audit MIAA	Scope and coverage to be confirmed.	Full audit	12	
Service delivery				
Project management	Audit of compliance with project management process in projects e.g. <i>Shared Property Fund, levelling up funding</i>	Full audit	15	15
Service support				
Customer contact	Customer pathway including One-Stop (response times/ service quality), online ease of access.	Full audit	15	15
Business processes				
Council tax		Compliance	8	24
Business rates/ NNDR		Compliance	8	
Housing benefits		Compliance	8	
Follow up of previous year's actions				
Delegated decision making by officers	Arrangements for ensuring officer decisions are taken in accordance with delegated powers, recorded and reported.	Follow up	1	7
Leisure Trust	Council engagement and oversight of the Trust's management of council owned leisure assets.	Follow up	1	
IT critical application review of payroll (MIIA)	Audit of technical controls in place to manage payroll through the CHRIS21 system.	Follow up	1	
IT threat and vulnerability management (MIIA)	Assess how the council responds to cyber security threats and how they are managed and mitigated.	Follow up	1	

Rossendale Borough Council - Internal Audit Plan April – September 2023/24

Health and Safety [deferred from 2021/22]	The adequacy and effectiveness of corporate arrangements to ensure compliance with H&S legislation and good practice.	Follow up	1	
Sickness absence	Policy and processes for reporting, recording and monitoring sickness absence.	Follow up	1	
Financial sustainability	Progress with delivery of savings reported by services including accuracy and completeness of data.	Follow up	1	
Counter fraud and investigations				
Operation of the National Fraud Initiative			1	2
Support to the council's whistleblowing and counter fraud work			1	
Other work				
Internal Audit management including planning, managing delivery, liaison with management team, committee reporting and scheduling resources.			7	7
Contingency (including grant certifications)			88	
Total resource for the council				200

Audit Strategy Memorandum

Rossendale Borough Council

Year ending 31 March 2019



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- 01** Engagement and responsibilities summary
- 02** Your audit engagement team
- 03** Audit scope, approach and timeline
- 04** Significant risks and other key judgement areas
- 05** Value for money arrangements
- 06** Fees for audit and other services
- 07** Our commitment to independence
- 08** Materiality and misstatements

Appendix – Key communication points

This document is to be regarded as confidential to Rossendale Borough Council. It has been prepared for the sole use of the Audit and Accounts Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

Audit and Accounts Committee

Rossendale Borough Council
Futures Park
Bacup
OL13 0BB

Mazars LLP
One St Peter's Square
Manchester
M2 3DE

8th March 2023

Dear Audit and Accounts Committee Members

Audit Strategy Memorandum – Year ending 31 March 2019

We are pleased to present our Audit Strategy Memorandum for Rossendale Borough Council for the year ending 31 March 2019. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 7 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Rossendale Borough Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit,

Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0161 238 9243.

Yours faithfully

Alastair Newall

Mazars LLP

01

Section 01:

**Engagement and
responsibilities summary**

1. Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of Rossendale Borough Council (the Council) for the year to 31 March 2019. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

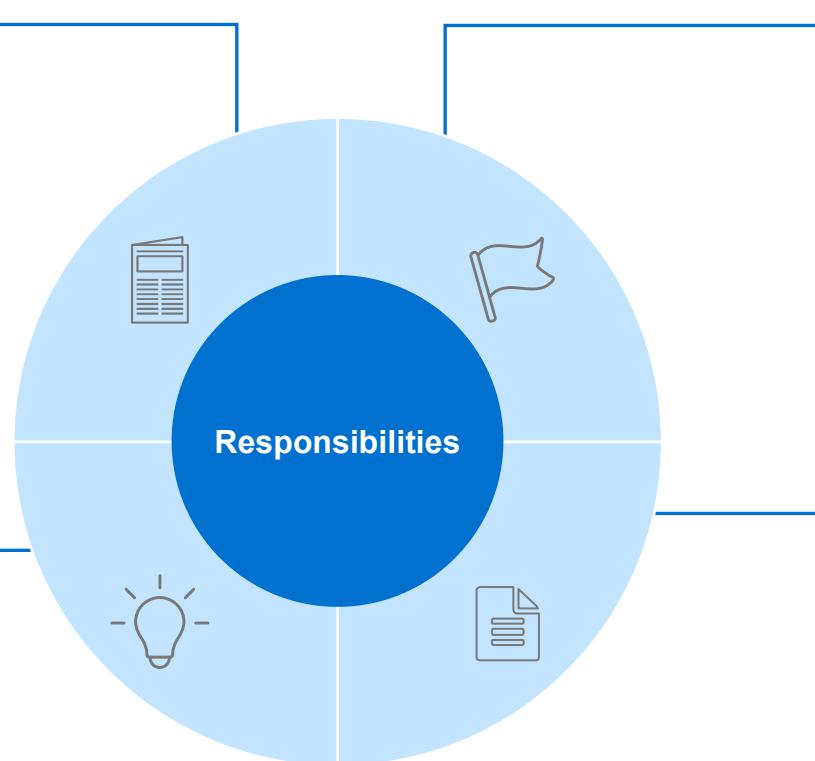
Audit opinion

We are responsible for forming and expressing an opinion on the financial statements. Our audit does not relieve management or the Audit and Accounts Committee, as those charged with governance, of their responsibilities.

The Chief Finance Officer is responsible for the assessment of whether it is appropriate for the Council to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on: a) whether a material uncertainty related to going concern exists; and b) consider the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements.

Value for money conclusion

We are required to conclude whether the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money arrangements further in section 5 of this report.



Fraud

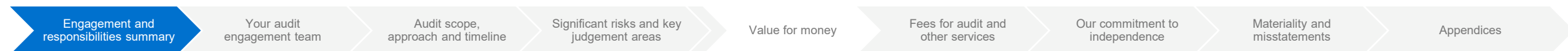
The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management, as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.

Wider reporting and electors' rights

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission. Given the time that has passed since 2018/19 we do not expect to have to complete any work in this area, but we are seeking further clarification with the NAO on this matter.

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom



02

Section 02:

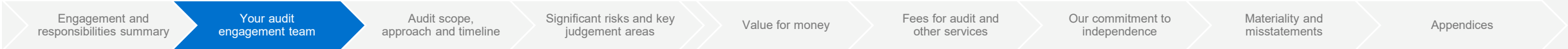
Your audit engagement team

2. Your audit engagement team

Alastair Newall
Director and Engagement Lead
Email: Alastair.Newall@mazars.co.uk
Telephone: +44 (0)7909 986 776

Katie Kingston
Audit Manager
Email: Katie.Kingston@mazars.co.uk
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Taylor Joseph
Assistant Manager
Email: Taylor.Joseph@mazars.co.uk
Telephone: +44 (0)7977 261 867



03

Section 03:

Audit scope, approach and timeline

3. Audit scope, approach and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your activities which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

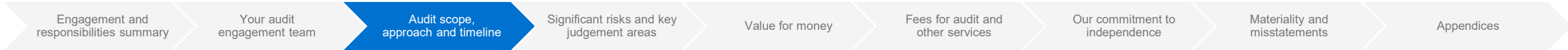
Audit approach

Our audit approach is risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately-designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise: tests of details (of classes of transactions, account balances, and disclosures); and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.



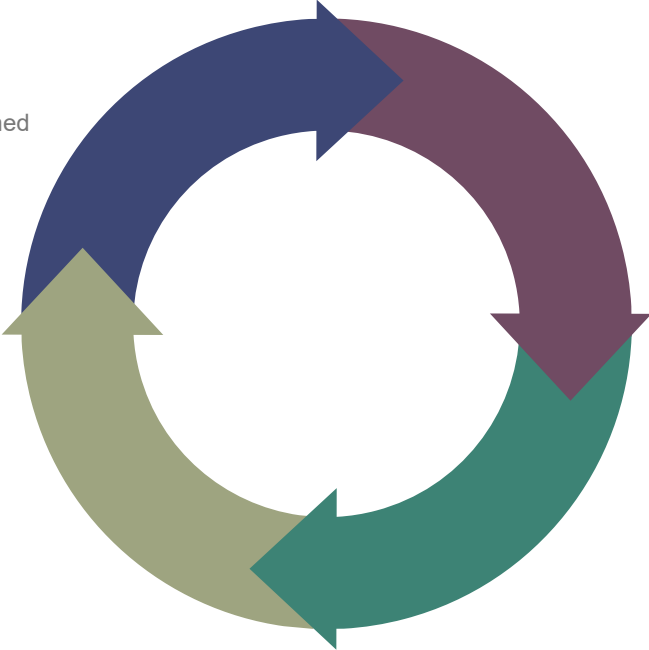
3. Audit scope, approach and timeline

Planning February 2023

- Planning visit and developing our understanding of the Council
- Initial opinion and value for money risk assessments
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Preliminary analytical review

Completion TBC

- Final review and disclosure checklist of financial statements
- Final partner review
- Agreeing content of letter of representation
- Reporting to the Audit and Accounts Committee
- Reviewing subsequent events
- Signing the auditor's report

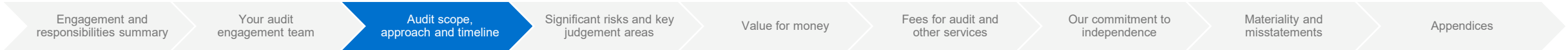


Interim February 2023

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary

Fieldwork March – April 2023

- Receiving and reviewing draft financial statements
- Reassessment of audit plan and revision if necessary
- Executing the strategy starting with significant risks and high risk areas
- Communicating progress and issues
- Clearance meeting



04

Section 04:

**Significant risks and other key
judgement areas**

4. Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified risks relevant to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

Significant risk

A significant risk is an identified and assessed risk of material misstatement that, in the auditor’s judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity’s controls, including control activities relevant to that risk.

Enhanced risk

An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks require additional consideration but does not rise to the level of a significant risk, these include but may not be limited to:

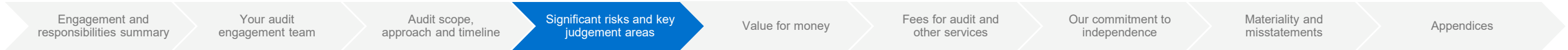
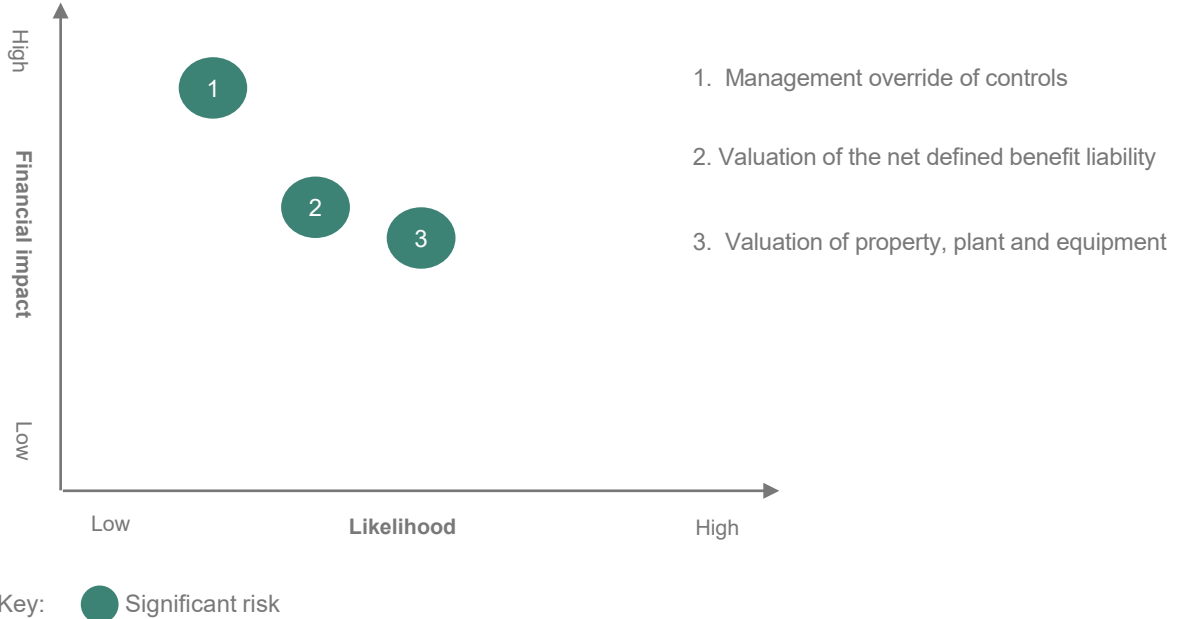
- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk

This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the Council. We have summarised our audit response to these risks on the next page.



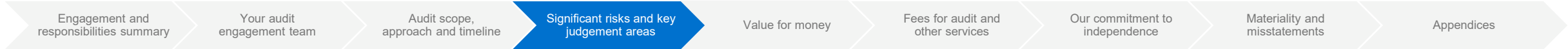
4. Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit and Accounts Committee

Significant risks

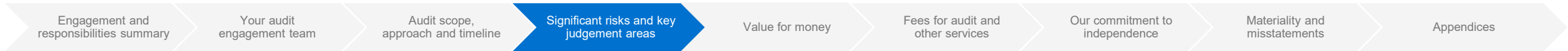
	Description	Fraud	Error	Judgement	Planned response
1	<p>Management override of controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●	○	○	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.



4. Significant risks and other key judgement areas

Significant risks

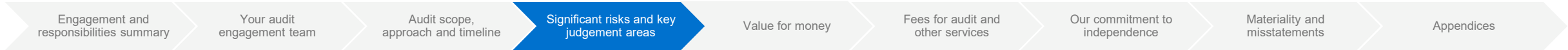
	Description	Fraud	Error	Judgement	Planned response
2	<p>Net defined benefit liability valuation The net pension liability represents a material element of the Council's balance sheet. The Council is an admitted body of Lancashire County Pension Fund.</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation. There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2018/19.</p>	○	●	●	<p>To address this risk, we will:</p> <ul style="list-style-type: none"> review the controls the Council has in place over the information sent to the scheme Actuary, including the Council's processes and controls with respect to the assumptions used in the valuation; evaluate the competency, objectivity and independence of the scheme Actuary, Mercer; review the appropriateness of the methodology applied, and the key assumptions included within the valuation, comparing them to the expected ranges, utilising the information provided by PwC, the consulting actuary engaged by the National Audit Office. review the methodology applied in the valuation of the liability by Mercer.



4. Significant risks and other key judgement areas

Other key areas of management judgement and enhanced risks

	Description	Fraud	Error	Judgement	Planned response
3	<p>Valuation of property, plant and equipment and investment properties The CIPFA Code requires that where assets are subject to revaluation, their year end carrying value should reflect the fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued in a five year cycle.</p> <p>The valuation of property, plant & equipment and investment property involves the use of management experts, and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process which reflect the significant impact of the valuation judgements and assumptions and the degree of estimation uncertainty.</p> <p>As a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at their materially correct fair value.</p>	○	●	●	<p>To address this risk, we will:</p> <ul style="list-style-type: none"> • assess the Council's valuers' qualifications, objectivity and independence to carry out such valuations • review the valuation methodology used for assets subject to revaluation in 2018/19, including testing the underlying data and assumptions; • review the approach the Council has adopted to address the risk that those assets not subject to valuation in the 2018/19 are materially misstated and consider the robustness of that approach in light of the valuation information reported by the Council's valuers; and • consider movements in market indices between valuation dates and the year end in order to determine whether these indicate values have moved materially over that time.



05

Section 05:

Value for money arrangements

5. Value for money arrangements

The framework for Value for Money arrangements work

We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view, and sets out the overall criterion and sub-criteria that we are required to consider.

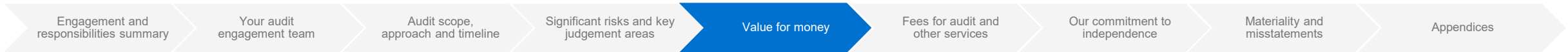
The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.'

To assist auditors in reaching conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making;
- Sustainable resource deployment; and
- Working with partners and other third parties.

Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our conclusion on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Council.



5. Value for money arrangements

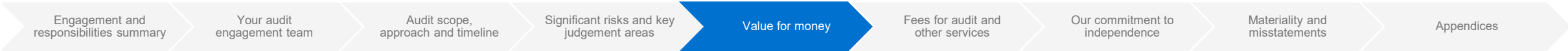
Identified risks of significant weaknesses in arrangements

The NAO’s guidance requires us to carry out work at the planning stage to understand the Council’s arrangements and to identify risks that significant weaknesses in arrangements may exist.

Risk in the context of our value for money arrangements work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. As outlined above, we draw on our deep understanding of the Council and its partners, the local and national economy and wider knowledge of the public sector.

For the 2018/19 financial year, we have identified the following significant risks to our VFM work:

	Risk of significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Planned procedures
1	<p>Financial sustainability The Council’s medium term financial strategy and budget for 2018/19 sets out the financial challenges it faces. The Council’s initial 2018/19 budget indicated an underlying deficit of £851k. Members approved the use of £795k from earmarked reserves to meet the funding gap.</p> <p>The continuing challenges the Council faces are not new and not unique to Rossendale Borough Council. However, the challenges do present a significant audit risk in respect of considering the arrangements that the Council has in place to deliver financial sustainability over the medium term.</p>	●	○	○	<p>We will review the arrangements the Council has in place for ensuring financial resilience, specifically that the medium term financial plan has taken into consideration factors such as: future funding sources and levels, levels of other income, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis.</p> <p>We will also review the arrangements in place to monitor progress delivering the budget and related savings plans.</p>



06

Section 06:

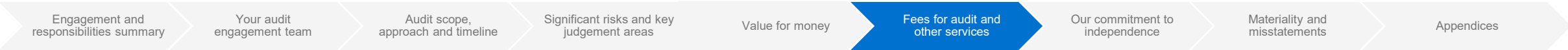
Fees for audit and other services

6. Fees for audit and other services

Fees for work as the Council's appointed auditor

The scale fee set out by PSAA are set out in the table below. Should there be any additional fee requests once we have concluded the audit we will discuss these with the Council.

Area of work	2017/18 Actual Fee (Grant Thornton)	2018/19 Planned Fee
PSAA scale fee	£45,796	£32,263
Additional fee charged	£55,744	TBC
Total fee	£101,540	£32,263



07

Section 07:

Our commitment to independence

7. Our commitment to independence

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the FRC's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

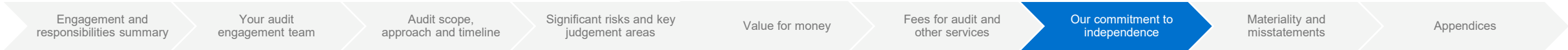
- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team; and
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Alastair Newall in the first instance.

Prior to the provision of any non-audit services Alastair Newall will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

No threats to our independence have been identified.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.



08

Section 08:

Materiality and misstatements

8. Materiality and misstatements

Summary of initial materiality thresholds

Threshold	Initial threshold £'000s
Overall materiality	775
Performance materiality	387
Specific materiality for Senior Officers Remuneration	5
Trivial threshold for errors to be reported to Audit and Accounts Committee	23

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

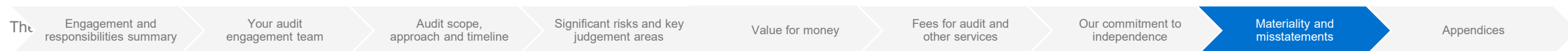
Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of gross expenditure at the surplus/deficit on provision of services level. We will identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the Audit and Accounts Committee.

We consider that the gross expenditure at the surplus/deficit on provision of services level remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.



8. Materiality and misstatements

Materiality (continued)

We have set materiality at 2% of the benchmark which equates to £775k based on the 2018/19 draft accounts.

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. In setting performance materiality, we have taken into account that this is our first year of audit and accordingly we do not hold extensive cumulative audit knowledge about the Council's financial statements. We have therefore set our performance materiality at 50% of our overall materiality.

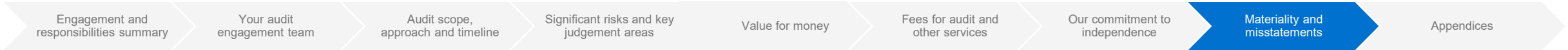
Misstatements

We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit and Accounts Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £23k based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Alastair Newall.

Reporting to Audit and Accounts Committee

The following three types of audit differences above the trivial threshold will be presented to Audit and Accounts Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).





Appendix: Key communication points

Appendix: Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) 'Communication with Those Charged with Governance' and ISA 265 (UK) 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Audit Strategy Memorandum;
- Audit Completion Report; and
- Auditor's Annual Report

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

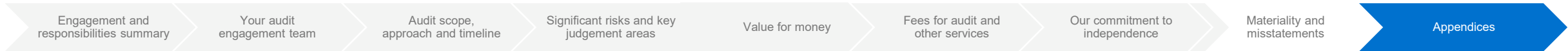
Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;

- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

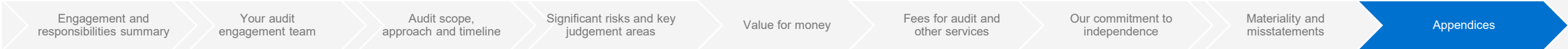
- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.



Appendix: Key communication points

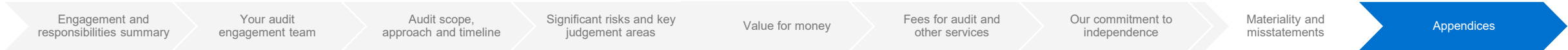
ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: <ul style="list-style-type: none"> • uncorrected misstatements and their effect on our audit opinion; • the effect of uncorrected misstatements related to prior periods; • a request that any uncorrected misstatement is corrected; and • in writing, corrected misstatements that are significant. 	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"> • enquiries of the Audit and Accounts Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • a discussion of any other matters related to fraud. 	Audit Completion Report and discussion at Audit and Accounts Committee, Audit planning and clearance meetings



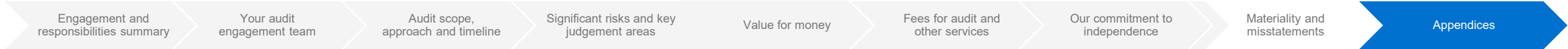
Appendix: Key communication points

Required communication	Where addressed
<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> • non-disclosure by management; • inappropriate authorisation and approval of transactions; • disagreement over disclosures; • non-compliance with laws and regulations; and • difficulty in identifying the party that ultimately controls the entity. 	<p>Audit Completion Report</p>
<p>Significant findings from the audit including:</p> <ul style="list-style-type: none"> • our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • significant difficulties, if any, encountered during the audit; • significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • written representations that we are seeking; • expected modifications to the audit report; and • other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Audit and Accounts Committee in the context of fulfilling their responsibilities. 	<p>Audit Completion Report</p>
<p>Significant deficiencies in internal controls identified during the audit.</p>	<p>Audit Completion Report</p>
<p>Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.</p>	<p>Audit Completion Report</p>



Appendix: Key communication points

Required communication	Where addressed
<p>Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Audit and Accounts Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Accounts Committee may be aware of.</p>	<p>Audit Completion Report and the Audit and Accounts Committee meetings</p>
<p>With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • whether the events or conditions constitute a material uncertainty; • whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • the adequacy of related disclosures in the financial statements. 	<p>Audit Completion Report</p>
<p>Reporting on the valuation methods applied to the various items in the annual financial statements including any impact of changes of such methods</p>	<p>Audit Completion Report</p>
<p>Indication of whether all requested explanations and documents were provided by the entity</p>	<p>Audit Completion Report</p>



Contact

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.