

Subject:	Internal Audit Annual Report and Assurance Opinion 2022/23	Status:	For Publication
Report to:	Audit and Accounts Committee	Date:	26 July 2023
Report of:	Head of Internal Audit (Internal Audit Service)	Lead Member:	Resources
Key Decision:	<input type="checkbox"/> Forward Plan <input type="checkbox"/>	General Exception	<input type="checkbox"/> Special Urgency <input type="checkbox"/>
Equality Impact Assessment:	Required:	No	Attached: No
Biodiversity Impact Assessment	Required:	No	Attached: No
Contact Officer:	Mark Baskerville, Audit Manager	Telephone:	01772 538615
Email:	Mark.Baskerville@lancashire.gov.uk		

1.	RECOMMENDATION
1.1	The committee are asked to consider the internal audit annual assurance report for 2022/23.

2. PURPOSE OF REPORT

2.1 The Audit and Accounts Committee's terms of reference require it to advise the Council on the planned activity and results of internal audit. The Committee will, on a periodic basis, consider the head of internal audits annual opinion and report.

3. BACKGROUND AND OPTIONS

3.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) is the relevant standard setter for internal audit in local government in the United Kingdom. CIPFA has published Public Sector Internal Audit Standards ('PSIAS'), which encompass the mandatory elements of the Global Institute of Internal Auditors' International Professional Practices Framework, including its Definition of Internal Auditing, Code of Ethics, and its International Standards for the Professional Practice of Internal Auditing. These documents are therefore mandatory for internal audit in local government in the United Kingdom, and they are supplemented within PSIAS by additional public sector interpretation and guidance. CIPFA has also published a Local Government Advisory Note setting out sector-specific requirements for local government within the United Kingdom.

3.2 The Internal Audit Service therefore operates in accordance with this mandatory definition, code, standards and advice.

3.3 The Annual Report of the head of internal audit meets these requirements and is attached in Appendix A.

4. RISK

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

- Failure to comply with the Public Sector Internal Audit Standards issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) would undermine the ability to provide the Council with the necessary level of assurance in relation to their governance, risk management and internal control arrangements;
- The report enables the Leader and Chief Executive to report in the Annual Governance Statement.

4.2 Any financial implications are commented upon in the report.

5. FINANCE

5.1 Any financial implications are commented upon in the report.

6. LEGAL

6.1 Any legal implications are commented upon in the report.

7. POLICY AND EQUALITIES IMPLICATIONS

7.1 Reported findings have been discussed and agreed, including management responses to the recommendations, with respective service managers and heads of service prior to reporting.

8. CONCLUSION

8.1 The Annual Report provides an independent, objective opinion on the adequacy of design and the effectiveness of operation of the Council's systems of governance, risk management and internal control.

8.2 Overall, I can provide **moderate** assurance over these systems for 2022/23, based on the work undertaken by the Internal Audit Service in the year.

No background papers

Rossendale Borough Council

Internal Audit Service Annual Report for the year ended 31 March 2023



1 Introduction

Purpose of this report

- 1.1 This report summarises the work that the council's Internal Audit Service has undertaken during 2022/23 and the key themes arising in relation to internal control, governance and risk management across the council. In April 2021 the Audit and Accounts Committee considered and approved an internal audit plan for 2022/23.
- 1.2 Despite these challenges, and with the support of council officers, we have been able to deliver the plan in full, although one audit is in progress, one in draft and one was deferred to 2022/23 for operational reasons. We have reported any amendments to the plan to the committee during the course of the year. The work for the year is now sufficiently complete to support the overall opinion on the frameworks of governance, risk management and internal control. This has added value to the council and ensures a robust annual audit opinion can be provided.

The role of internal audit

- 1.3 The Internal Audit Service is an assurance function that provides an independent and objective opinion on the adequacy and effectiveness of the council's control environment. The Public Sector Internal Audit Standards (PSIAS) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA) require the Head of Internal Audit to provide an opinion on the council's control environment and a written report to those charged with governance, timed to support the annual governance statement. This report gives my opinion based on the work the Service performed during 2022/23.
- 1.4 The scope of our work, management and audit's responsibilities, the basis of my assessment, and access to this report are set out in Annex 1 to this report.

Interim progress reports

- 1.5 We have provided summaries of findings from audits completed throughout the year in progress reports to each Audit and Accounts Committee meeting. Audit reports will be provided to any members if they wish.

Acknowledgements

- 1.6 I am grateful for the assistance provided the staff of Rossendale Borough Council in the course of our work.

2 Summary assessment of internal control

Overall opinion

- 2.1 I can provide **moderate** assurance overall on the adequacy of design and effectiveness in the operation of the council's framework of governance, risk management and control. In forming my opinion, I have considered the work undertaken by the Internal Audit Service

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throughout the year as well as the work of external assurance providers and information available from less formal sources than planned audit engagements. Audit work has covered the full range of the council's services. Our work established that, as would be the case in any normal organisation, there are some areas of the council's business where improvements need to be made, but there are plans and agreed management actions in place to address these.

- 2.2 Annex 2 to this report includes extracts from the final reports issued which have not yet been included in progress reports and an explanation of the assurances we provide is set out in Annex 3.

Key issues and themes

- 2.3 We have completed all but one of the planned 2022/23 audits, with one audit of Rossendale Leisure Trust cancelled due to the commissioning of an external review covering a similar scope. There were delays in starting finance audits due to unplanned changes in Finance Team personnel and structure, but we were able to work round these and deliver the planned work. We gave positive assurance opinions, either 'substantial' or 'moderate', on all but one audit, where we gave limited assurance. We agreed areas for improvement with managers on most audits. Our annual assurance opinion reflects the fact that systems and processes are generally working effectively. In most of the areas audited we were satisfied that policy and procedures were in place but required review and revision, improved compliance and better staff training and guidance. Lack of capacity due to the difficulty of recruiting and retaining officers was also an issue in some areas, although the council have been able to recruit to address shortages in key areas including Finance and Planning. This improvement was reflected in the 2022/23 Qtr. 3 corporate risk register which recorded the status of Risk 6 - Sustainable Workforce as Green after mitigation, and Amber overall but with an improved risk score.
- 2.4 It should be noted that this opinion does not imply that Internal Audit has reviewed all risks and assurances relating to the council and is not an absolute assurance of the effectiveness of internal control arrangements and the management of risk. Neither this report nor the work of Internal Audit should be taken as a substitute for management's responsibilities for the application of sound internal control practices. The purpose of this opinion is to contribute to the assurances available to the council which underpin the assessment of the effectiveness of its governance framework, including the system of internal control, which are encapsulated in the Annual Governance Statement.

Management's responses to our findings

- 2.5 We have discussed the issues we raised during the year with service managers and members of the Senior Management Team and agreed action plans to address the need for improved controls. Follow up work during 2022/23 indicates that risks identified in previous years are largely being addressed and we are satisfied that work is in hand to implement agreed actions, although some improvement work is still ongoing. The senior management team also receive regular reports on implementation of audit actions.

The council's control framework

2.6 Our work has been organised in accordance with the Internal Audit Service's planning principles and an understanding of the council's controls at the start of the year, which was set out as follows:

A framework for governance, risk management and control						
Governance and democratic oversight						
Corporate governance framework	Decision-making		Oversight and scrutiny		Policy setting	
Business effectiveness						
Risk management	Performance monitoring and management		Organisational design	Financial governance and planning		Working in partnership with others
Service delivery						
Growth, environment, transport & community services			Children's services & education		Adult services, health & wellbeing	
Economic development & planning	Programmes & project management	Community services	Children's services	School improvement & services	Adult Services	Public health
Service support						
Legal services	Skills, learning & development	Core business systems	Property management	Programme management	Business intelligence	Customer access
Business processes						
Financial systems & processes		Procurement	Facilities management		Human resources	
Budget monitoring		Contract monitoring & management	Information management		Payroll processing	
Investment			Business continuity		ICT systems	

3 Summary of findings and assurance

3.1 The table below summarises the assurances we provided on finalised 2022/23 audits which contributed to our annual assurance opinion, including comparative figures from previous years. This excludes follow up work from previous audits. The table at 3.2 reports the status of each audit, Annex 2 to this report contains an extract from all final audit reports and Annex 3 includes definitions of the assurances we give.

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2022/23 audits relating to:	Total	Assurance provided				Audits not finalised	
		Substantial	Moderate	Limited	None	Incomplete	Deferred/ Cancelled
Governance	2	-	1	-	-	-	1
Business effectiveness	3	1	2	-	-	-	-
Service delivery	1	1	-	-	-	-	-
Service support	2	-	1	1	-	-	-
Business processes	11	2	6	-	-	-	-
2022/23 total assignments:	19	7	10	1	-	-	1
	100%	37%	53%	5%	-	-	5%
2021/22	19	5	11	-	-	2	1
2020/21	11	4	3	-	-	1	3
2019/20	21	6	4	2	-	-	9

3.2 The table below reports the status of each audit completed during the year and the assurance opinion given. The 'Audit Type' is:

- 1 phase one/ consultancy work
- 2 phase two/ compliance testing
- 1+2 full risk and control evaluation
- F follow-up on implementation of actions from previous audits.

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Audit Title	Status	Assurance	Audit Type
Governance and democratic oversight			
Delegated decision making by officers	Completed	● Substantial	1+2
Leisure Trust	Cancelled	N/A	1+2
Performance management	Completed	N/A	F
GDPR/ information security policies	Completed	N/A	F
Business effectiveness			
Financial sustainability – Efficiency Savings and Income Targets	Completed	● Moderate	1+2
IT critical application review of payroll (MIIA)	Completed	● Moderate	1+2
IT threat and vulnerability management (MIIA)	Completed	● Substantial	1+2
Procurement	Completed	N/A	F
IT Critical application review of Civica (MIAA)	Completed	N/A	F
IT Service Continuity (MIAA)	Completed	N/A	F
Service delivery			
Corporate project delivery	Completed	● Substantial	1+2
Planning controls	Completed	N/A	F
Service support			
Health and Safety	Completed	● Limited	1+2
Sickness absence	Completed	● Moderate	1+2
Business processes			
Accounts payable	Completed	● Moderate	2
Accounts receivable	Completed	● Moderate	2
General ledger, budget setting and monitoring	Completed	● Moderate	2
Income collection/ banking	Completed	● Moderate	2
Payroll	Completed	● Substantial	2
Council tax	Completed	● Moderate	2
Business rates/ NNDR	Completed	● Moderate	2

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Housing benefits and council tax support	Completed	● Substantial	2
COMF grant (unplanned)	Completed	● Compliant	1
Protect and Vaccinate Grant (unplanned)	Completed	● Compliant	1
Test and Trace Grant (unplanned)	Completed	● Compliant	1

Stage of audit process	Number	Percentage
Complete/ final report	24	96%
Draft report	0	0%
Progressing	0	0%
Not yet started	0	0%
Deferred/ Cancelled	1	4%
Total number of audits	25	100%

4 Implications for the annual governance statement

- 4.1 In preparing its annual governance statement the council should consider this annual assurance opinion in relation to its control environment, risk management processes and corporate governance. The council should therefore reflect the progress made in delivering the actions set out in the council's improvement plan, describing the impact of completed actions on corporate governance and its plans to implement the remaining actions.

5 Organisational independence

- 5.1 The Internal Audit Service has access to and support from the council's senior management team and is able to operate independently within the organisation, so is properly able to fulfil its responsibilities. In accordance with its Charter the service remains independent of the council's other functions and, with the exception of its support to management in relation to counter fraud work, no member of the Internal Audit Service has any executive or operational responsibilities.
- 5.2 The Internal Audit Service's work programme and priorities are determined in consultation with the senior management team and the Audit and Accounts Committee, but remain decisions for the Head of Internal Audit who, with the Audit Manager, have direct access to and freedom to report in their own names and without fear or favour to all officers and members. Within the year the Service's establishment increased by one part time Senior Auditor (0.4fte) and is currently fully staffed.
- 5.3 The Internal Audit Service has a stable and experienced audit team, with very little staff turnover in recent years. One notable change in 2022/23 was that one of the Audit Managers changed role to Senior Auditor and we were fortunate to be able to appoint a new Audit Manager from within the team.
- 5.4 During the year, there have been no matters arising which have impacted on the independence of the Internal Audit Service and there have been no inappropriate scope or resource limitations on internal audit work

6 Internal audit performance

- 6.1 The Internal Audit Service is currently fully staffed. The council has provided additional investment into the Audit Team's Investigatory resources. This will create a new investigation team that will be responsible for the council's response to financial crime, including fraud, corruption and other criminality.
- 6.2 At the Start of the 2022/23 financial year the Internal Audit Service set itself five key performance indicators (KPIs) to help the service measure its performance throughout the year. The team has exceeded the target for three of the KPIs. Although the targets were not fully achieved for the remaining two. As a service we have used the data to inform our reflections on how the serviced can improve going forward.
- 6.3 Internal Audit invites feedback on the quality of service provided by issuing a 'satisfaction questionnaire' at the end of each audit. This is an important process in terms of identifying how the audit was received by the service area and of identifying aspects of the audit process that can be improved. Responses from auditees indicated that, overall, they were satisfied with the way we conducted our work with them. There were no common themes in the responses received that highlighted particular areas for Service improvement.

7 Internal Audit quality assurance and improvement

7.1 The Internal Audit Service has established and regularly reviews a quality assurance and improvement programme. PSIAS requires that all aspects of internal audit activity are considered by a combination of ongoing internal monitoring, periodic self-assessment or internal assessment by others with sufficient knowledge, and independent external review at least once every five years.

Type of review	Internal review		External review
	Frequency	Ongoing	Periodic
Audit assignment quality	✓		At least 5-yearly
Professional and operational framework		✓	✓

7.2 Following this framework, the Service's quality assurance and improvement programme consists of internal ongoing monitoring of audit assignment quality, periodic internal assessment of the professional and operational framework, and external review.

External review

7.3 In accordance with the Public Sector Internal Audit Standards (PSIAS) the Internal Audit function is required to have an external quality assessment (EQA) undertaken at least once every 5 years as part of its Quality Assurance Framework. To ensure compliance with this requirement the Chartered Institute of Internal Auditors (CIIA) completed an external quality assessment of Internal Audit in February 2023. The assessment included a full validation of the Service's own self-assessment against the PSIAS and the International Professional Practices Framework (IPPF). Interviews with key stakeholders across the Council were held along with discussions with Internal Audit Service team members and a stakeholder survey was issued to managers.

7.4 The overall opinion of the EQA is that, as at our previous assessment, the Service "generally conforms" to the IIA Standards, the highest of the three global grading definitions. The CIIA's assessor found that the Service conforms to 56 of the 64 relevant principles, with partial conformance on four principles. Four of the remaining principles were not relevant to the Service. In summary the Service were assessed as good at:

- Reflection of the Standards;
- Focus on performance, risk and adding value; and
- Operating with efficiency

7.5 The Service have also been assessed as satisfactory in quality assurance and improvement programme and an area for improvement has been identified in coordinating and maximising assurance by considering how best to rely on and coordinate with other assurance providers. This issue remains an emerging area of Internal Audit and assurance practice, along with assurance mapping. On average during a CIIA's assessment the number of recommendations that the CIIA make to help improve an internal audit function is 14. In our assessment the CIIA made five recommendations. The report provides advice and a degree of challenge to help Internal Audit continue our journey towards best practice and excellence.

Internal review

- 7.6 The Internal Audit Service has designed procedures and an audit methodology that conform to PSIAS and are regularly reviewed. Every auditor in the team is required to comply with these or document the reasons why not, and to demonstrate this compliance on every audit assignment. The audit managers assess the quality of each audit concurrently as it progresses. These reviews indicate that there is good evidence of compliance with our audit methodology and input from the audit managers to support the work of the auditors. As was confirmed by the results of the EQA.

Areas for development

- 7.7 A significant area for development that the Service is focusing on is improving the use of data analytics within our reviews. This has a range of definitions, but can be summarised as the process of examining data sets in order to find trends and draw conclusions about the information they contain. An Internal Audit data analytics strategy has been developed which outlines Internal Audit's aim to work towards a position where data analytics is fully embedded within our activities, and we are regularly and successfully using data analytics to provide insight and foresight to our partners and clients.
- 7.8 This strategy also supports conformance with the Public Sector Internal Audit Standards (1220.A2): 'in exercising due professional care internal auditors must consider the use of technology-based audit and other data analysis techniques'.
- 7.9 The Investigatory resources within Internal Audit have been greatly increased from a resource of one FTE Senior Investigator. To a team of five, comprising an Investigations Manager, two Senior Investigators and two Investigators. The Investigations Manager has been appointed and the recruitment for the other team members is underway. The vision for this team is to build an effective efficient counter fraud service that will meet the council's current needs and be able to be built upon in the future. To achieve this the service will develop robust governance arrangements to counter financial crime such as fraud and corruption. They will raise awareness of fraud risks and promote good practice and preventative measures, while also encouraging the reporting of suspicious activities across the council. The service will react quickly and effectively to allegations of fraud and corruption, prioritising fraud recovery and use of criminal and civil sanctions.

Scope, responsibilities and assurance

Approach

- B.1 The Internal Audit Service operates in accordance with Public Sector Internal Audit Standards, 2017. The scope of internal audit work encompasses all of the council's operations, resources and services including where they are provided by other organisations on its behalf.

Responsibilities of management and internal auditors

- B.2 It is management's responsibility to maintain systems of risk management, internal control and governance. Internal audit is an element of the internal control framework assisting management in the effective discharge of its responsibilities and functions by examining and evaluating controls. Internal auditors cannot therefore be held responsible for internal control failures.
- B.3 We have planned our work so that we have a reasonable expectation of detecting significant control weaknesses. We have reported all such weaknesses to management as they have become known to us, without undue delay, and have worked with management to develop proposals for remedial action.
- B.4 Internal audit procedures alone do not guarantee that fraud will be detected. Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud or other irregularities which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.
- B.5 Internal audit's role includes assessing the adequacy of the risk management processes, key internal control systems and corporate governance arrangements put in place by management and performing testing to ensure those controls were operating effectively for the period under review.

Basis of our assessment

- B.6 My opinion on the adequacy of control arrangements is based upon the result of internal audit work undertaken and completed during the period in accordance with the plan approved by the Audit and Accounts Committee. Sufficient, reliable and relevant evidence has been obtained to support the recommendations made.

Limitations to the scope of our work

- B.7 Other than as set out in the audit plan for the year there have been no limitations to the scope of the audit work.

Limitations on the assurance that internal audit can provide

- B.8 There are inherent limitations as to what can be achieved by internal control and consequently limitations to the conclusions that can be drawn from our work as internal auditors. These limitations include the possibility of faulty judgement in decision making, of breakdowns because of human error, of control activities being circumvented by the collusion of two or more people and of management overriding controls. Further, there is no certainty that internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks which may arise in the future.

Scope, responsibilities and assurance

B.9 Decisions made in designing internal controls inevitably involve the acceptance of some degree of risk. As the outcome of the operation of internal controls cannot be predicted with absolute assurance any assessment of internal control is judgmental.

Access to this report and responsibility to third parties

B.10 This report has been prepared solely for Rossendale Borough Council. It forms part of a continuing dialogue between the Internal Audit Service, the chief executive, Audit and Accounts Committee and management of the council. It is not therefore intended to include every matter that came to our attention during each internal audit assignment.

B.11 This report may be made available to other parties, such as the external auditors. However, no responsibility is accepted to any third party who may receive this report for any reliance that may be placed on it and, in particular, the external auditors must determine the reliance placed on the work of the Internal Audit Service.




Rossendale Borough Council

Internal Audit Annual Report 2022/23

Extracts from Internal Audit Reports



Delegated decision making by officers

Overall assurance rating	Audit findings requiring action				
 Substantial	Extreme	High	Medium	Low	
	0	0	0	2	
<p>We can provide Substantial assurance over the arrangement for ensuring officer decisions are taken in accordance with delegated powers, and are approved, recorded and reported in accordance with established policies and procedures. The Constitution sets out the decision-making arrangements and officer delegation scheme which are easily accessible on the council website via the A-Z search function. Decisions are properly authorised under the delegations established in the Constitution and formally signed off as approved. The requirements for decision making can be found in the Constitution however this is not in a format which can be easily understood and followed such as a process document or flow chart. Awareness training for managers was delivered in 2021 around changes to the Constitution and there was a more in-depth look at decision making in January 2022 though this was limited to officers on the Rising Stars development programme. External consultants have now been appointed to undertake a review of the council's decision-making arrangements, including benchmarking against other authorities, and any recommendations will be considered at the review of the Constitution. Delegated decisions are recorded in accordance with the Constitution and there is proper consideration in the Scheme of Delegation (SoD) and Cabinet/ Full Council reports of the legal and financial implications relating to decisions, and we found sufficient information in the Committee reports and SoDs to support the decisions. The Constitution establishes that decisions can be made, and formal decision forms are subsequently submitted within 10 days of the decision, though training for officers involved in decision making processes should raise awareness of this procedure for urgent decisions. There is an accurate record of decisions going back more than the required six years which is updated monthly and uploaded onto council website.</p>					
Agreed actions from the audit				Ref	Priority
<p>A clear procedure should be established setting out the process for approving and recording delegated decisions including criteria and requirements. This should be communicated to officers and published, on the Intranet and consideration should be given to supporting its introduction through formal training for all officers involved in delegated decisions.</p>				4.1	
<p>Heads of service and managers responsible for decision making should be made aware of the 10-day period available for making and recording decisions, following consultation with the Legal Services Manager.</p>				4.2	

Background

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

Context



Section 101 of the Local Government Act 1972 and section 15 of the Local Government Act 2000 provide that a Full Council and a Cabinet can arrange for the discharge of functions through a committee, subcommittee or officer of the authority, or any other local authorities. The Officer Delegation Scheme which forms part of the council's Constitution sets out the delegated powers of the Chief Executive, Directors, Heads of Service and Service Managers to carry out day-to-day management of services. This empowers these officers to authorise other officers in their departments to exercise on their behalf the powers delegated under the scheme. Subject to the limited exceptions, local authorities are permitted to delegate most other decisions to officers. Significant decisions which, for example, exceed £15k expenditure relating to the day-to-day management of departments are required to be formally recorded as are any decisions relating to human resource matters, the acquisition or disposal of land, or where a virement is required. Key decisions where there is a change in Policy framework, expenditure or savings in excess of £100k or where the decision is likely to have a permanent or long-term affect must be made in accordance with the Cabinet Procedure Rules.

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:

- Governance;
- Policies, procedures and awareness training;
- Operational compliance; and
- Monitoring and oversight.

Financial Sustainability – Efficiency Savings and Income Targets

Overall assurance rating	Audit findings requiring action				
 Moderate	Extreme	High	Medium	Low	
	0	0	1	0	
<p>We can provide Moderate assurance over the adequacy and effectiveness of the controls and processes established to deliver the income and efficiency savings in the 2022/23 and 2023/24 council budgets. There is sufficient evidence to support delivery of 2022/23 savings and income targets reported in the quarterly Financial Monitoring Reports. However, there is a £111k shortfall in delivering the 2022/23 efficiency savings and income targets at 31 December 2022. The financial information relating to the budget proposals was amended as part of the Q3 Financial Monitoring Report to clearly depict progress with achieving savings targets though this requires further adapting to incorporate reasons for and action to resolve performance where there is a shortfall. Of the 2022/23 efficiency and income targets of £139k, £28k was reported as achieved at 31 December 2022, though budget holders are aware of the shortfall and action to address the issues is under consideration or improvements have been noted.</p> <p>In preparation for the 2023/24 annual budget a series of workshops were organised with Cabinet and Full Council members to discuss and agree financial savings and income targets to support a balanced budget. Heads of service and managers have been actively involved in the process for reviewing fees and charges which included benchmarking and cost analysis and these informed subsequent savings and income projection calculations for 2023/24 produced by the Finance team, for inclusion in the budget. The budget together with the MTFs have been authorised by Overview and Scrutiny Committee and subsequently by Cabinet and Full Council. Total expected savings and additional income in the budget proposals for 2023/24 amount to £183k though an additional £756k will be required from the Transitional Reserve to fund the financing gap. The council is considering wider opportunities for shared services and partnership working to save costs for current and future years. The savings and income targets in the budget do not have a direct impact on service delivery though the risks associated with delivering the budget have been identified in the report to members and in the Corporate Risk Register. Each service area budget has an appointed budget holder, and as the additional savings and income targets have been built into the overall service budgets, responsibility for achieving these targets will fall within the remit of the respective budget holder. The Finance team performs quarterly monitoring against the budget which includes discussions with respective budget holders and subsequent reporting to senior management and Members.</p>					
Agreed actions from the audit				Ref	Priority
<p>The quarterly Financial Monitoring Report should include a clear analysis of performance against each savings and income target and a commentary highlighting proposed action to resolve any areas where there is reported shortfall and the reasons for these. The Finance Section's monthly budget monitoring meetings with budget holders should consider revisiting and reprofiling targets during the year, particularly where there is a reported shortfall, and identify any action necessary to ensure targets are met.</p>				4.1	

Background

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

Context

The council reduced its net revenue expenditure in line with its own efficiency agenda, and the Government's changes to local government financing over recent years. The provisional Settlement Funding Assessment for 2023/24 announced in December 2022 increased council funding but this still left the council with a significant funding gap due to the impact of inflation and increased costs. Cabinet made proposals for further savings in 2023/24 following discussions with officers and these were incorporated into the budget.

Financial information

A revenue budget for 2023/24 of £10.256m was approved by Full Council including efficiency savings and income targets of £183k and the use of £756k from the Transitional reserve to bridge the funding gap. In comparison, the 2022/23 council budget included efficiency and income targets of £139k.


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:

- Review and approval;
- Income and savings targets;
- Oversight and reporting.



This audit covered the income and efficiency savings in the 2022/23 and 2023/24 council budgets.

Accounts Payable

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

The design of key controls is satisfactory and operating effectively with the exception of some officers bypassing the requisition and purchase order approval process. We acknowledge this has not caused significant impact to the 30-day trades terms key performance indicator (KPI), with targets mostly achieved for the 2022-23 financial year. However, our finding implies officers are routinely committing the council to spend that is not approved and may not be within budget. We have proposed an action to analyse prevalence of retrospective purchase orders and identify officers who persistently bypass controls. We have raised this action previously in both the 2020-21 and 2021-22 audit reports.

There is sufficient separation of duty arrangements between responsibility for requisition, orders, invoices and payments. Invoices are generally matched with purchase orders and goods received notes prior to payment with some known exceptions, such as for grant or precept payments. Expenditure is correctly coded and payments are reviewed and approved prior to processing by the Finance Manager or Head of Finance. We confirmed that action has been taken to remove user access for officers who no longer work at the council and a new monthly process has been introduced to monitor leavers. The creditor control account reconciliation had been consistently completed, with only a minor variance of £1 remaining. Most of the reconciliations were approved by the Finance Manager, with one exception due to handover when the previous Finance Manager left the council.

Ref	Agreed actions from 2021-22 audit	Status of action	Audit findings	Priority
A1	Civica user accounts for officers who have left the authority should be deactivated. Consideration should be giving to undertaking periodic reviews to establish whether officers are still employed by the council and that access is appropriate to their role and responsibilities.	Implemented	The nine officers identified have had their access removed from the system. A new process has been introduced whereby the payroll leavers report is checked monthly and officers who have left the authority are removed.	
A2	Compliance with established procurement rules should be promoted through: <ul style="list-style-type: none"> The issue of reminders to officers who continually raise retrospective orders, supported by training on the purchase order process for non-compliant officers (raised on our previous audit February 2021); and 	Not implemented	This action has not been implemented. We were told there is limited resource to undertake the analysis, although acceptance this should be performed to assess the prevalence of retrospective purchase orders. We understand training for officers may be unnecessary as it is suspected most are aware of the process and are knowingly bypassing controls. We have raised this action again, action	

	<ul style="list-style-type: none"> Periodically compiling a report of all retrospective orders raised and the services that use them for submission to heads of service and the Corporate Management Team, to inform senior managers of the extent and impact of repeated non-compliance with the established process. 		4.1 (below), and suggested that a key performance indicator is considered to escalate non-compliance to senior management and members.	
A3	The council should consider whether there is sufficient training on control account reconciliations within the finance service. If appropriate, additional officers should be trained to allow for better cover of absence or officers leaving the authority.	Implemented	We were satisfied that the creditor and debtor control account reconciliations are being undertaken with sufficient numbers of officers (three) trained to cover absence and ensure resilience if an officer leaves the authority.	●

Agreed actions from 2022-23 audit	Action ref	Priority
Compliance with established procurement rules should be promoted through: <ul style="list-style-type: none"> The issue of reminders to officers who continually raise retrospective orders, supported by guidance/training on the purchase order process to correct non-compliance; Periodically compiling a report of all retrospective orders raised and the services that use them for submission to heads of service and the Corporate Management Team, to inform senior managers of the extent and impact of repeated non-compliance with the established process; and Consideration should be given to monitor and report the prevalence of retrospective purchase orders as a key performance indicator (KPI). 	4.1	●

Background

This audit has been undertaken in accordance with the 2022/23 Internal Audit Plan as approved by the Audit & Governance Committee and has been conducted in conformance with the Public Sector Internal Audit Standards.

Context

The Finance Service administers the creditor database, processes invoice and reconciles spending to the general ledger. The council uses Civica financial software in conjunction with an imaging software package to create and automatically match invoices to purchase orders and goods received notes once completed by services.

Financial Information

For the period April to September 2022, the council processed 3183 invoices with a total approximate value of £55m. The creditor control account has been balanced for the majority of the period, with only a minor variance of £1 that is consistent between months.

Previous audit


An internal audit of accounts payable was last carried out in March 2022. This resulted in a moderate assurance opinion being issued with three agreed actions regarding user access, prevalence of retrospective purchase orders and staff training and resilience to cover key tasks.

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 following key risks:



- The Council is charged for goods it did not order and/ or receive;
- Incorrect/ inaccurate or duplicate/ fictitious payments are made from the Council's bank account;
- Creditor data held on the system is inaccurate or unauthorised changes are made to the system;
- Inaccurate postings are made to creditor accounts;
- Invoices are not paid within agreed trade terms leading to interest charges and financial loss.

Accounts Receivable

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

The internal controls for accounts receivable are satisfactorily designed and mostly operating effectively. There is sufficient guidance for officers to create debtor accounts and invoices, with system controls preventing officers from amending invoices once created. We confirmed an action regarding the debt management policy credit check procedures has been implemented, although we were unable to confirm credit checks in practice. We propose that a process is established and introduced to support compliance with policy. The recovery route is mostly compliant with the debt management policy and invoices are promptly input on the ledger with an appropriate code for the services/goods requested. The debtor control account is reconciled monthly, although there remains a variance of £6k. We were told this issue is known and requires involvement by the system provider with a ticket raised to correct the issue. We take assurance from the consistency of this variance throughout the financial year that the account is balanced.

Aged debt reports are issued weekly to service areas and recent meetings have been held to encourage operational managers to take ownership of debt in their area and intervene directly. Members received quarterly reports of key performance indicators and the amount of aged and doubtful debt. Debt due for write-off has now been processed on the system after nearly four years of failing to do so. We were unable to test current year write-offs due to an on-going issue with legal recovery action. We were told by the Head of Legal that action on sundry debts has not been improved and the action agreed in the prior year's audit has not been implemented. The monitoring spreadsheet used by the Legal service is out-of-date and no action has been taken to pursue debts submitted to legal during the year. We have raised our action again to improve this control with considerations for the limited resource available.

Ref	Agreed actions from the 2021-22 audit	Status of action	Audit findings	Priority
4.1	Consideration should be given to including in the debt management policy a minimum financial limit on credit checks performed on debtors. Once agreed by senior managers, the policy should be submitted to Cabinet for approval, adopted and distributed to finance officers and all services that raise debtor invoices to support compliance.	Implemented	The debt management policy has been amended, with specific criteria for suppliers that should be credit checked. However, we were unable to evidence this in practice and officers were unaware of the requirement. We have proposed an action to establish a process and inform/train officers as action 4.1 (below)	
4.2	The spreadsheet of debtor invoices for legal action should be reviewed to ensure:	Not implemented	We were told by the Head of Legal service that this action has not been implemented due to resource limitations. We did not test legal action as the sundry debt monitoring spreadsheet is out	

	<ul style="list-style-type: none"> Prompt action is being taken to pursue legal recovery of outstanding debt; The legal spreadsheet is up to date with the debtor database; and <p>A priority status for recovery cases is implemented to ensure progress on legal action is monitored and resources allocated appropriately.</p>		<p>of date, with no evidence of legal action being taken on sundry debts in 2022-23.</p> <p>We have raised this action again, action 4.2 (below).</p>	
A3	<p>All sundry debt write-offs identified by the Finance Manager should be approved in line with write-off approval limits and processed on the system. For debts that exceed £5k, members approval should be sought prior to processing.</p>	Implemented	<p>Write-offs have now been processed on the system, with the exception of those exceeding £5k pending members approval.</p> <p>We were satisfied that the write-offs processed were compliant with the debt management policy, although were unable to test current year write-offs as they are pending legal recovery action.</p>	●

Background

Agreed actions from the 2022-23 audit	Action ref	Priority
A process for credit checking suppliers should be established and implemented, with guidance and or training offered to responsible officers, to support compliance with policy.	4.1	●
<p>The spreadsheet of debtor invoices for legal action should be reviewed to ensure:</p> <ul style="list-style-type: none"> Prompt action is being taken to pursue legal recovery of outstanding debt; The legal spreadsheet is up to date with the debtor database; and A priority status for recovery cases is implemented to ensure progress on legal action is monitored and resources allocated appropriately. 	4.2	●

This audit has been undertaken in accordance with the 2022/23 Internal Audit Plan and has been conducted in conformance with the Public Sector Internal Audit Standards.

Context

The council use the Civica Debtor system to manage and maintain the debtor database and raise invoices. This system is administered by the Finance Service, who control user access and report the overall debt position. All service areas can raise debtor invoices or request that invoices are raised on their behalf by the Finance Service. The system generates reminders and final notices to be issued at defined intervals if a debt is not paid promptly. If the system recovery procedure is exhausted, the Finance Service liaises with individual services and the Legal Service to escalate recovery, with action such as termination of service and pursuing legal recovery options.

Financial Information

During the period April to September 2022, the council raised 868 debtor invoices and periodic invoice master (PIM), totalling £3.09m.



Previous audit

Our last audit of accounts receivable was carried out in March 2022, when we gave moderate assurance and agreed three actions regarding the debt management policy, recovery action by the legal service and write-offs. We have referenced our follow-up within the summary of findings and propose raising again the legal service action as this has not been implemented.

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 following key risks: Invoices or credit notes are recorded in an inaccurate and untimely manner; Recovery procedures are not compliant with the council's debt management policy potentially leading to a loss of income that is recoverable and inappropriate or unauthorised write offs; Debts are not recovered in a timely manner and there is a lack of regular monitoring; Transactions are inaccurately recorded in the accounting system or evidence of liability of debts is not retained, potentially hindering the recovery of debts.

General Ledger

Overall assurance rating	Audit findings requiring action				
 Moderate	Extreme	High	Medium	Low	
	0	0	1	0	
<p>The budget for 2022-23 is accurate, approved by members and supported by quarterly financial monitoring reports. Issues identified in our 2021/22 audit in respect of delays in quarterly reporting have been addressed, with reports submitted to members approximately three months after the closure of each quarter. Responsibility for monitoring service area budgets is assigned to individual officers and annotated working papers were provided for most of the quarters reviewed. Journals are supported by a narrative and evidence, such as invoice images held on the system. Most suspense accounts were cleared at time of review and issues with control account reconciliations has improved. While most control accounts reconciliations were completed, a definitive list of all control accounts is not maintained and some reconciliations were still in progress at the time of our audit, with significant variances relating to 2021/22. While we acknowledge the impact of changes in Finance Service staffing, the action raised regarding this issue has yet to be fully implemented, and we have raised this again in this report.</p>					
Agreed action from the audit				Action ref	Priority
<p>A complete list of all control and suspense accounts will be created showing the frequency of monitoring and reconciliation and the responsible officer. Reconciliations will be reviewed and approved by another officer once completed.</p>				4.1	

Background

This audit has been undertaken in accordance with the 2022/23 Internal Audit Plan as approved by the Audit & Governance Committee and has been conducted in conformance with the Public Sector Internal Audit Standards.

Context

The council agreed a net revenue budget for 2022/23 of £ 8.9m in February 2022, which is monitored and maintained on the Civica General Ledger module. The Finance Service underwent significant change with restructure of roles and responsibilities and creation of a principal accountant post.


Previous audit

An internal audit of general ledger controls was last carried out in March 2022 when we gave moderate assurance with one agreed action regarding control and suspense account reconciliations.

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: Approved budgets are not correctly input to the system resulting in under or overspend by budget holders; Budget virements are not appropriately authorised or recorded resulting in inaccurate management accounts and reporting; Unauthorised system access and code creation/ amendment could lead to misappropriation of council funds; Control accounts are not reconciled on a timely basis resulting in inaccurate debtor and creditor balances; Budget variances are not adequately monitored and reported leading to financial loss.


Income Collection

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

The financial procedures establish key controls for income and banking procedures and assign roles and responsibility. There is adequate separation of duty arrangements between receipting, banking and reconciling income with sufficient control over user access for the council's receipting system. All sources of income are identifiable, with transaction amounts receipted and banked promptly. The office safe was within insurance limits and the petty cash balance was accurate with the exception of a minor error which was corrected during the audit.

The suspense account for income has been reduced, following failure to routinely check and allocate income the previous year. However, there are approximately £18k of unresolved transactions remaining, most of which relate to the prior year. We acknowledge the attempts made to return income that cannot be allocated and a new process has been implemented to check the balance daily and escalate to a senior officer transactions that cannot be resolved promptly. We propose unallocated income is moved to a different code and that the council seeks legal advice as to what can be done with the remaining balance. The monthly reconciliation of the cash at bank control account is still in progress, with the assistant accountant having completed April to July 2022. These reconciliations can be balanced for the current year, although have a significant and consistent variance relating to the prior year. We have raised an action regarding suspense and control accounts within our General Ledger report but can provide only moderate assurance in this report as these issues persist and impact reconciliation balances.

Ref	Agreed actions from 2021-22 audit	Status of action	Audit findings	Priority
A1	An early decision should be reached on the need to increase insurance cover for safe holdings, in view of the need to hold cash over the current limit related to the Ukrainian refugee scheme for what may be a protracted period of time.	Superseded	The process of paying out the Ukrainian refugee scheme has been changed eliminating the need to hold cash on site. The safe contents are now within insurance limits.	

Agreed actions from 2022-23 audit	Action ref	Priority
The income suspense account should be cleared, with income that cannot be identified or returned held on a separate code and legal advice should be sought to determine what the council can do with the unallocated income.	4.1	

Background

This audit has been undertaken in accordance with the 2022/23 Internal Audit Plan as approved by the Audit & Accounts Committee.

Context

The council uses the Webpay receipting system to record income, which is reconciled in conjunction with other systems, such as the Civica modules for general ledger and debtors and the Northgate modules for council tax and national non-domestic rates (NNDR). Cash and cheque transactions have significantly reduced, with the council's stated aim to no longer accept cash directly. The majority of income is now received electronically.

Financial Information

For the period April to September 2022, there were approximately 42,000 transactions of £40.9m total value.


Previous audit

An internal audit of income collection was last carried out in March 2022. This resulted in moderate assurance opinion being issued, with one low risk action agreed regarding insurance limits for the office safe. We confirmed this action has been superseded by a change in process.



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: Payments made to the Council are misappropriated or misused, resulting in financial loss; The collection and banking of income is not recorded to the general ledger promptly, completely or accurately; Unauthorised access to systems leads to misappropriation or misuse of council fun

IT critical application review of payroll (MIIA)

Overall assurance rating	Audit findings requiring action			
 Moderate	Extreme	High	Medium	Low
	0	1	4	0

Whilst areas of good practice were identified and there were examples of controls in place and operating effectively, overall, there were weaknesses in some key controls such as, enforcement of data retention and archiving policy, ensuring a robust data cleansing regime is in place, strengthening access controls by ensuring all accounts match the updated password policy and ensuring regular assurance processes / reporting arrangements are matured and embedded. It was also noted during the review that the current Chris21 system was end-of-life / due to be upgraded during 2023/24. This will be a significant upgrade for the Council. The upgrade programme should be subject to appropriate programme monitoring and reporting. During the review, Council staff fully engaged to better understand the controls in place and identify areas where controls could be strengthened.

Agreed actions from 2022-23 audit	Priority
<p data-bbox="163 775 342 807">Data Security</p> <ol data-bbox="163 826 1928 1185" style="list-style-type: none"> 1. Review and publish an updated Data Retention (and archiving) Policy and references the latest Data Protection Act. 2. Document and implement a routine data cleansing process to regularly check and resolve entries such as duplicate, staff leavers, dormant staff details, anomalous records, archive entries, etc.. 3. Formalise and schedule a regular review of folder / export permissions. 4. Formalise and implement a data archiving schedule prior to upgrading to the new system 5. Confirm the strategy for system instances, such as live, test and potentially archive systems. 6. Ensure the Chris21 data is baselined and aligned to the data retention and archiving policy prior to the new upgrade. A plan to migrate data including test system data should be formalised and agreed as part of the planned upgrade / change management. 7. Approve and implement a documented process / strategy for managing audit log report data. 	
<p data-bbox="163 1214 461 1246">Security arrangements</p> <ol data-bbox="163 1265 1928 1461" style="list-style-type: none"> 1. Ensure that all passwords align with this new policy including dormant / leaver accounts prior to upgrading the system. 2. Strengthen password controls by reducing the maximum password attempts (currently set to 99) to a lower figure. 3. Track the risks on the risk register and going forward ensure that the new application integrates with AD and enforces MFA, especially if the solution becomes accessible via the internet. 4. Report the audit log issue to the supplier for resolution and ensure that the upgraded system operates correctly. 	

5. Ensure alerting is enabled for the new	
<p>Support arrangements and host arrangements</p> <ol style="list-style-type: none"> 1. Schedule and complete the upgrade for the Ichris, as planned. 2. Ensure that the contract/ contract engagement meetings include sufficient assurance checks for the current and future system such as evidence of regular penetration testing/ risk remediation. 3. Seek clarification / assurances from the supplier around anti-fraud measures included within the upgraded application, such as transactional level monitoring / capability support. 	●
<p>Information governance and risk management</p> <ol style="list-style-type: none"> 1. Document and approve the following policies / processes: - a) Risk management policy / process; b) A logging and monitoring process for the application; c) Starters, leavers, movers, and dormancy process. 2. Review and refresh the risk register risks and the data flow diagram mapping to ensure there are no gaps or omissions. 3. Formalise a schedule of regular assurance for the application. 4. Schedule and complete training for the application and Information Asset Owner. 	●
<p>Resilience and change management</p> <ol style="list-style-type: none"> 1. Produce a BCP and test plan for the application. 2. Schedule a test of the BCP as part of the upgrade. 3. Include backup and recovery arrangement assurances as part of the regular assurance regime, taking into consideration archive, test and live data / systems. 4. Review and confirm change management processes in place for the current / new system. 5. Formalise and implement performance metrics, such as tracking performance trends, potential impact of archive data on performance. 	●

Background and Context

This critical application review was conducted in accordance with the requirements of the 2022-23 Internal Audit Plan, as approved by the Audit Committee. The Council utilises a variety of applications and associated technologies to facilitate and maximise the efficiency of its operations and service it provides. This review considered Chris21, a payroll system from System Logic used to deliver payroll services to the organisation, and reporting allowing People and Policy staff members to access, when necessary, personal records. The data within this system is viewed as being critical and sensitive, where critical means fundamental to the normal operations of the organisation to provide efficient, safe, and quality Council services. Sensitive relates to the storage of personal identifiable data (user data / history) and as such must be processed and protected in line with relevant GDPR legislation and Council requirements. The business impact of downtime or a data breach would present a significant risk to staff and could result in substantial monetary penalties and reputational damage for the organisation. The system and associated data flows must, therefore, be appropriately controlled and protected to minimise the likelihood of inadvertent or deliberate disruption and exposure of person identifiable and special category data. As a result, senior management commissioned this review to obtain assurance relating to the protection of this key system and identify opportunities for improvement, where appropriate.




IT threat and vulnerability management (MIA)

<p>Overall assurance rating</p> <p style="color: green;">●</p> <p>Substantial</p>	<p>Audit findings requiring action</p> <table border="1"> <tr> <td style="background-color: black; color: white;">Extreme</td> <td style="background-color: red; color: white;">High</td> <td style="background-color: orange; color: white;">Medium</td> <td style="background-color: green; color: white;">Low</td> </tr> <tr> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">1</td> <td style="text-align: center;">0</td> </tr> </table>	Extreme	High	Medium	Low	0	0	1	0
Extreme	High	Medium	Low						
0	0	1	0						

Executive Summary

Overall, the review identified there were good system of internal controls such as 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 taking place. Areas for improvement would 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.

Agreed actions from 2022-23 audit	Priority
<p>Hardening and Threat Intelligence</p> <ol style="list-style-type: none"> 1. Formalise and approve a security hardening policy and an assurance schedule, taking into consideration the recommendations in the penetration test reports with regards hardening. 2. Routinely assurance check and strengthen, where applicable controls in place such as for folder shares, network access, network segmentation and passwords. 3. Formalise and approve a Multi / Two Factor Authentication (MFA / 2FA) strategy and implement on all members using Microsoft Office 365, as planned and across backups, privileged accounts, social media accounts and supplier access, where possible. 4. Review coverage to ensure that the Council receives assurance reports and alerts from all third parties. 5. Formalise / agree the role of the Head of ICT in engaging with local / national groups 6. Formalise and approve a logging and monitoring strategy and a solution should be implemented and matured. 	<p style="color: orange;">●</p>

<p>Incident and Reporting</p> <ol style="list-style-type: none"> 1. Schedule and document the annual business continuity test, as planned. 2. Ensure Council/ third party expectations align for: a) the ICB Code of Connection v1.1 with the ICB and ensure that the documentation requirements are in place, such as a protective monitoring policy and security incident management plan, b) Jadu's Terms of Reference and ensure they align with the Councils' expectations in terms of incident response. 3. Complete review/ update of incident management policy/ documentation to include: a) process for incident trend reporting; b) a strategy/ approach for managing mobile phone incidents; c) communications solutions for senior management to communicate during an incident. 4. Calibrate the monitoring solutions against one another and formalise a strategy for investigating issues using these solutions. 	
<p>Patch management and malware detection</p> <ol style="list-style-type: none"> 1. Formalise an overarching IT Threat and Vulnerability strategy / policy. 2. Formalise assurance reports from third parties / IAOs to ensure patching is in place for system they have responsibility for and that assurance reporting requirements align with policy / schedules. 3. Periodically cross-correlate the dashboards and investigate/ remediate any anomalies. 4. Review and enrol with the following solutions, where applicable: a) National Cyber Security Centre Early Warning; b) Web Check; c) Protective Domain Name Service (PDNS). 5. Regularly track and report where solutions require manual intervention / exemptions apply. 	
<p>Risk assessment(s) and Training</p> <ol style="list-style-type: none"> 1. Clarify risks of ransomware and phishing attacks on the risk registers. 2. Formalise and implement a process for risk managing and assurance checking third parties regularly. 3. Formalise and approve a cloud assurance policy. 4. Formalise and approve a security and education strategy. 5. Complete mix of skills/ training resource assessment and update training strategy spreadsheet to include enhanced training for technical specialists, and Council/ CMT/ senior management and ensure that completion/ attendance rates are being tracked and reported. 	

Background and Context

This review at Rossendale Borough Council was conducted in accordance with the requirements of the 2022/23 Internal Audit Plan, as approved by the Audit Committee. The aim of the review was to assess how the organisation reviews and responds to key cyber security threats and to gain an understanding of how those threats are managed and mitigated. It is critical that the controls to protect against cyber security threats are appropriate to meet Data Protection, General Data Protection Regulations and Networks and Information Systems (NIS) Directive Regulations. The consequences of an incident / breach could result in significant disruption to essential services and financial penalties. A key element of a secure network and infrastructure relates to threat and vulnerability management i.e., the practice of identifying, classifying, remediating, and mitigating security vulnerabilities. This practice generally refers to software vulnerabilities in computing systems however it can also extend to organisational behaviour and strategic decision-making processes. In addition, computing environments and associated risks are dynamic and are constantly

evolving over time, as do security policy requirements, and for this reason threat and vulnerability management is not a point in time process but should be continuous. A regular assessment regime is essential to ensure that the organisation is aware of the risks that are present. Threats and vulnerabilities are not the same. A threat has the potential to impact valuable resources negatively and a vulnerability has the ability to allow a threat to be realised. Vulnerabilities can take many forms, but in most cases refer to bugs or weaknesses in software that can be exploited directly, or via malware, to gain inappropriate access or privileges that can be used to cause operational disruption or expose data. Vulnerabilities can also be caused due to default security settings or poor security practice being adopted. 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.

Audit assurance and residual risks

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.*