

Subject:	Internal Audit Progress Report July to August 2023/24	Status:	For Publication
Report to:	Audit & Accounts Committee	Date:	27/09/2023
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 progress report for July to August 2023/24.**

2. EXECUTIVE SUMMARY

- To support the Audit and Accounts Committee in fulfilling its responsibility to monitor performance against the internal audit plan.
- 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

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. DETAILS

This paper reports progress with the delivery of each audit on the 2023/24 annual audit plan.

5. RISK

All the issues raised and the recommendation in this report involve risk considerations as set out below: adequacy of Council management of risks in respect of the areas subject to audit.

6. FINANCE

Any financial implications are commented upon in the report.

7. LEGAL

Any legal implications are commented upon in the report.

8. POLICY AND EQUALITIES IMPLICATIONS

Reported findings have been discussed and agreed, including management responses to the recommendations, with respective Service Managers and Heads of Service prior to reporting.

9. REASON FOR DECISION

To support the Audit and Accounts Committee in fulfilling its responsibility to monitor Internal Audit performance.

No background papers.

Rossendale Borough Council

Internal Audit Service

Progress report on delivery of the 2023/24 internal audit plan

July to August 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 2023/24 audit plan, agreed at the March 2023 Committee meeting.

2. Summary of progress against the 2023/24 audit plan

- 2.1. In March the committee agreed a six-month audit plan to give the new Chief Executive the opportunity to contribute to the audit programme for the second half of the year. We have now agreed a number of additional audits, which are highlighted in the table below. Of the 16 planned audits for the year (excluding follow up work) one has been completed, we have issued four draft reports, two audits are in progress and nine have not been started. Paragraph 3 contains an extract from the final report of the payroll process, where we gave substantial assurance. The table below shows the status of all audits. We have made less progress with audit delivery than planned, as a key auditor has been engaged in urgent work which arose in-year. However, this report only covers two months and I expect to recover the position in the next quarter.

Audit Title	Status	Audit Type	Assurance Opinion
Governance and democratic oversight			
Contract procedure rules	Not started	1+2	
Business effectiveness			
Flexible working from home	Progressing	1+2	
IT critical application review – elections system (MIAA)	Draft Report	1+2	
CCTV systems (MIAA)	Progressing	1+2	
Best Value Duty – Statutory Framework	Not started	1+2	
Service delivery			
Project management	Not started	1+2	
Land charges	Not started	1+2	
Service support			
Customer contact	Not started		
Business processes (follow up and compliance)			
Payroll	Completed	2	Substantial

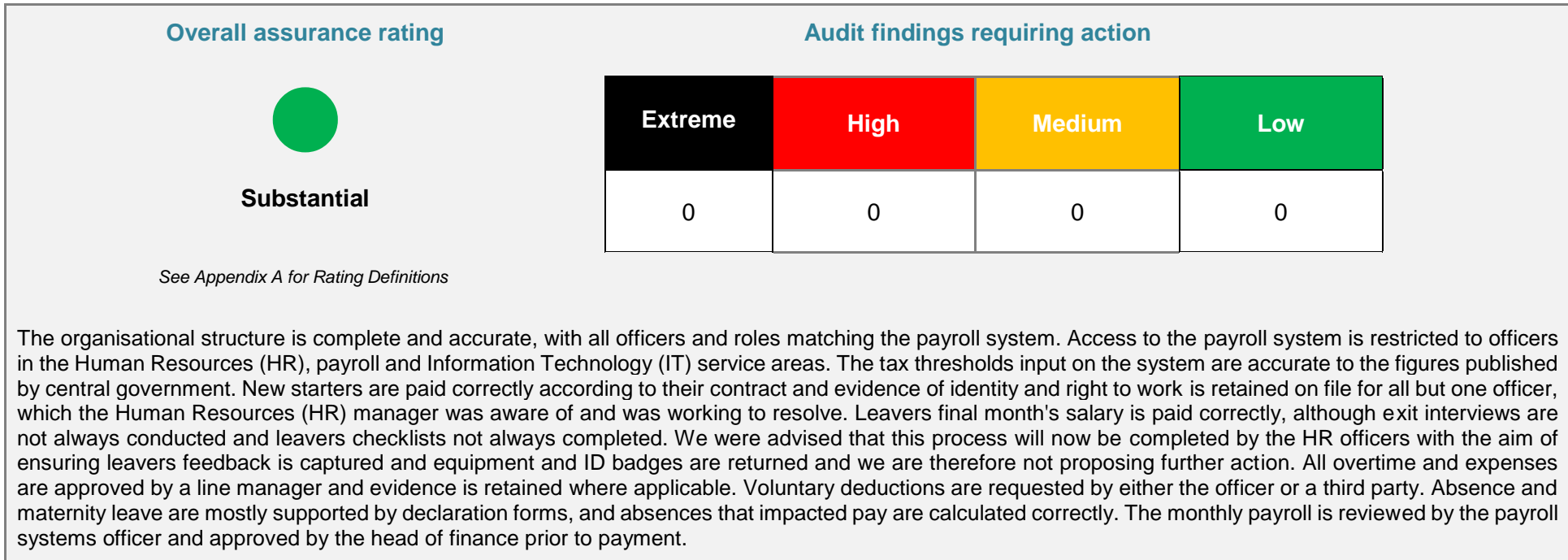
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Audit Title	Status	Audit Type	Assurance Opinion
Accounts payable	Not started	2	
Accounts receivable	Not started	2	
General ledger, budget setting and monitoring	Not started	2	
Income collection/ banking	Not started	2	
Council tax	Draft Report	2	
Business rates/ NNDR	Draft Report	2	
Housing benefits	Draft Report	2	
Stage of audit process	Number of audits		
Completed (no report necessary)/ Final Report delivered	1		
Draft report	4		
Progressing (includes follow up audits)	2		
Not started	9		
Deferred/ cancelled	0		
Total number of audits	16		

Follow up of previous audits			
IT threat and vulnerability management (MIIA)	Not started	Follow up	N/A
IT critical application review – HR (MIIA)	Not started	Follow up	
Financial sustainability - Efficiency Savings and Income Targets	Progressing	Follow up	
Delegated decision making by officers	Progressing	Follow up	
Health and safety	Progressing	Follow up	
Sickness absence	Progressing	Follow up	

3. Extracts from Audit Reports

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



2.1 Background

This audit has been undertaken in accordance with the 2023/24 Internal Audit Plan as approved by the Audit, Risk & Governance Committee. The audit covers the period January to August 2023 and has been conducted in conformance with the Public Sector Internal Audit Standards.

2.2 Context

The council uses the Complete Human Resource Information System (CHRIS21) to administer and calculate payroll. HR and payroll functions are undertaken by council officer's and system access is restricted to those in HR, payroll and ICT service.

The council employed 178 officers at the time of our review, with an approximate monthly net pay of £340k.

2.4 Previous audit

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An internal audit of payroll was last carried out in September 2022. This resulted in a substantial assurance opinion being issued with no improvement action required.

2.4 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:

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

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
Data categories	Reports	Matches	Processed		Frauds	Errors	£
Housing benefit	5	17	17	0	0	0	0
Waiting Lists	6	88	2	6	0	1	£8,566
Payroll to payroll/ creditors	3	7	0	0	0	0	0
Creditors - duplicates	5	21	0	0	0	0	0
Council Tax Reduction Schemes	11	97	83	5	0	6	£10,353.43
Value Added Tax	1	5	0	0	0	0	0
Procurement – payroll	2	9	0	0	0	0	0
Multiple Occurrences	16	-	-	-	-	-	-
Total	32	244	109	4	0	8	£18,919.43

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. The following Council Tax matches were released in December 2022 and have now been completed.

	Number					Savings
Data categories	Reports	Matches	Processed	Frauds	Errors	£
Premium council tax – SPD electoral register	1	283	283	0	51	£42,250.93
Council Tax rising 18s	1	33	33	0	0	£0
Total	2	316	316	0	51	£42,250.93

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.