

Meeting of: Audit & Accounts Committee

Date: 29th November 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	<p>Glenda Ashton, Committee and Member Services Officer Tel: 01706 252423 Email: glendaashton@rossendalebc.gov.uk</p>
A2.	Minutes of the last meeting To approve and sign as a correct record the Minutes of the meeting held on 27 th September 2023	
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.	
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	<p>Glenda Ashton, Committee and Member Services Officer 01706 252423 glendaashton@rossendalebc.gov.uk</p>

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 Rosendale Borough Council, Futures Park, Bacup, OL13 0BB

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ITEM		Lead Member/Contact Officer
	<p>with. A time limit of 3 minutes applies for each question and you are only able to address the meeting once.</p> <p>To register for public question time your question must be received no later than 12noon on the day of the meeting by emailing democracy@rossendalebc.gov.uk Please give your full name, telephone number and include a copy of your question.</p> <p>Please begin by giving your name and state whether you are speaking as an individual member of the public or as a representative of a group. (Question time normally lasts up to 30 minutes).</p>	<p>Please register an agenda related public question by emailing democracy@rossendalebc.gov.uk no later than 12noon on Wednesday 29th November 2023</p>
C.	<p>Chair's Update To receive communications from the Chair</p>	Councillor M Smith
D.	ORDINARY BUSINESS	
D1.	Corporate Risk Register Update Q2 2023/24	Karen Spencer Chief Finance Officer, 01706 252465 karenspercer@rossendalebc.gov.uk
D2.	Internal Audit Progress Report	Mark Baskerville Lancashire County Council mark.baskerville@lancashire.gov.uk
D3.	External Audit Progress Report	Alastair Newall Mazars Auditors alastairnewall@mazars.co.uk
D4.	Annual Empty Homes Update – Part 1	Karen Spencer Chief Finance Officer, 01706 252465 karenspercer@rossendalebc.gov.uk
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.	Annual Empty Homes Update – Part 2	Karen Spencer Chief Finance Officer, 01706 252465 karenspercer@rossendalebc.gov.uk
E2.	Standards Complaints update (verbal)	Councillor M Smith
E3.	Whistleblowing update (verbal)	Councillor M Smith



Rob Huntington
Chief Executive

MINUTES OF: THE AUDIT AND ACCOUNTS COMMITTEE

DATE OF MEETING: 27TH SEPTEMBER 2023

**PRESENT: Councillor Procter (Chair)
Councillors S Barnes (sub), S Smith, Walmsley & Woods
Mr S McManus, Co-opted member**

**IN ATTENDANCE: Karen Spencer, Chief Finance Officer (S151 Officer), RBC
Andy Dalecki, LCC Internal Auditors
Mark Baskerville, LCC Internal Auditors
Katie Kingston, Mazars External Auditors
Glenda Ashton, Committee Officer, RBC**

**ALSO PRESENT: Councillor Neal
K Haworth, Head of Financial Services
1 member of the public**

1. APOLOGIES FOR ABSENCE

- 1.1 Apologies were received from Councillors M Smith (Councillor S Barnes subbing), MacNae and Powell.

2. MINUTES OF THE MEETING HELD ON 26TH JULY 2023

RESOLVED:

The minutes of the meeting held on 26th July 2023 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. The Chair agreed to take questions as each agenda item arose.

6. CHAIR'S UPDATE

- 6.1 It was noted that the term of office for Simon McManus, co-opted member, had been extended until September 2025.
- 6.2 Eight councillors are still to complete Cyber Security training. The Chair asked that contact be made with those members, highlighting the importance of completing the training.

7. CORPORATE RISK REGISTER UPDATE Q1 2023/24

- 7.1 The Chief Finance Officer presented the report, which asked members to note the risk consequence, mitigation action and level of risk as detailed in Appendix 1. It was noted

that there were two red risks. In relation to risk 9, Financial Sustainability of Council Owned Leisure Assets, it was reported that a Leisure Cross Party Working Group had been formed to take forward the recommendations from the Grant Thornton report.

7.2 The following comments were made and clarifications provided:

Risk 9 – Financial Sustainability of Council Owned Leisure Assets

- A report had been taken to Full Council which outlined the criteria to be met by Rossendale Leisure Trust before the Council would issue a Letter of Assurance. The criteria would be considered by the Leisure Cross Party Working Group together with any new information/figures.

Risk 5 – Sustainable Workforce

- All vacant posts were now assessed by the Corporate Management Team before going to advert.

Risk 6 – Insufficient Data and Cyber Security

- 78% of councillors had completed the Cyber Security training. 36% of these had completed the online training course.

RESOLVED:

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

8. DRAFT ANNUAL GOVERNANCE STATEMENT 2022/23

8.1 The Chief Finance Officer advised that the Annual Governance Statement would normally be presented to the Committee in July with the unaudited accounts, however due to delays, this was not possible so the statement had been brought separately. The accounts were now ready to publish however due to technical issues this had not been possible. It was anticipated they would be published by the end of the week.

8.2 The following clarification was provided:

- The Annual Governance Statement and Statement of Accounts would be brought back before the Committee once audited.

RESOLVED:

- The contents of the Draft Annual Governance Statement 2022/23 were noted.

9. INTERNAL AUDIT PROGRESS REPORT JULY TO AUGUST 2023/24

9.1 The Audit Manager, Lancashire County Council, outlined the report, which asked members to consider the Internal Audit Progress Report for July to August 2023/24.

9.2 The following clarification was provided:

- The CCTV audit looks at the technical and IT solutions and gives assurance over its effectiveness e.g. secure storage of recordings, checking system access and data security.

RESOLVED:

- The Committee considered the Internal Audit progress report for July to August

2023/24.

10. EXTERNAL AUDIT PROGRESS REPORT

10.1 The Audit Manager, Mazars, outlined the report, which asked members to note the contents of the report.

10.2 The following comments were made and clarifications provided:

- The sector as a whole had resource issues but Mazars did not currently have any staffing problems, so catching up on back years' audits shouldn't be an issue.
- Audit delays were a national issue and the Government were looking into the problems. Statutory backstop dates may be set and accounts qualified with disclaimers.
- The Chief Finance Officer and her Team were thanked for their hard work. The Auditors were also thanked for their help during the changeover.

RESOLVED:

- The Committee considered the External Audit progress report.

11. 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.

12. STANDARDS COMPLAINTS UPDATE (VERBAL)

12.1 An update was provided in relation to Standards Complaints.

RESOLVED:

- That the update was noted.

13. WHISTLEBLOWING UPDATE (VERBAL)

13.1 An update was provided in relation to Whistleblowing.

RESOLVED:

- That the update was noted.

The meeting concluded at 6.57pm

Signed (Chair)

Date

Subject:	Corporate Risk Register Update Quarter 2 2023/24 (July, August and September)	Status:	For Publication	
Report to:	Audit and Accounts	Date:	29 th November 2023	
Report of:	Chief Finance Officer	Lead Member:	Resources	
Key Decision:	<input type="checkbox"/> Forward Plan <input checked="" 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. RECOMMENDATION

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

2. EXECUTIVE SUMMARY

- 2.1
 - The Quarter 2 (Q2) Corporate Risks Register Update is reporting for months July, August and September 2023.
 - The report includes updates for the Council's 9 Corporate Risks.
 - Overall, the Council's performance is strong but the financial pressures for the Rossendale Leisure Trust and the Council are creating cost pressures which the Council must monitor closely as the financial year progresses.
 - The report concluded 2 Corporate Risks rated as '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 details the Council's risk monitoring and reporting framework. The Council has identified 9 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. DETAILS

- 4.1 The Council has reviewed and continues to monitor the Corporate Risk Register.
- 4.2 The Councils Corporate Risks are categorised at the end of Q2 as follows:

	Quarter 2 2023/24
Low	4
Medium	3
High	2

4.3	Corporate Risk 1	Likelihood	Impact	Overall	Status
	Stability of the Medium Term Financial Strategy	B	1	B1	RED

The 2022/23 outturn has improved from the estimated position that was included in the February 2023 Medium Term Financial Strategy and has slightly improved the reserves balance. However, the Council is estimated to run out of reserves during 2026/27. Officers continue to investigate alternative delivery mechanisms and to maximise efficiencies and make savings wherever possible, however, it is difficult to making savings without affecting service delivery. The budget process for 2024/25 has commenced and income and expenditure are being scrutinised on a line-by-line basis. The Council continues to maximise income opportunities where possible. The Corporate Management Team review the need for all vacant posts prior to recruitment and have introduced a freeze on non-essential expenditure. The Empty Homes scheme continues to have an adverse impacts on the Medium Term Financial Strategy, officers continue to monitor and manage the scheme closely.

4.4	Corporate Risk 9	Likelihood	Impact	Overall	Status
	Financial Sustainability of Council Owned Leisure Assets	B	1	B1	RED

An external assessment has been carried out of the financial sustainability of Council owned leisure assets by Grant Thornton, which has made a number of recommendations that were agreed by Full Council in May 2023. This is now a focus of action. An established cross party working group monitors the delivery of the recommendations and associated action.

5. RISK

5.1 The Council's Corporate Risk Register continues to be monitored by the Corporate Management Team on a regular basis.

6. FINANCE

6.1 Financial implications and risks arising are identified within this report.

7. LEGAL

7.1 There are no immediate legal considerations attached to the recommendations within this report.

8. POLICY AND EQUALITIES IMPLICATIONS

8.1 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.

9. REASON FOR DECISION

9.1 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	
Q2 Corporate Risk Register	Appendix 1

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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

Description

The Council’s latest Medium Term Financial Strategy 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 Medium Term Financial Strategy 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 would ultimately impact on the level of services the council is able to deliver to Rossendale residents and would result in major reputational damage.

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

Mitigation

The Medium Term Financial Strategy does not indicate a significant narrowing of the gap in the next four years. New income generating opportunities will need to be identified to generate additional revenue, along with improved efficiency and effectiveness of service delivery. Departments across the council will need to be challenged to become more effective.

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

Q2 Update

The 2022/23 outturn has improved from the estimated position that was included in the February 2023 Medium Term Financial Strategy and has slightly improved the reserves balance. However, the Council is estimated to run out of reserves during 2026/27. Officers continue to investigate alternative delivery mechanisms and to maximise efficiencies and make savings wherever possible, however, it is difficult to making savings without affecting service delivery. The budget process for 2024/25 has commenced and income and expenditure are being scrutinised on a line-by-line basis. The Council continues to maximise income opportunities where possible. The Corporate Management Team review the need for all vacant posts prior to recruitment and have introduced a freeze on non-essential expenditure. The Empty Homes scheme continues to have an adverse impact on the Medium Term Financial Strategy, officers continue to monitor and manage the scheme closely.

Q2 risk assessment RAG status (current)	Likelihood	Impact	Overall Risk	Status
	B	1	B1	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 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. 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

Q2 Update

The Council's Local Emergency Plan has been reviewed and updated. The system for the Council's out of hours emergencies contacting arrangements have been reviewed, including the on-call telephone, out of hours arrangements with Capita and emergency arrangements with Lancashire County Council/Local Resilience Forum. Work is ongoing with Lancashire County Council's Emergency Planning Team to update the Rest Centre information and contacts. The Council's Emergency Planning Team continues to meet quarterly and relevant officers attend Local Resilience Forum meetings and training with other agencies to ensure the Lancashire response to major incidents is robust.

Q2 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 a Health and Safety Executive 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

A robust 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. 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
	E	2	E2	GREEN

Q2 Update

Work has continued to implement the Health and Safety Action Plan with the main areas of work being the development of a draft Health and Wellbeing Strategy in conjunction with Human Resources; monitoring, risk control and clarifying training needs. Work to progress health and safety risk management is behind schedule as it is dependent on the corporate Risk Management Strategy being agreed. 18 health and safety reports were received during Q2. One accident was reported to the Health and Safety Executive under RIDDOR as a member of staff was absent from work for more than 7 days. No further contact has been received from the Health and Safety Executive in respect of the two reported cases of Hand Arm Vibration Syndrome. Ongoing management of vibration in Operations has been reviewed and is ongoing. Work to review controls for the removal of fly-tipping containing asbestos has been undertaken and robust controls are being implemented. The programme of workplace inspections for 2023/24 is ongoing and on target.

Q2 risk assessment RAG status (current)	Likelihood	Impact	Overall Risk	Status
	D	2	D2	AMBER

Risk 4 – Changes to Government policy on the delivery of the Council’s services**Responsible Officer - Rob Huntington****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

Q2 Update

The Council continues to be a member of the Local Government Association and District Councils Networks. The Chief Executive regularly attends the North West Chief Executive, and Lancashire Chief Executive meetings, both having representation from the Local Government Association. The Corporate Management Team weekly review recent policy announcements from government departments to determine any appropriate action required.

Q2 risk assessment RAG status (current)

Likelihood	Impact	Overall Risk	Status
E	2	E2	GREEN

Risk 5 – 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

Q2 Update

The number of employee leavers has increased during Q2. 10 vacant posts have been advertised. Some of the vacant posts have been recruited to internally and the Operations Workshops have remained vacant.

The level of sickness absence has significantly increased throughout Q2, with 6 employees (4.39 days per FTE) related to long term absence (other musculo-skeletal stated as the main cause of absence) being managed under the Council's Absence Management Policy and 2 employees have now returned to work. The main reason for short term sickness absence (2.66 days per FTE) is infections, colds, flu (0.79 days per FTE confirmed covid cases although government advice is not to test therefore more days absence could be attributed to covid). Historically payment of the flu jab has been offered to all staff, it is proposed to offer again this year to try to mitigate further absences due to infections, colds, flu absences.

Q2 risk assessment RAG status (current)	Likelihood	Impact	Overall Risk	Status
	D	3	D3	AMBER

Risk 6 – 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, Payment Card Industry Data Security.

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

Mitigation

To protect against a data breach the Council, host all council data in Tier 3 Data Centres located in different geographical regions and are backed up daily. The Council's Data Centres hold the following accreditations: ISO27001:2013 and the Payment Card Industry Data Security. 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 which means the Councils' infrastructure met all the security requirements to allow connection to the Public Services Network. 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

Q2 Update

To provide additional cyber protection and enhance Rossendale online security, replacement website firewalls along with the setup of Intrusion Detection Systems/Intrusion Prevention Systems have been implemented for the new Rossendale website. The website site is hosted on Amazon Web Services which offers increased resilience, performance and flexibility. Work has continued with the implementation of the Memorandum of Understanding compliance requirements imposed by the Department of Working Pension require set security standards and processes to be followed. Access to the revenues and benefits data is being audited along with all user access privileges.

The Council has selected a corporate cyber training and awareness package that will be deployed across Members and all Council staff.

Q2 risk assessment RAG status (current)	Likelihood	Impact	Overall Risk	Status
	D	1	D1	AMBER

Risk 7 – 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 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

Q2 Update

Viva PR has continued to deliver the agreed communications including updates to the Council's website and social media posts to residents, businesses and communities. The Corporate Management Team receive a weekly update, which includes horizon scanning and potential risks. 18 positive press releases have been released resulting in 104 pieces of media coverage. All of these pro-active positive releases help to promote the Council externally. Viva PR 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.

The recycling 'Check Before You Chuck' campaign devised by Viva PR won a national PR campaign award in the PRCA Public Sector category to go with the earlier regional award and has been shortlisted in the National Recycling Awards to be held in London in November.

Q2 risk assessment RAG status (current)	Likelihood	Impact	Overall Risk	Status
	E	1	E1	GREEN

Risk 8 – Non – Delivery of Corporate Programmes

Responsible Officer - Rob Huntington

Description

The Council has agreed the 6 corporate programmes for 2023/24 to support the delivery of Corporate Plan.

Risk Consequence

Failure to deliver the corporate programmes would have a detrimental impact on the delivery of the Council's Valley Plan 2021-25, Our Place, Our Plan, and result in a reputational risk to the Council's commitment to the residents. The failure to deliver the corporate programmes 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 programme will have a robust project plan and live risk register. The Programme Sponsor will be responsible for the strategic overview of the corporate programme, and the Programme Manager will be responsible for the day-to-day management of the corporate programme. The Council's Programme Board meets quarterly to review the progress of the corporate programmes. The Programme Sponsor will be responsible for highlighting any concerns to the Corporate Management Team throughout the life of the corporate programme.

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

Q2 Update

A revised programme to support the delivery of the Valley Plan 2021-25 – Our Place, Our Plan has been produced and agreed with the Corporate Management Team, with appropriate governance and programme sponsorship in place.

Q2 risk assessment RAG status (current)	Likelihood	Impact	Overall Risk	Status
	E	2	E2	GREEN

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 and continue through 2023/24.

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

Q2 Update

An external assessment has been carried out of the financial sustainability of Council owned leisure assets by Grant Thornton, which has made a number of recommendations that were agreed by Full Council in May 2023. This is now a focus of action. An established cross party working group monitors the delivery of the recommendations and associated action.

Q2 risk assessment RAG status (current)	Likelihood	Impact	Overall Risk	Status
	A	2	A2	RED

Subject:	Internal Audit Progress Report 2023/24 Audit Plan - September to November 2023	Status:	For Publication
Report to:	Audit & Accounts Committee	Date:	29/11/2023
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 report on progress to deliver the 2023/24 audit plan.

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

September to November 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. Of the 16 audits planned for the year (excluding follow up work), in this period we have completed two audits, issued one draft report and have started work on two audits. Overall, we have been able to give positive assurance opinions on the audits completed to date. Audits of the Capita managed systems – housing benefits, business rates and council tax – established that they were well managed overall and identified improvements only in respect of the longstanding need to update the council's debt management policy. Mersey Internal Audit Agency (MIAA) gave moderate assurance in their audit of the Xpress elections system, recommending improvement action prior to the next election including revised or new policies, document security and data cleansing. In terms of delivery of the remainder of the plan, those audits that are not yet progressing are currently planned in and resourced for delivery in Quarter 4, and I am confident that they can be delivered within that time frame. The planned audit of CCTV systems to be carried out by Mersey Internal Audit Agency (MIAA) was put on hold due to a change of council personnel and is to be rescheduled.
- 2.2. The table below shows the status of all audits and Appendix A contains extracts from the final reports issued in this period.

Audit Title	Status	Audit Type	Assurance Opinion
Governance and democratic oversight			
Contract procedure rules	Not started – Qtr. 4	1+2	
Business effectiveness			
Flexible working from home	Draft Report	1+2	
IT critical application review - Xpress Elections System (MIAA)	Completed	1+2	Moderate
CCTV systems (MIAA)	Not started	1+2	
Best Value Duty – Statutory Framework	Progressing	1+2	
Service delivery			
Project management	Not started – Q4	1+2	
Land charges	Not started – Q4	1+2	
Service support			

Internal Audit Service - Progress Report 2023/24 September – November 2023

Audit Title	Status	Audit Type	Assurance Opinion
Customer contact	Progressing	1+2	
Business processes (follow up and compliance)			
Payroll	Completed	2	Substantial
Accounts payable	Not started - Qtr. 4	2	
Accounts receivable	Not started - Qtr. 4	2	
General ledger, budget setting and monitoring	Not started - Qtr. 4	2	
Income collection/ banking	Not started - Qtr. 4	2	
Council tax	Completed	2	Moderate
Business rates/ NNDR	Completed	2	Moderate
Housing benefits	Completed	2	Substantial
Stage of audit process	Number of audits		
Not started	8		
Progressing (includes follow up audits)	2		
Draft report	1		
Completed - Final Report <i>or</i> no report necessary	5		
Deferred/ cancelled	0		
Total number of audits	16		

Follow up of previous audits			
IT threat and vulnerability management (MIIA)	Progressing	Follow up	N/A
IT critical application review – HR (MIIA)	Progressing	Follow up	
Financial sustainability - Efficiency Savings and Income Targets	Complete	Follow up	
Delegated decision making by officers	Progressing	Follow up	
Health and safety	Progressing	Follow up	
Sickness absence	Progressing	Follow up	

3. Update on the National Fraud Initiative (NFI)

3.1. 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	Investigating	Frauds	Errors	£
Housing benefit	5	17	17	0	0	0	0
Waiting Lists	6	88	2	0	0	2	£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	14	171	86	3	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	52	318	105	3	0	8	£18,919.43

3.2. 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.

Data categories	Number					Savings
	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

	Number					Savings
Data categories	Reports	Matches	Processed	Frauds	Errors	£
Total	2	316	316	0	51	£42,250.93



4. Use of this report

This report has been prepared solely for the use of Rossendale Borough Council and it would therefore not be appropriate for it or extracts from it to be made available to third parties other than the external auditors. We accept no responsibility to any third party who may receive this report, in whole or in part, for any reliance that they may place on it and in particular we expect the external auditors to determine for themselves the extent to which they choose to utilise our work.


Extracts from Audit Reports

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

4.1. Council tax

<p>Overall assurance rating</p>  <p>Moderate</p> <p><i>See Appendix A for Rating Definitions</i></p>	<p>Audit findings requiring action</p> <table border="1"> <tr> <td style="background-color: black; color: white; text-align: center;">Extreme</td> <td style="background-color: red; color: white; text-align: center;">High</td> <td style="background-color: yellow; text-align: center;">Medium</td> <td style="background-color: green; text-align: center;">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;">1</td> </tr> </table>				Extreme	High	Medium	Low	0	0	1	1
Extreme	High	Medium	Low									
0	0	1	1									
<p>The Debt Management Policy (2008) adequately defines council tax recovery and write off procedures, although has not been reviewed and approved by members for more than a decade. This has been raised as an action for five consecutive years and will be raised again. The council tax bands are accurate and the property database is reconciled periodically with Valuation office agency (VOA) reports. Access to the system is appropriately restricted, with officers' roles based on their access level and business need. Discounts and exemptions applied to accounts are supported by retained evidence and inspections where required, except for some properties not inspected due to the short duration. The reminders, summons, write off and refund procedures are compliant with policy. The key performance indicators (KPI) were achieved and reported to members quarterly. However, the target was incorrectly reported as in the previous year. Although we accept this is a minor transposition error, this process should be reviewed and improved as members rely on officers to present accurate information for their oversight and decision making. Aged debt levels have increased further, from approximately £8.2m to £8.9m as of April 2023. This is a lower increase than the previous year (£1.1m) but still following a trend of overall increasing levels of aged debt each year. We confirmed a report has been provided to the strategic and governance board, who agreed aged debt should be reported twice annually to monitor and provide oversight.</p>												
<p>Agreed actions from the audit</p>			<p>Action ref</p>	<p>Priority</p>								
<p>The Debt Management Policy (2008) should be reviewed and revised to ensure it is up to date, to correct any inaccuracies and to ensure policy reflects relationship between the council and the service provider Capita. The revised policy should be submitted to Members for consideration and approval.</p>			<p>4.1</p>									

Internal Audit Service - Progress Report 2023/24 September – November 2023

Agreed actions from the audit	Action ref	Priority
The quarterly performance target for collection rate should be accurately reported to members for both the Council Tax and National Non-domestic. The quarterly performance report making process should be reviewed and improved to reduce the risk of reoccurrence.	4.2	

2.1 Background

This audit has been undertaken in accordance with the 2023/24 Internal Audit Plan as approved by the Audit & Accounts Committee. The audit covers the period March 2022 to April 2023 and has been conducted in conformance with the Public Sector Internal Audit Standards.

2.2 Context

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

Approximately £43m total council tax bills were raised during 2022-23, with 95.95% collected by year end.

2.3 Previous audit


An internal audit of Council Tax was last carried out in July 2022. This resulted in moderate assurance with two medium risk action regarding the debt management policy and reporting of the growing aged debt level.

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:

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

4.2. Business rates/ NNDR

<p>Overall assurance rating</p> <div style="text-align: center;">  <p>Moderate</p> </div> <p><i>See Appendix A for Rating Definitions</i></p>		<p>Audit findings requiring action</p> <table border="1" style="width: 100%; text-align: center;"> <tr> <td style="background-color: black; color: white;">Extreme</td> <td style="background-color: red; color: white;">High</td> <td style="background-color: yellow; color: black;">Medium</td> <td style="background-color: green; color: white;">Low</td> </tr> <tr> <td>0</td> <td>0</td> <td>1</td> <td>1</td> </tr> </table>				Extreme	High	Medium	Low	0	0	1	1
Extreme	High	Medium	Low										
0	0	1	1										
<p>The debt management policy (2008) adequately defines recovery and write off procedures although, as reported for five consecutive years since 2019, it is significantly overdue for review and approval by members. We have again raised an action in our Council Tax 2023-24 audit report to review and approve the policy. Access to the system is appropriately restricted, with officer's access levels suitable to their role and business need. The rates input on the system are correct to central government figures and the property database is periodically reconciled to Valuation Office Agency (VOA) reports as agreed in a previous audit, with reconciliations checked by another officer. Reductions and exemptions to business rates are appropriately applied and supported by evidence retained on the system. Inspections are carried out where required, in most cases to confirm eligibility, and only those with no liability or exemption value were overlooked. The recovery, write off and refund procedures are compliant with policy and there has been a reduction in the amount of aged debt when compared to the prior year. All performance indicators are achieved and reported to members quarterly for oversight. However, the target was incorrectly reported throughout the financial year and we have raised an action regarding report accuracy in the Council Tax 2023-24 audit report ref:2023-06.</p>													
Follow up of 2022-23 audit report action	Finding			Status									
<p>Action 4.1 – The VOA and Northgate reconciliation should be checked by a manager or other officer that was not involved in the reconciliation to confirm accuracy.</p>	<p>All reconciliations sampled were checked and approved by another officer. We consider this action fully implemented.</p>			<p>Implemented</p>									

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 April 2022 to March 2023 and has been conducted in conformance with the Public Sector Internal Audit Standards.

2.2 Context

The council outsource the NNDR service to Capita PLC. The council's service assurance (SA) team monitor contract performance through key performance indicators which are reported to members quarterly. The systems referred to in this report are Northgate, for managing accounts, properties and recovery action, and the Info@Work electronic document management system (EDMS) for retaining supporting evidence.

Internal Audit Service - Progress Report 2023/24 September – November 2023

Approximately £13m of NNDR bills were raised during 2022-23, with 98.85% collected by year end. There is evidence of recovery action on all prior years with the level of aged debt decreasing by approximately £37k to £1.55m.

2.3 Previous audit

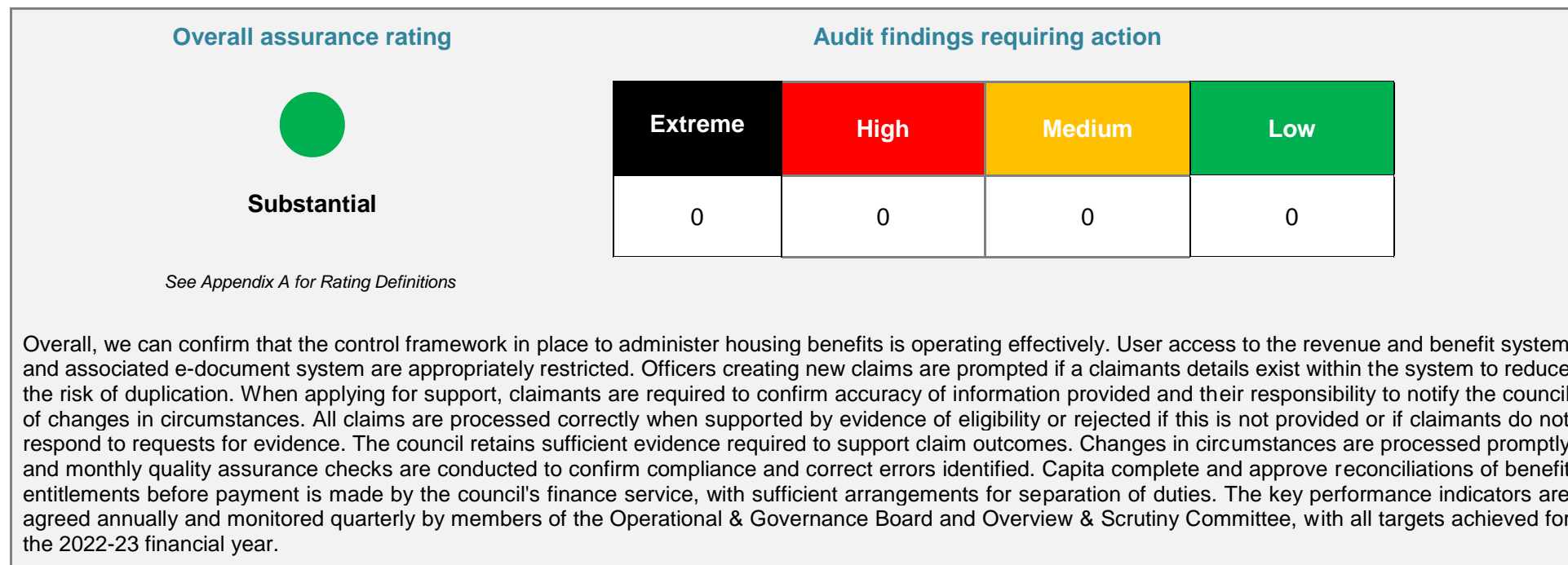
An internal audit of NNDR was last carried out in August 2022 with a substantial assurance rating and one medium risk action regarding valuation office agency (VOA) reconciliations.

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:

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

4.3. Housing benefits



2.1 Background

This audit has been undertaken in accordance with the 2023/24 Internal Audit Plan as approved by the Audit & Accounts Committee. The audit covers the period April 2022 to March 2023 and has been conducted in conformance with the Public Sector Internal Audit Standards.

2.2 Context

The council outsources the housing benefit (HB) and council tax support (CTS) claims service to Capita PLC, with a new contract awarded in 2019. The council's Service Assurance (SA) team monitor performance against this contract through key performance indicators and thematic exercises, and report quarterly to Members for oversight. The systems in use are Northgate, for inputting and managing housing benefit and council tax support claims, and Info@Work, an electronic document management system (EDMS) for storing supporting evidence.

2.3 Financial Information

There were 300 housing benefit and 1696 council tax support new claims during the period April 2022 to March 2023, with a total case load of 5210 claims and an average monthly payment of £889k.

2.4 Previous audit

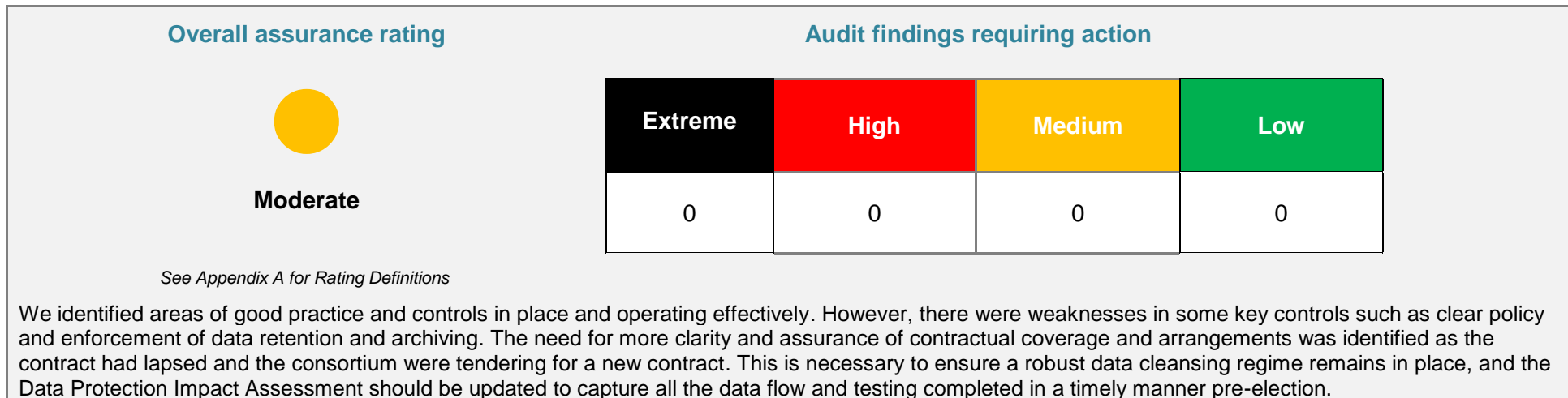
An internal audit of housing benefit and council tax support was last carried out in August 2022. This resulted in a substantial assurance opinion being issued with no proposed actions.

2.5 Scope of Audit

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

- Failure to maintain an accurate housing benefit and council tax support database, potentially resulting in fraudulent payments;
- Benefits claims are not processed promptly resulting in poor value for money and reputational loss for the council;
- Incorrect or fraudulent claims are accepted, including voids and claims on multiple properties, resulting in financial loss;
- Failure to identify changes in circumstances could result in overpayments and/or fraudulent payments.

4.4. IT critical application review - Xpress Elections Management Services System (MIAA)



Agreed Improvement Action
<p>Data Security Management</p> <ul style="list-style-type: none"> • The Data Retention Policy set a retention period of two years for election data but data was on the system from 2010. The Council should publish a revised Policy covering system and physical records. • Storage of archived paper registers in a locked cabinet did not provide fireproof protection and there were records that pre-dated the electronic records. The Council should risk assess the purchase of a fireproof safe and digitising and/ or relocate these records. • The current contract had lapsed and the consortium were re-tendering. Civica gave assurances over ongoing support but it was unclear if the Council would have access to data in a suitable format if a new supplier was selected. • A routine data cleansing process to check for duplicate, archive, or anomalous records was not documented and agreed. • The data security management of the data should be reviewed and documented, such as the use of encryption for data transmitted / at rest. For example, for email and file transfers. Assurances should be sought during contract negotiations.
<p>Support and Host Arrangements</p> <ul style="list-style-type: none"> • There was limited evidence for assurance arrangements being in place for the ongoing system support, such as a recent vulnerability scan or of the supplier's performance being monitored. The council should formalise an assurance policy/ process and document responsibilities. • The Council should seek assurances from the supplier around anti-fraud measures in place for the application.
<p>Security arrangements including patching, user access, logging, and monitoring</p> <ul style="list-style-type: none"> • Network folders containing exported election system data could be accessed by all Council staff, but access was subsequently restricted to appropriate individuals. Folder security should be maintained and subject to ongoing monitoring. • Council undertook annual penetration testing across the Council estate and this should be scheduled and completed prior to the next election. • There were difficulties accessing the Xpress web application help page which should be reported to the supplier to ensure the system operates correctly.

Internal Audit Service - Progress Report 2023/24 September – November 2023

- We were advised the logging and monitoring regime for the application was reactive, and the change logs did not produce alerts. Proactive alerts of suspicious activity were not evidenced.
- Application processes and procedures were not formalised and performed routinely. For instance, housekeeping was not scheduled and regularly performed for the maintenance / removal of individuals in role-based groups.

Resilience and Change Management

- There was an Xpress live system and archive but no test system, which the Council should establish before transitioning to a new or upgraded system.
- We were advised the system was part of the IT Disaster Recovery (DR) plan, and periodic testing should be undertaken to give assurance that application backup and recovery arrangements operate as expected.
- Change management processes, such as monitoring and reporting of supplier changes, were not available for review and should be documented.

Information Governance and Risk Management

- A risk management policy and process and a logging and monitoring strategy and process for the application were not available for review.
- The data flow process should be reviewed and updated to ensure all data flows are documented.
- There was no formalised schedule of regular assurance for the application.

Background and Context

This critical application review of the elections management services system was conducted in accordance with the requirements of the 2023-24 Internal Audit Plan, as approved by the Audit Committee. Rossendale Borough 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 Xpress, an elections management services system from Civica used to deliver election services to the organisation, and reporting allowing Elections staff members to access, when necessary, electoral information. The data within this system is viewed as being critical and sensitive.

Objective

The objective of the review was to provide an assessment of the effectiveness of the control framework associated with the designated system and associated data flows and highlight improvements where appropriate.

Scope and approach

The assessment of controls relating to the process was undertaken in July 2023. The review focused on the current Xpress system that is hosted on-site.

Approach

Following discussion with council management, it had been agreed that the review was to be undertaken both onsite and remotely.

- Due to flexible working we agreed information requirements in advance and at key points, including the timetable for delivery and availability of key contacts.
- We confirmed the contact to provide information requirements and to assist the audit process, including access to systems, including the intranet, if required.
- We conducted meetings on MS Teams to support documenting and assessing the controls and operating effectiveness of the system.
- Whilst working remotely, we maintained regular contact throughout the audit to feedback on progress and matters arising.
- We ensured that any restrictions which could potentially impact on delivery of the audit were escalated appropriately.

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.

Audit Progress Report

Rossendale Borough Council

Audit and Accounts Committee November 2023



Contents

1. Audit Progress
2. National publications

01

Section 01:

Audit Progress and Audit Planning

1. Audit progress

Purpose of this report

This report provides the November 2023 Audit and Accounts Committee meeting with an update on progress, since we last reported to the Committee in September 2023 in delivering our responsibilities as your external auditors. It also includes, at Section 2, a summary of recent national reports and publications for your information.

2018/19 Audit

Financial Statements audit

At the July 2023 Committee we reported that the finance team had shifted their focus to produce the Council's unpublished financial statements for 2021/22 and 2022/23 which has resulted in us pausing our audit work for 2018/19. Since the last Committee meeting in September, the Council have published their 2021/22 accounts but have not yet published the 2022/23 accounts. We will continue to monitor the Council's progress and will take this into consideration when reporting the outcome of our value for money arrangements work.

Reporting the financial position at the end of each year is a key element of the Council's financial governance duties and it is rightly continuing to focus on rectifying that position in advance of the budget setting process for 2024/25.

The Council will be aware of the public announcements by the government on the state of outstanding local audits nationally. In late October, the Local Government Minister in DLUHC published an article in the Municipal Journal. This article is accessible here [Rebuilding audit \(themj.co.uk\)](https://www.themj.co.uk/rebuilding-audit).

In the article the Minister outlines the scale of the challenge and their broad proposals to tackle the challenges. The proposals include setting a series of statutory deadlines for account preparers and auditors. Under the proposals, auditors would be expected to provide as much assurance as possible, reporting any significant concerns as normal. The setting of 'backstop dates' may result in some qualifications and disclaimers of opinion for outstanding accounts audits. The detailed proposals continue to be subject to extensive discussion and agreement between all stakeholders and we will be subject to consultation once published. The article also highlights other elements to the proposals including the CIPFA Code and the NAO Code of Audit Practice.

As a result of both the Council's finance team's focus on producing the 2022/23 financial statements, and the expected government proposals on the national backlog of outstanding audits, we have not yet recommenced our audit of the 2018/19 accounts. When the detailed proposals are available we will discuss them with the Chief Finance Officer and Chief Executive, and will report back to the Audit Committee with the way forward for our external audit of the Council's accounts. In reporting this position, we remind the Committee that the outstanding unaudited accounts at the Council is a situation that has been inherited by ourselves, and the current Council management team, being the impact of, firstly delays in the previous auditor completing audit of accounts up to 2017/18, and secondly delays in the Council producing its accounts for 2019/20 to 2022/23.

1. Audit progress

[2018/19 Audit \(continued\)](#)

Value for Money arrangements

The article linked on the previous page, highlights that external auditors duty to report on 'value for money' arrangements will remain unchanged.

We reported in September 2023 that we had commenced our work on the Council's value for money arrangements. Since then we have held discussions with the Chief Finance Officer regarding our requirements and our requests for information. Our proposal is to report our value for money work for 2022/23 and previous years together. While this is a significant undertaking for ourselves and the Council officers to support our work, this will enable us to report future years VFM arrangements work on a timely basis. Once we have received the requested information from the Council we will conclude our work and will report back to future committee meetings with our reporting commentary and any recommendations.

02

Section 02:

National publications

National publications

	Publication/update	Key points
National Audit Office (NAO)		
1	Reforming Adult Social Care in England	This report looks at how DHSC is responding to the challenges facing adult social care in England, and its progress with delivering the reforms set out in the 2021 white paper.
2	Investigation into the Home for Ukraine scheme	This report aims to increase transparency by taking stock of what has been achieved to date, for what cost, and what can be learned.
4	Whole of Government Accounts 22/23	The NAO's Whole of Government Accounts (WGA) team has issued Group Audit Instructions and the Assurance Statement in respect of the 22/23 WGA process.

NATIONAL PUBLICATIONS

National Audit Office

1. Reforming Adult Social Care in England – November 2023

The NAO has published a report looking at how DHSC is responding to the challenges facing adult social care in England. As people live longer and with more complex conditions more people are likely to need adult social care to support them to live the lives they want. In 2019, the government promised to 'fix the crisis in social care'. Following the COVID-19 pandemic, in September 2021, DHSC published 'Build Back Better: Our Plan for Health and Social Care'.

This report can be accessed using the following link:

[Reforming adult social care in England - NAO report](#)

2. Investigation into the Homes for Ukraine scheme – October 2023

The NAO has published a report which aims to increase transparency by taking stock of what has been achieved to date, for what cost, and what can be learned. They set out:

- how the scheme was set up at speed and the scheme objectives,
- arrival numbers and the checks conducted on applicants and sponsors,
- the funding provided,
- challenges and future risks with the scheme.

This report can be accessed using the following link:

[Investigation into the Homes for Ukraine scheme - NAO report](#)

NATIONAL PUBLICATIONS

National Audit Office

3. Whole of Government Accounts 22/23 – October 2023

The NAO's Whole of Government Accounts (WGA) team has now issued Group Audit Instructions (GAI) and the Assurance Statement in respect of the 2022-23 WGA process.

Due to current conditions in the wider public sector finance and audit environment, the WGA team are aware that a number of component statutory audits have not yet been completed for 2022-23. The group risk assessment does include considerations from underlying audits and as such may be subject to further updates as further information is made available.

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Manchester

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Subject:	Empty Homes Project	Status:	For Publication
Report to:	Audit & Accounts Committee	Date:	29 November 2023
Report of:	Chief Finance Officer	Lead Member:	Leader of the Council
Key Decision:	<input type="checkbox"/> Forward Plan <input type="checkbox"/>	General Exception	<input type="checkbox"/> Special Urgency <input type="checkbox"/>
Equality Impact Assessment:	Required:	Yes/No	Attached: Yes/No
Biodiversity Impact Assessment:	Required:	Yes/No	Attached: Yes/No
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1. RECOMMENDATION

- 1.1 That the Committee considers the update on the Empty Homes project and the actions to manage the project in the future.

2. EXECUTIVE SUMMARY

- Rossendale Borough Council is responsible for administering the Pennine Lancashire Empty Homes Scheme on behalf of itself and other local authorities
- Currently 55 (105 in September 2022) properties remain in the scheme (originally 474 properties were on the scheme)
- Leases on the properties were signed for up to 10 years, with the vast majority of leases due for termination in December 2024
- 85% (47) of current properties are tenanted with 8 void.
- Of the 55 left on the scheme, we expect a further 14 to go back to the owner by the end of this year. This will leave 41 on the scheme.

3. BACKGROUND

- 3.1 On 14 November 2012 the council entered into a consortium agreement with the Homes & Communities Agency (HCA), to deliver a housing purchase and repair scheme. The scheme was to bring properties back into use across Pennine Lancashire. It was agreed with the HCA that the council would act as an accountable body for five East Lancashire councils: Rossendale, Pendle, Burnley, Blackburn and Hyndburn.
- 3.2 AAW Ltd were commissioned to act as the managing agent for the authorities. Owners of empty properties were assigned 5 or 10 year leases to AAW in return for guaranteed rent (70% of the LHA rates) and council tax. The 30% rent balance would then be retained by AAW to cover management costs and repairs. The nature of these leases has been fundamental to the costs incurred by the council for the duration of the project. Where the properties were not at the Decent Homes Standard, owners could either:
- Commission AAW to undertake the necessary improvement works or
 - Undertake the works themselves and obtain re-imburement from AAW
- 3.3 In January 2015, AAW ceased trading. At the time 357 properties remained on the scheme. The total HCA grant claimed by AAW at this point was circa £4.7m.
- 3.4 With the demise of AAW, the council became responsible for tenants. LCC undertook an internal audit to understand the failings of the scheme. The key failings confirmed in the LCC Internal Audit report were:
- No assessment was made of the risks and appropriate controls in taking up the funding and operating the programme

- The former Chief Executive did not obtain indemnities from other Pennine Lancashire councils
 - Normal controls, expected procedures and statutory requirements were over-ridden
 - Insufficient involvement of the council's legal and financial statutory officers
- 3.5. There was inadequate supervision of a single member of staff who was effectively made responsible for the management of the entire programme, and the scope to act in whatever way they felt was appropriate. Officers involved in working with AAW failed to inform members in a structured way on the operation of the programme. There was a failure to sufficiently involve the council's statutory officers in the decision-making process. In parallel, a police investigation commenced to explore evidence of illegality on AAW's behalf. The investigation was closed in June 2021 after police found insufficient evidence to pursue a prosecution. Further details on the background to the project and progress over the last three and a half years were provided to the Audit & Accounts Committee in July 2020, July 2021 and September 2022.

4. THE LAST YEAR

- 4.1. Managing the project continues to be complex and challenging. Having said that 88% of the properties have now been removed from the scheme. Of the 55 that remain, a further 14 are due back by the end of the year. As properties become empty we look to negotiate a return to the owners by mutual consent. Between September 2022 and October 2023, 50 properties have exited the scheme.
- 4.2. 85% of the 55 remaining properties are currently tenanted, providing homes for local people in East Lancashire. Good progress has been maintained in putting properties into good condition to let (or to repair current tenant damage). The scale of repairs or refurbishment in the last year has been high due to the extensive renovation of the 8 properties referred to in the September 2022 update report. However as the push to return properties speeds up, in order to bring the properties up to the required standard to return them to their owners we are encountering significant end of lease repairs. The overall cost of repair and refurbishment illustrates the scale of repair works which are on-going through the life of the project.
- 4.3. As more leases come to an end, in some cases the lease 'vacant possession clause' is proving problematic. The Council continues to negotiate with owners to accept sitting tenants at lease end, however they do not always agree. The Council has sought legal advice and based on the advice we are having to individually assess each property, to decide what action we can take. In some instances we may need to hand them back with the sitting tenant. Unfortunately, some local authorities have taken the decision that where houses are on the Empty Homes scheme they will not give the tenant homeless status at the end of the lease. They are instead relying on possession proceedings to be commenced first. We are working closely with those authorities and with owners to reach mutual agreements.
- 4.4. As the remaining leases have approximately 13 months remaining on their term – with some properties having less – when a property becomes vacant/void we are discussing with the property owner if they are prepared to have the property handed back early and the lease terminated. We are receiving a mixed reaction from owners, with some adamant that their property remains on the scheme until the lease end date. Due to the length of time remaining on the lease these properties are difficult to re-let; this is impacting on the percentage of properties tenanted. In order to mitigate this we are working with our housing options team, with some of the properties now being occupied by Afghan refugees and homeless families.
- 4.5. Calico continue to act as managing agents for the majority of the properties. The remainder are managed by a letting agent although the empty homes team carry out the tenancy

management on these properties along with the properties licenced by the housing options team.

- 4.6. During the last twelve months there has been significant on-going legal activity responding to two legal claims for repairs and other related housing costs. Both claims have now been settled. The Council and the claimants have signed a confidentiality agreement.
- 4.7. The Cabinet have received quarterly updates on the progress of the project. Regular project team meetings take place and the Chief Finance Officer is the Project Sponsor to oversee the project. In early 2023 the Council were successful in recruiting an Empty Homes Project Manager, who has significant housing experience, to take over the management of the project for the remainder of its term. This is proving invaluable as we reach the latter stages of the project.

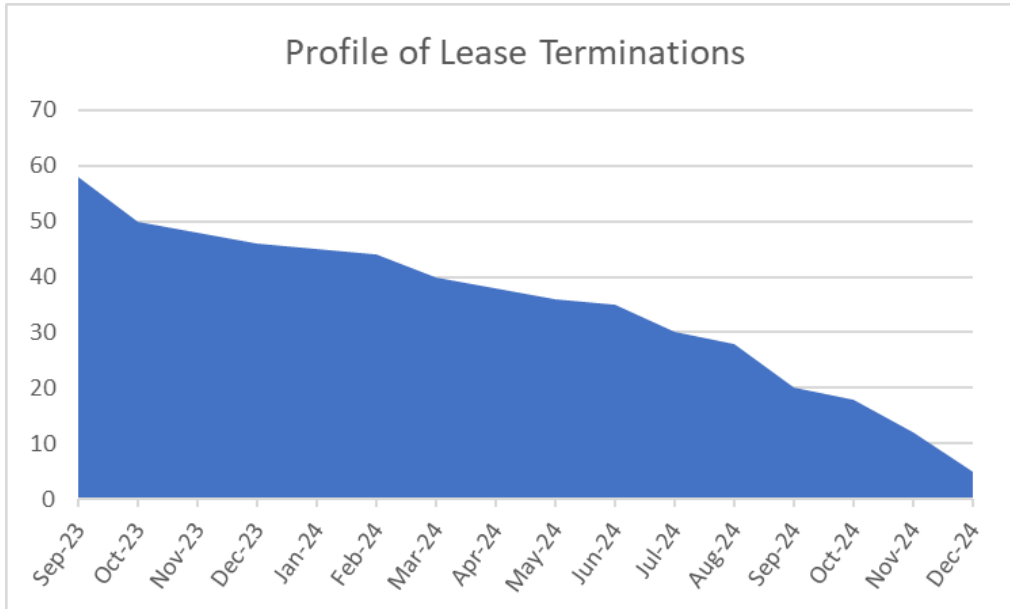
5. THE FORTHCOMING YEAR

5.1. The council continues to keep the project under close scrutiny. The following key issues have been identified.

5.2. Managing the implications of the leases

Managing the project has been extremely challenging. The structure of the legal agreement in relation to the leases has placed the vast majority of the financial liability on the council. The nature of these leases has been fundamental to the costs incurred by the council for the duration of the project. Due to the nature of the leases it is not possible to significantly reduce the likely cost of future repairs and end of lease costs.

5.3. The scheduled lease end dates are profiled in the table below, however as stated above officers are seeking to return properties early where possible:



5.4. Management and control of the project

Officers have aimed to manage the project throughout to the best of their ability. Issues have often emerged when works have not previously been undertaken to properties during the AAW management of the scheme. The scale of these works and the nature of the leases have made managing the project extremely challenging. In early 2023 we successfully recruited an Empty Homes Project Manager, who has extensive housing experience, to take over the management of the project. Along with the project support officer he continues to actively contract manage Calico and the other letting agents, challenge contractors cost

estimates, ensure works are completed to an appropriate standard, seek opportunities to return properties early if they become void and ensure they are returned to owners at lease expiry. The project reports to the council's Programme Board and quarterly updates are provided to the Cabinet.

5.5. Handling on-going legal disputes with owners

The council aims to minimise legal claims in relation to repairs and other property related costs but the condition of the leases are extremely restrictive for the council. Claims are actively managed and challenged but these are likely to have an on-going financial impact on the project and are being factored into the anticipated future cost projections (although estimating actual cost is very difficult).

5.6. Transparency

The project reports to the council's Programme Board, as outlined earlier, so robust monitoring can take place, particularly in relation to the financial progress of the project. Regular updates are provided for the Cabinet and this is the fourth annual update provided for the Audit & Accounts Committee, to enable information to be published in the public domain.

6. **RISK**

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

- Future claims – the Council has employed a dedicated project manager with extensive housing experience to mitigate this risk
- Vacant possession at the end of the lease – the Council is following procedure and has sought legal advice where issues have arisen
- Budget Overspend – the project is actively monitored and managed. The project manager reports to Programme Board on a quarterly basis and Audit and accounts committee annually.

6.2 The project's risk register is regularly reviewed. The project carries a significant financial, legal and reputational risk. Mitigating actions are put in place for all the project's risks and these are kept under regular review.

7. **FINANCE**

7.1. All financial considerations are contained within Part 2 of this report.

8. **LEGAL**

8.1 The legal implications are covered in the body of the report. Officers will continue to closely monitor the scheme and instigate and defend proceedings as necessary.

9. **CONCLUSIONS**

9.1. Since the start of the project in 2014/15 when the council became directly responsible for the management of the project, the number of properties in the scheme has reduced from 474 to 55. This has significantly reduced the council's liability on the project for the remainder of the leases – until December 2024.

9.2. The nature of the leases has been fundamental to the costs incurred by the council for the duration of the project. The structure of the leases continue to significantly limit the council's ability to reduce costs. The council is actively seeking to mitigate future cost through:

- Active pursuit of rent arrears
- Removal of properties from the scheme at the earliest opportunity
- Ensure leases are terminated at end date and properties returned to owners promptly

- Legal claims are actively managed and challenged
- Ensure repair costs are value for money
- Owner loans are repaid

Background Papers	
Document	Place of Inspection
Management response to the Lancashire County Council Internal Audit report: "Bringing Empty Homes into Use" (inc the LCC Internal Audit report) Council, 9 December 2015	https://www.rossendale.gov.uk/meetings/meeting/874/council
Empty Homes project Audit & Accounts Committee, 28 July 2020	https://www.rossendale.gov.uk/meetings/meeting/1208/audit and accounts committee
Empty Homes project Audit & Accounts Committee, 28 July 2021	https://www.rossendale.gov.uk/meetings/meeting/1270/audit and accounts committee
Empty Homes project Audit & Accounts Committee, 28 September 2022	Agendas, reports and minutes Rossendale Borough Council