

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
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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			

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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>									

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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

Overall assurance rating		Audit findings requiring action			
 Moderate		Extreme	High	Medium	Low
		0	0	1	1
<i>See Appendix A for Rating Definitions</i>					
<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>				Implemented

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.

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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

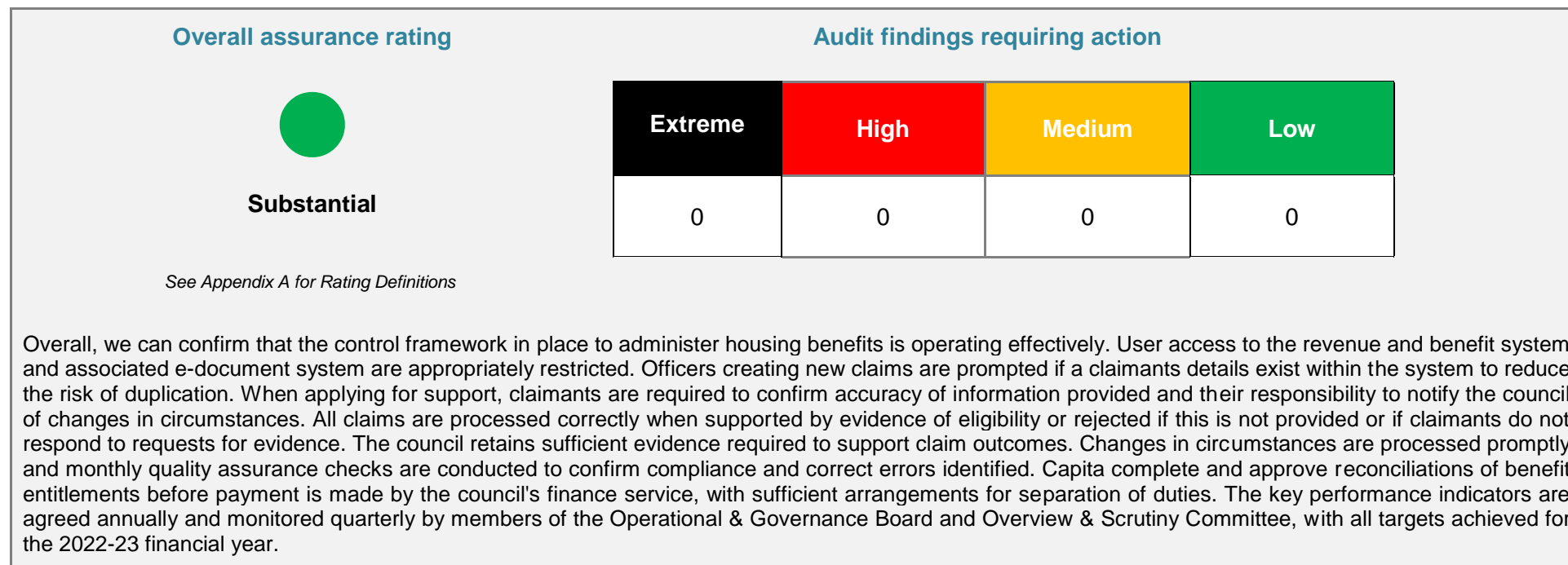
An internal audit of NNDR was last carried out in August 2022 with a substantial assurance rating and one medium risk action regarding valuation office agency (VOA) reconciliations.

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

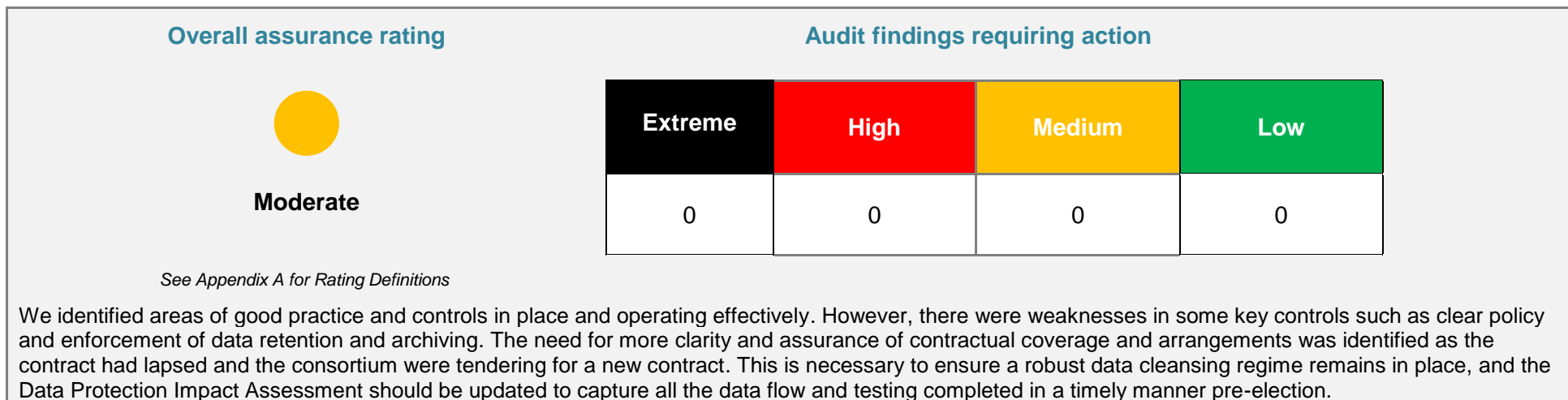
An internal audit of housing benefit and council tax support was last carried out in August 2022. This resulted in a substantial assurance opinion being issued with no proposed actions.

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.

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- 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.