ROSSENDALE BOROUGH COUNCIL

Subject:	Internal Audit Plan Progress Report 2023/24 - December 2023 - January 2024	Status:	For Publication
Report to:	Audit & Accounts Committee	**Date:**	06/03/2024
Report of:	Head of Internal Audit (Internal Audit Service)	**Lead Member:**	Resources

Key Decision:	☐	Forward Plan	☐	General Exception	☐	Special Urgency	☐

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

December 2023 to January 2024

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), as of January 2024 we have completed six audits and have started work on the remaining nine and are making good progress. The audit of CCTV IT systems to be carried out by Mersey Internal Audit Agency (MIAA) was cancelled as there is no longer a requirement for an additional critical application review. We issued a final report on our audit of the council's flexible working policy, giving substantial assurance that the policy is complied with. We agreed management actions to clarify the nature and extent of manager discretion in flexible working decisions and to provide training for managers on the Kelio flexi-time system. Overall, we have given positive assurance opinions on all audits we have completed to date. In terms of delivery of the remainder of the plan, work on all remaining audits is progressing well, and I am confident that the plan will be delivered in time to support the annual assurance opinion.

2.2. The table below shows the status of all audits. Appendix A includes extracts from final reports issued in this period.

Audit Title	Status	Audit Type	Assurance Opinion
Governance and democratic oversight			
Contract procedure rules	Progressing	1+2	
Business effectiveness			
Flexible working from home	Completed	1+2	Substantial
IT critical application review - Xpress Elections System (MIAA)	Completed	1+2	Moderate
CCTV systems (MIAA)	Cancelled	1+2	N/A
Best Value Duty – Statutory Framework	Progressing	1+2	
Service delivery			
Project management	Progressing	1+2	
Land charges	Progressing	1+2	

Audit Title	Status	Audit Type	Assurance Opinion
Service support			
Customer contact	Progressing	1+2	
Business processes (follow up and compliance)			
Payroll	Completed	2	Substantial
Accounts payable	Progressing	2	
Accounts receivable	Progressing	2	
General ledger, budget setting and monitoring	Progressing	2	
Income collection/ banking	Progressing	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	**0**
Progressing (includes follow up audits)	**9**
Draft report	**0**
Completed - Final Report *or* no report necessary	**6**
Deferred/ cancelled	**1**
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.

2022/23 exercise	Number						Savings
Data categories	Reports	Matches	Processed	Investigating	Frauds	Errors	£
Housing benefit	5	17	17	0	0	0	0
Waiting Lists	6	88	2	0	0	2	£8,566.00
Payroll	3	7	0	0	0	0	0
Creditors - duplicates	5	21	0	0	0	0	0
Council Tax Reduction Schemes	15	173	134	4	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	**53**	**318**	**153**	**4**	**0**	**8**	**£18,919.43**

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 we expect the external auditors to determine for themselves the extent to which they choose to utilise our work.

Extracts from Internal Audit reports

Flexible Working Policy

Overall assurance rating	Audit findings requiring action			
	Extreme	**High**	**Medium**	**Low**
Substantial	0	0	0	2

See Appendix A for Rating Definitions

Overall, we are satisfied that the Flexible Working policy (the policy) is complied with. It effectively establishes working from home procedures, with specific guidance for officers and line managers to follow. The policy is available on the council intranet and all line managers were aware of and had discussed it with their staff. However, we noted line managers described the policy as providing discretion to allow breaches of the rules despite this being defined as only in "exceptional circumstances". We propose that the policy language is amended, to either make clear what is considered appropriate circumstances or to give some discretion to line managers. The policy was complied with, with no officer exceeding the 40% working from home and all working their contracted hours. We were surprised that only one line manager routinely used the flexi time system Kelio to monitor hours and location, with others relying instead on informal monitoring, and we propose that training is provided to line managers in how to use the system to support better monitoring of their officers' hours and working arrangements.

There are appropriate and timely communications between line managers and officers, with one-to-one catch ups and team meetings used to support and informally monitor both individual and team performance. Annual appraisals with individual officers are completed and poor performance is challenged, first informally and then escalated to Human Resources team if required. Team performance is monitored through annual business plan procedures and reviewed by Corporate Management Team (CMT). Quarterly performance reports are presented to CMT and members, with supporting narrative and remedial actions if targets are not achieved. We did not identify any significant concern with overall performance and productivity when comparing pre- and post-pandemic years, finding that performance was broadly similar. It was also positive that there had been an increase in the number of compliments and a reduction in the number of complaints from constituents in that time.

Agreed actions from the audit	Priority
The council should consider revising the wording in the Flexible Working Policy regarding the degree to which line managers have discretion and: • Clarify what is meant by "exceptional circumstances", with examples or a requirement to seek approval from People & Policy service; **or** • Amend the wording to allow line managers more discretion in making decisions to depart form policy. Line managers should be notified of the changes.	🟢

Line managers should be trained on how to use the Kelio system to monitor officer's working hours and location. This should be encouraged as part of routine daily tasks to ensure breaches of the policy or failure to work contracted hours by individual officers are identified and challenged promptly. ●

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 2019 to July 2023 and has been conducted in conformance with the Public Sector Internal Audit Standards.

2.2 Context

The council introduced the flexible working policy in May 2021, following the Covid-19 pandemic where officers were required to work from home to adhere to strict social distancing restrictions. The policy applies to most council employees, although there are exceptions for roles where officers are required to work on site, such as waste collection.

The council implemented a new flexi time system, Kelio, in June 2022, used by officers to record working hours and location (from home/off site or in the office), and as a monitoring tool for line managers. We understand the system will be further developed to incorporate manual balance adjustments and absence management, although this was in progress at time of review.

2.3 Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks. We obtained views from a sample of line managers on the policy and its application. The key risks identified were:

- Flexible and remote working practices are not taken up, are inconsistently applied or are abused, as council staff are unaware of the opportunities, restrictions and constraints.
- New ways of working leads to reduced productivity and quality of outputs and outcomes as managers are less able to monitor delivery effectively.
- Insufficient resources are available when required to support delivery of essential services and other strategic and operational activity.
- Remote working adversely impacts on the quality of work, motivation and job satisfaction due to the lack regular interaction and communication with managers and colleagues.
- Corporate monitoring activity and data is insufficient to support effective performance management, resulting in failure to deliver key corporate objectives.

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.