

Subject:	Internal Audit Annual Report 2023/24	Status:	For Publication
Report to:	Audit & Accounts Committee	Date:	31 July 2024
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 Annual Report for 2023/24.

2 EXECUTIVE SUMMARY

- 2.1 The Committee are asked to consider the Internal Audit Annual Report for 2023/24. The Annual Report provides an independent, objective opinion on the adequacy of design and the effectiveness of operation of the Council's systems of governance, risk management and internal control.
- 2.2 Overall, I can provide moderate assurance over these systems for 2023/24, based on the work undertaken by the Internal Audit Service in the year.

3 BACKGROUND

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

4 DETAILS

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

5 RISK

- 5.1 All the issues raised and the recommendation in this report involve risk considerations as set out below:
- Failure to comply with the Public Sector Internal Audit Standards issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) would undermine the ability to provide the Council with the necessary level of assurance in relation to their governance, risk management and internal control arrangements;

- The report enables the Leader and Chief Executive to report in the Annual Governance Statement.

6 FINANCE

6.1 Any financial implications are commented upon in the report.

7 LEGAL

7.1 Any legal implications are commented upon in the report.

8 POLICY AND EQUALITIES IMPLICATIONS

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

9 REASON FOR DECISION

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

No background papers.

Appendix A

Rossendale Borough Council

**Internal Audit Service Annual Report
Year ended 31 March 2024**



1 Introduction

Purpose of this report

- 1.1 This report summarises the work that the council's The Service (the Service) has undertaken during 2023/24 and the key themes arising in relation to internal control, governance and risk management across Rossendale Borough Council (the council).

The role of internal audit

- 1.2 The Service is an assurance function that provides an independent and objective opinion on the adequacy and effectiveness of the council's control environment. The Public Sector Internal Audit Standards (PSIAS) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA) require the Head of Internal Audit to provide an opinion on the council's control environment and a written report to those charged with governance, timed to support the annual governance statement. This report gives my opinion based on the work the Service performed during 2023/24. Rossendale Borough Council outsource the provision of a complete audit service to Lancashire County Council.

Interim progress reports

- 1.3 We have provided summaries of findings from audits completed throughout the year in progress reports submitted to each Audit and Accounts Committee meeting, and this report also includes progress with delivery of the 2024/25 audit plan agreed by the committee in March 2024.

Acknowledgements

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

2 Summary assessment of internal control

Overall opinion

- 2.1 I can provide **moderate** assurance overall on the adequacy of design and effectiveness in the operation of the council's framework of governance, risk management and control. This is the same opinion as I gave in 2022/23. In forming my opinion, I have considered the work undertaken by the Service throughout the year as well as the work of external assurance providers and information available from less formal sources than planned audit engagements.
- 2.2 Internal Audit's work covered the full range of the council's services and established that, as would be the case in any normal organisation, there are some areas of the council's business where improvements need to be made, but there are plans and agreed management actions in place to address these.
- 2.3 Annex A to this report provides extracts from final reports not previously reported, and we will provide full reports to members if they wish. Annex B describes Internal Audit's scope, responsibilities and assurance, and Annex C explains the assurances we provide.

Key issues and themes

- 2.4 Delivery of some specific planned audits plan as affected to a degree by limited capacity to support audit work and these audits took longer to complete than might otherwise be the case. However, we have completed all but one planned audit to at least draft report stage. We agreed to defer the audit of contract procedure rules audit to 2024/25 when sufficient capacity would be available to support audit delivery. Our assurance opinion reflects the fact that systems and processes are generally working effectively and we gave positive assurance opinions, substantial or moderate, on all audits completed at the time of this report.

- 2.5 In most of the areas audited we were satisfied that policy and procedures were in place but were often overdue for review and revision. The council's customer contact processes are working effectively though we agreed some improvement actions to monitor and assess the quality of call responses and to support collaboration between services involved. We also carried out an evaluation of council compliance with the Best Value Duty, concluding that it complied with all but one of the seven themes – the need for an established transformation function - and we agreed improvement actions to address this. Lack of compliance has been a common theme in other areas, for example increasing numbers of retrospective orders indicated a need for more oversight, staff guidance and training to ensure staff are aware of and comply with the correct processes. We agreed an action on our previous audit which has not yet been implemented and this has been the case in other audits, for example on debt management. We acknowledge that the council's difficulties in recruiting and retaining staff has adversely impacted progress to implement agreed actions as well as the capacity to sustain compliance with operational controls and to support audits. The council's awareness of this issue is evidenced in that it is recorded in the council's performance management reports and the 2023/24 Qtr. 3 report which records the number of employee leavers as in line with the national average. The Risk Register for the same period on sustainable workforce highlighted as 'Amber' the impact of not having a fully resourced, trained staff.
- 2.6 The table at 3.1 records the number of the assurance opinions given on the audits completed in each audit plan theme. It shows that we issued an equal number of substantial and moderate opinions, with no limited or no assurance opinions, although this may change once the four draft audit reports are finalised.
- 2.7 It should be noted that this opinion does not imply that Internal Audit has reviewed all risks and assurances relating to the Council and is not an absolute assurance of the effectiveness of internal control arrangements and the management of risk. Neither this report nor the work of Internal Audit should be taken as a substitute for management's responsibilities for the application of sound internal control practices. The purpose of this opinion is to contribute to the assurances available to the Council which underpin the assessment of the effectiveness of its governance framework, including the system of internal control, in the Annual Governance Statement.

Management's responses to our findings

- 2.8 We have discussed the issues we raised during the year with service managers and members of the Senior Management Team and agreed action plans to address the need for improved controls. Follow up work during 2023/24 indicates that risks identified in previous years are largely being addressed and that work is in hand to implement some agreed actions although others had not been implemented. The senior management team also receive regular reports on implementation of audit actions.

The council's control framework

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

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

3 Summary of assurance provided by the Service

3.1 The table below summarises the assurances we provided on 2023/24 audits completed to the end of June 2024, which contributed to our annual assurance opinion, including comparative figures from previous years. This excludes follow up work from previous audits. The table at 3.2 reports the status of each audit on the annual plan

Year	Final Reports Issued	Assurance provided					N/A
		●	●	●	●		
2023/24	12	5	5	0	0	2	
	100%	42%	42%	0%	0%	16%	
2022/23	16	4	10	1	-	1	
2021/22	19	5	11	-	-	1	
2020/21	11	4	3	-	-	3	

3.2 The table below reports the status of each audit on the 2023/24 audit plan, and the assurance opinion given for audits that are completed.

Audit Title	Status	Assurance
Governance and democratic oversight		
Contract procedure rules	Deferred	N/A
Business effectiveness		
Flexible working from home	Complete	● Substantial
Best Value Duty – Statutory Framework	Complete	● Substantial
IT application Xpress Elections System (MIAA)	Complete	● Moderate
CCTV systems (MIAA)	Cancelled	N/A
Service delivery		
Project management	Draft	
Land charges	Complete	● Moderate
Service support		
Customer contact	Complete	● Substantial

Audit Title	Status	Assurance
Business processes		
Payroll	Complete	● Substantial
Housing benefits and council tax support	Complete	● Substantial
Accounts receivable	Draft	
Income collection/ banking	Draft	
General ledger, budget setting and monitoring	Draft	
Accounts payable	Complete	● Moderate
Council tax	Complete	● Moderate
Business rates/ NNDR	Complete	● Moderate

Stage of audit process	Number	Percentage
Complete/ final report	10	62.5%
Draft report	4	25%
Progressing	0	0%
Not yet started	0	0%
Deferred/ Cancelled	2	12.5%
Total number of audits	16	100%

4 Progress against the 2024/25 internal audit plan

4.1 The table below reports progress with delivery of audits on the 2024/25 audit plan. Since the last Internal Audit progress report was provided to the Audit and Accounts Committee in March the Service has started work on delivery of this year's audit plan. Six audits are at the planning stage with initial meetings senior managers held to agree the scope and approach. The remaining audits have been scheduled in for delivery through the year. We have also allocated two further auditors to provide additional flexibility and resource to support plan delivery.

Control Area	Audit Progress	Assurance
Governance and democratic oversight		
Contract procedure rules	Q4 Start	
Procurement Act 2023	Q2 start	
Subject Access/ Freedom of Information	Q4 start	
Business effectiveness		
Risk Management	Q3 start	
IT Audit - Scope to be confirmed	Not started	
Service delivery		
Public Protection Unit	Q3 start	
Waste, Cleansing and Recycling Improvement	Planning - Q2	
Service support		
Expense claims	Planning - Q3	
Recruitment	Q3 start	

Business processes		
Payroll	Planning - Q2	
Council tax	Planning - Q2	
Business rates/ NNDR	Planning - Q2	
Housing benefits	Planning - Q2	
Accounts payable	Q4 start	
Accounts receivable	Q4 start	
General ledger and budget setting	Q4 start	
Income collection/ banking	Q4 start	

5 Implications for the annual governance statement

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

6 Organisational independence

- 6.1 The Service has access to and support from the council's senior management team and can operate independently within the organisation, so is properly able to fulfil its responsibilities. In accordance with its Charter the Service remains independent of the council's other functions and, except for its support to management in relation to counter fraud work, no member of the Service has any executive or operational responsibilities.
- 6.2 The Service's work programme and priorities are determined in consultation with the senior management team and the Audit and Accounts Committee but remain decisions for the Head of Internal Audit who, with the Audit Manager, has direct access to and freedom to report in their own names and without fear or favour to all officers and members. During the year, there have been no matters arising which have impacted on the independence of the Service and there have been no inappropriate scope or resource limitations on internal audit work.
- 6.3 The Service has a stable and experienced Audit team and has seen little staff turnover in recent years but a vacancy for a Trainee Auditor will be advertised shortly. The most recent notable change occurred with the establishment of an Investigation Service in 2022/23.

7 Internal audit performance

Client satisfaction

- 7.1 Internal Audit invites feedback on the quality of service provided by issuing a 'satisfaction questionnaire' at the end of each audit. This is an important process in terms of identifying how the audit was received by the service area and of identifying aspects of the audit process that can be improved. Responses from auditees indicated that, overall, they were satisfied with the way we conducted our work with them. There were no common themes in the responses received that highlighted particular areas for Service improvement.

8 Internal Audit quality assurance and improvement

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

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

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

External review

- 8.3 The findings of the last external quality assessment (EQA) undertaken by the Chartered Institute of Internal Auditors were reported to the committee in April 2023. This confirmed that the Internal Audit Service 'generally conforms' to the full range of standards set out in the International Professional Practice Framework. Another external review is due to be completed in 2028/29, with a self-assessment planned for 2024/25 the findings of both will be reported to this committee.

Internal review


- 8.4 The Service has designed procedures and an audit methodology that conform to PSIAS and are regularly reviewed. Every auditor in the team is required to comply with these or document reasons for non-compliance, and to demonstrate compliance on every assignment. Audit managers assess the quality of each audit as it progresses, and a post-audit file review process is undertaken. These reviews indicate that there is good evidence of compliance with our audit methodology and input from the audit managers to support the work of the auditors.

9 Extracts from Audit Reports

- 9.1 Extracts of assurance summaries, findings and agreed actions from final audit reports not previously reported are shown below in Annex 1 to this report.


Extracts from Internal Audit reports

Accounts Payable


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


See Appendix A for Rating Definitions

The expected key controls are well designed and operating effectively with the qualification that we were concerned at the number of retrospective orders which continue to be raised, bypassing the requisition and purchase order approval process. We raised an action to address this issue initially in our 2020-21 audit and all subsequent reports. We are raising this action again, to review transactions and determine how prevalent the issue is and take action to identify and challenge those individuals or services responsible for significant non-compliance. We confirmed guidance is available and training is provided when new officers are given access to the system. The council should also consider a specific key performance indicator, to raise the profile of this issue through the quarterly performance monitoring reports to senior managers and members. Despite this issue, which typically impacts the finance services ability to promptly pay suppliers, the 30-day trades terms key performance indicator was achieved in the most recent report, quarter 3 2023-24. Separation of duty arrangements are sufficient between requisition, purchase order, invoicing, payment and reconciliation. Invoices are generally matched with purchase orders and goods received notes prior to payment with some known exceptions, such as for utility bills. Expenditure is correctly coded and payments are reviewed and approved prior to processing by the Head of Finance. The creditor control account reconciliation had been consistently completed, with a persistent -£60k known variance. We propose that the council instruct their system provider Civica to address this issue and enable fully balanced reconciliations.

Agreed actions from 2023-24 audit	Priority
Compliance with established procurement rules should be promoted through: <ul style="list-style-type: none"> The issue of reminders to officers who continually raise retrospective orders, supported by training on the purchase order process for non-compliant officers; 	Action ref 4.1 

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<ul style="list-style-type: none"> Periodically compiling a report of all retrospective orders raised and the services that use them for submission to heads of service and the Corporate Management Team, to inform senior managers of the extent and impact of repeated non-compliance with the established process; and Consideration should be given to monitor and report the prevalence of retrospective purchase orders as a key performance indicator (KPI). 	
<p>The council should raise a request with the system provider Civica to investigate and resolve incorrect debits that are preventing balancing of key control accounts.</p>	<p>Action ref 4.2</p> <p style="text-align: center;"></p>

Agreed action from 2022-23 audit report	Status	Priority
<p>Compliance with established procurement rules should be promoted through:</p> <ul style="list-style-type: none"> The issue of reminders to officers who continually raise retrospective orders, supported by training on the purchase order process for non-compliant officers; Periodically compiling a report of all retrospective orders raised and the services that use them for submission to heads of service and the Corporate Management Team, to inform senior managers of the extent and impact of repeated non-compliance with the established process; and Consideration should be given to monitor and report the prevalence of retrospective purchase orders as a key performance indicator (KPI). 	<p>We were told by the Senior Finance Officer that this action has not been implemented. We found a third of sampled invoices during this review were retrospective purchase orders.</p>	<p>Not implemented</p> <p style="text-align: center;"></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 2023 to March 2024 and has been conducted in conformance with the Public Sector Internal Audit Standards.

2.2 Context

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

2.3 Financial Information

For the period April 2023 to March 2024, the council raised 7187 invoices with a total approximate value of £33m excluding County Council precepts and central government business rate payments.

2.4 Previous audit


An internal audit of Accounts Payable was last carried out in March 2023. This resulted in a moderate assurance opinion being issued with one medium risk action regarding retrospective purchase orders being agreed.

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





Land Charges

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

See Appendix A for Rating Definitions

The council provides a fully electronic service for the submission of local land charge search requests including an electronic payment facility. Guidance for Land Charges Officers is available in the Local Land Charges Book supported by the Land Charges Institute which has an established group of members providing support and help with queries. Whilst the Land Charges Officer was clear on the processes around the financial administration of local land charge searches, documented procedure would be beneficial for new and temporary staff supporting the function. The Local Land Charges pages on the council website provide information and guidance for service users including how to apply though this only refers to the National Land Information Service (NLIS) facility including a link to the NLIS Hub, and there is no mention of other methods for submitting search applications, including the InfoTrack and TM Online Portal, which would be useful for customers and service users. The Fees and Charges Schedule which includes local land charge search fees was reviewed in February 2023 as part of the 2023/24 Council Budget and Medium-Term Financial Strategy, and subsequently approved by Cabinet and Full Council. Details of the local land charge search fees are set out online on the council website. A sample of search requests were found to have been correctly charged in accordance with the approved fee charges schedule and these were properly supported by a BACS statement and payment confirmation or invoice.

The Land Charges Team maintains the Local Land Charges Register which includes adding and removing charges. Audit testing of ten financial land charges found that formal Notices and invoices requesting payment were issued to property owners by the relevant department. However, invoices for three of these were no longer due but the charge remained on the register, a formal process needs to be put in place to ensure the accuracy of the local land charges register. Recovery action for three others has not progressed due to the landlord absconding and therefore further action is required with the use of National Anti-Fraud Network (NAFN) data and credit check agencies to locate individuals and chase payment or take legal action. A financial monitoring report is presented to senior management and members on a quarterly basis. The financial monitoring report from March 2024 highlighted only a £2.8k variance on the Land Charges budget line, which relates to staffing costs, though overall corporate management outturn is showing an expected favourable variance of £96.3k. Local land charges income is showing an adverse variance of £26k which relates to sundry debts held on the Local Land Charges Register, expected to be recovered when the property is sold. Action has been taken to appoint a Legal Services Officer to proactively chase outstanding debts whilst further work is required around developing a coordinated approach to debt recovery action including training for managers and the use of credit check agencies.

Agreed actions from the audit	Priority
Proper procedures setting out the payment options available for each type of search request and how these are administered and processed should be put in place and made accessible to staff.	
The Land Charges pages on the council website are updated to reflect the options available to submit land search requests including a link to each provider.	
Management should contact Civica Financial Services to establish if there is a facility to separately identify land charges related payments so that the Land Charges Team can be informed of the need to remove the charge from the register. If this is not possible, the Land Charges Officer should be requested to confirm debts are unpaid prior to issuing responses to land search requests to ensure information supplied is accurate.	
Management should develop an approach to debt recovery which fosters involvement from the Finance, Legal Teams as well as the service issuing the notice and ensure proper debt recovery information and training is available to managers to support debt recovery action. A plan of action should be agreed in respect of debts with a significant value including the use of credit check agencies and NAFN to locate absconded individuals.	

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 2023 to February 2024 and has been conducted in conformance with the Public Sector Internal Audit Standards.

2.2 Context

Land Charge searches fall into several categories including the Official LLC1 Search, CON29 Standard Enquiries and Part 2 CON29 Enquiries. A local land charge search is undertaken as part of the conveyancing process when a property or piece of land is changing hands or is being valued. The objective of the search is to uncover any restrictions or legal obligations, such as conditional planning consents, listed buildings or tree preservation orders. The process for transferring responsibility for land charges searches to the Land Registry has been ongoing since 2018 and this is due to complete in 2024. The council has signed up to the collaboration process with the Land Registry and steps to transfer the land charges register is in progress. This does not, however, cover all the different searches that are performed by local authorities, and the council will retain responsibility for applying, amending and cancelling charges in the register. Requests for searches are usually received into the council from Solicitors firms representing home buyers through the online portal, though there has been a significant increase in the use of personal search companies. Requests are usually accompanied by electronic payment of the applicable land search charges which are checked and reconciled by the Land Charges Team in conjunction with Finance.

2.2 Financial information

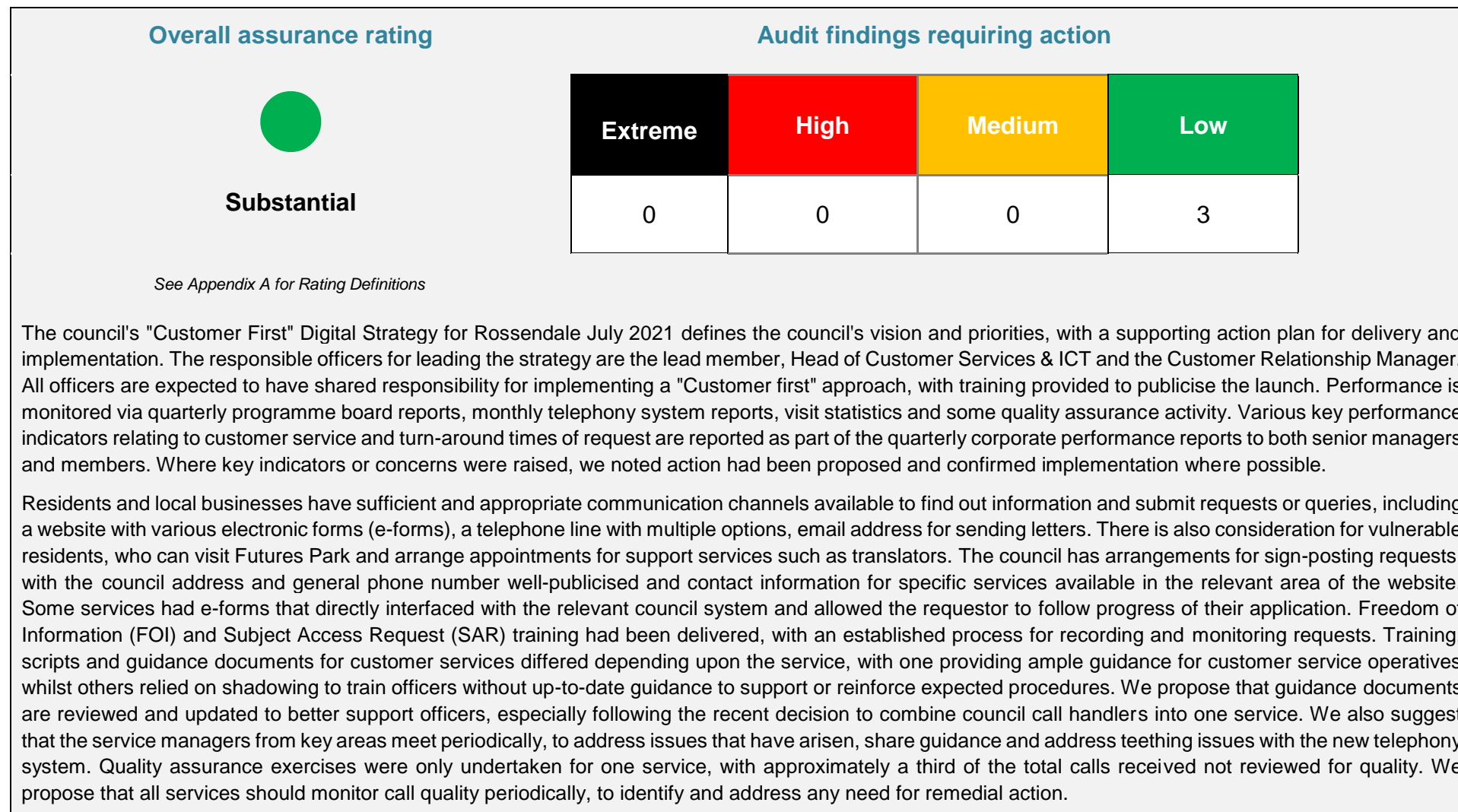
A total of 455 searches were completed in the 2023/24 financial year to the date of audit testing, generating £29,529 in income.

2.3 Scope of Audit

In this audit we 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:

- Policy and guidance;
- Land search fees;
- Financial land charges; and
- Financial monitoring.

Customer Contact



Agreed actions from the audit	Priority
The Corporate Support and One Stop Shop manager should meet either monthly or quarterly, to discuss issues, share guidance and knowledge and establish together a consistent approach to call handling. A representative from ICT should attend meetings where issues relate to system improvements or defects.	●
The guidance and procedure notes for common Corporate Support and Licensing request should be reviewed and updated.	●
A quality assurance monitoring process should be established for calls presented to the Corporate Support service. A sample of calls should be listened to, with an assessment based on how the call was handled and the outcome. The officer dealing with the call should receive recommendations for areas to improve if applicable.	●

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 2023 to March 2024 and has been conducted in conformance with the Public Sector Internal Audit Standards.

2.2 Context

The council approved and implemented the "Customer First" Digital Strategy for Rossendale July 2021, which outlines the council's approach to customer contact, with various projects to improve digital services and the customer experience. The strategy is long-term and runs to 2029, with the four key themes Digital Customer, Digital Workforce, Digital Infrastructure and Digital Security. The strategy uses the phrase "Customer First" as a focal point, with the explanation that the council intends to encourage digital options whilst avoiding becoming "digital only" to not exclude vulnerable residents.



The strategy is supported by capital funding which was last approved in 2022-23 financial year and carried forwards into 2023-24. The current expected expenditure (including commitments) as of Q3 2023/24 is £171k.





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 relating to the following areas:

- Strategy;
- Channels & Ease of Access;
- Sign posting & Training;
- Complaints & Compliments;
- Partners & Performance.

Best Value Duty

Overall assurance rating	Audit findings requiring action			
 Substantial	Extreme	High	Medium	Low
0	0	0	0	5
<i>See Appendix A for Rating Definitions</i>				
<p>The council complies with the seven best value themes except for two characteristics which we considered were not applicable and one in Theme 1 with which we considered the council was non-compliant. The council has developed a consistent approach to continuous improvement, with appropriate governance arrangements and oversight by members. All officers and managers agreed that the council leadership is effective, both through management and elected members, and promotes and demonstrates the highest ethical standards with shared values and ways of working. The council has a satisfactory framework of key financial controls which is audited annually and the Chief Finance Officer and Head of Legal Services are appropriately positioned as the Section 151 officer and Monitoring Officer respectively. The council has the expected financial strategies and quarterly budget monitoring reports, with a treasury management strategy and medium-term financial position statements, which covers the prudential framework, investment and Capital strategy and minimum revenue provision.</p> <p>The council is non-compliant with the characteristic requirement of an established transformation function and should consider whether this would be beneficial to identify and implement cultural and structural change in future. Senior officers should also consider joining the Co-production Practitioners Network and review Local Government Association guidance regarding co-production of service delivery. We do not consider the council non-compliant with the co-design characteristic, although this is an area that could be improved. The Audit & Accounts Committee includes one independent member, but Chartered Institute of Public Finance (CIPFA) guidance for local authority audit committees recommends at least two co-opted independent members. An annual report of the Committee's work programme to Full Council should be implemented and the task and finish group regarding financial concerns should be rescheduled. We were told briefing sessions are not well attended by members, with some citing dry content and unengaging delivery as a potential reason. The council should consider whether these briefing sessions can be improved, whilst monitoring attendance by members to encourage party leaders to challenge non-attendance.</p>				
Agreed actions from the audit				Priority
<p>The council should consider whether an established and formalised transformation function would be beneficial to planned restructure and other service improvement programmes.</p> <p>We acknowledge that given the size and resource constraints, this may not be feasible or justify a full-time position.</p>				

The council should appoint an additional co-opted member to Audit & Accounts Committee to comply with Chartered Institute of Public Finance best practice guidance.	
Consideration should be given to providing guidance or training to support officers in their presentations at briefings sessions. Attendance at briefing sessions should be monitored and shared with party leaders to challenge non-attendance.	
The council should consider implementing an annual A&A committee report for full council and ensure the next meeting for the financial task and finish group is scheduled in the 2024/25 financial year.	
Senior officers should consider joining the Co-production Practitioners Network and review Local Government Association guidance regarding co-production of service delivery.	

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 2023 to March 2024 and has been conducted in conformance with the Public Sector Internal Audit Standards.

2.2 Context

As part of the Local Government Act 1999, local authorities have a duty to deliver best value in its governance arrangements, leadership, service delivery and demonstrate continuous improvement. The Department for Levelling Up, Housing & Communities (DfLUHC) published guidance in July 2023, outlining seven best value themes with associated characteristic to enable councils to self-assess compliance and identify areas for improvement. The council's corporate management team (CMT) have asked the internal audit service to administer this self-assessment on their behalf.

The DfLUHC and other central government departments, such as Department for Education (DfE), can issue non-statutory and statutory notices if a council is considered to be failing to meet Best Value Duty standards. The most severe notice, under section 15 of the act, could result in the Secretary of State appointed commissioner intervening, establishing an improvement plan and taking direct control of the local authorities' functions.

2.3 Scope of Audit

In this audit we have reviewed the council's compliance with seven key themes identified by DfLUHC and the associated characteristics. This assessment was carried out with a view to either confirm compliance or identify non-compliance and areas that could be improved. We obtained views from all senior managers and a sample of members. The key themes were continuous improvement; leadership; governance; culture; use of resources; service delivery and partnerships & community engagement.

Annex B

Scope, responsibilities and assurance

Approach

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

Responsibilities of management and internal auditors

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

Basis of our assessment

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

Limitations to the scope of our work

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

Limitations on the assurance that internal audit can provide

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

that the controls will be adequate to mitigate all significant risks which may arise in the future.

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

Access to this report and responsibility to third parties

- 10 This report has been prepared solely for Rossendale Borough Council. It forms part of a continuing dialogue between the Internal Audit Service, the chief executive, Audit and Accounts Committee and management of the council. It is not therefore intended to include every matter that came to our attention during each internal audit assignment.
- 11 This report may be made available to other parties, such as the external auditors. However, no responsibility is accepted to any third party who may receive this report for any reliance that may be placed on it and, in particular, the external auditors must determine the reliance placed on the work of the Internal Audit Service.

Audit assurance and residual risks

Note that our assurance may address the adequacy of the control framework's design, the effectiveness of the controls in operation, or both. The wording below addresses all 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.*