

Subject:	Internal Audit Plan 2024/25 Progress Report - December 2024 to February 2025	Status:	For Publication
Report to:	Audit & Accounts Committee	Date:	24/02/2025
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 2024/25 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

- 3.1 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

- 4.1 This paper reports progress with the delivery of each audit on the 2024/25 annual audit plan

5. RISK

- 5.1 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

- 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

Progress Report - Delivery of the 2024/25 Audit Plan

December to February 2025



1 Introduction

Purpose of this report

- 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 2024/25 audit plan agreed at the March 2024 Committee meeting.

2 Summary of progress against the 2024/25 audit plan

- 2.1 The table below reports progress with delivery of the 17 audits on the 2024/25 audit plan. We have completed seven audits, are actively progressing eight and have yet to start the audit of subject access and freedom of information requests. We cancelled an audit of the Waste Improvement Plan as the plan no longer exists in its previous form. We issued final reports for audits of the systems administered by Capita - housing benefits, council tax and business rates – giving substantial assurance for all three. Our council tax audit also confirmed implementation of management actions agreed to update the Debt Management Policy and to report performance data to members.
- 2.2 The IT audit of cyber security being carried out by Salford City Council's Technical Audit Service is still at the planning stage and, given the risks involved, action should be taken to ensure this is progressed quickly.
- 2.3 We provided limited assurance over compliance with the council's Contract Procedure Rules, highlighting significant inconsistencies in their application, and agreed actions with managers to improve compliance. These include keeping the Contracts Register up to date, making policy and guidance more accessible and supporting it with training, and ensuring procurement follows the tendering process. An additional Procurement Officer post is being financed to support improvement.
- 2.4 We gave moderate assurance in our audit of risk management arrangements. The Risk Management Strategy was last updated in 2016, was reviewed in 2024 and is due to be submitted to this committee meeting. Key audit findings include the need for a more consistent approach to identifying and scoring service-level risks, and the revised Strategy should support this. We have agreed management actions to improve risk management in services by including, for example, operational risks in risk registers and ensuring there is regular review of progress to mitigate risks.
- 2.5 We would usually report the emergent annual internal audit plan 2025/26 to the March Committee meeting, but as this meeting was brought forward we are not yet ready to do so. However, we can report that we have made good progress in developing the plan with the Senior Leadership Team and will report the proposed plan to the July Committee.
- 2.6 We have included extracts from the finalised audit reports in Annex 1 to this report.

Control Area	Audit Progress	Assurance
Governance and democratic oversight		
Contract procedure rules (2023/24)	Completed	Limited
Procurement Act 2023 (Advice)	Completed	N/A
Subject Access and Freedom of Information	Not started	
Business effectiveness		
Risk Management	Completed	Moderate
IT Audit – Cyber Security	Progressing	
Service delivery		
Public Protection Unit	Progressing	

Waste, Cleansing and Recycling Improvement	Cancelled	
Service support		
Expense claims	Progressing	
Recruitment	Progressing	
Business processes		
Payroll	Completed	Substantial
Council tax	Completed	Substantial
Business rates/ NNDR	Completed	Substantial
Housing benefits	Completed	Substantial
Accounts payable	Progressing	
Accounts receivable	Progressing	
General ledger and budget setting	Progressing	
Income collection/ banking	Progressing	

Stage of audit process	Number of audits
Not started	1
Progressing/ planning	8
Draft report	0
Completed - Final Report <i>or</i> no report necessary	7
Deferred/ cancelled	1
Total number of audits	17

3 Update on the National Fraud Initiative (NFI)


- 3.1 As we reported to the November 2024 Committee, we are still unable to report NFI statistics in this period due to ongoing issues with the reliability of some Council Tax Reduction Scheme data reports provided by the DwP. We will provide an updated report once these issues have been resolved.

4 Use of this report

- 4.1 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 Final Internal Audit reports

Risk Management

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

See Appendix A for Rating Definitions

The Risk Management Strategy, last updated in March 2016, was reviewed in 2024 and is currently undergoing approval, for submission to the February 2025 Audit and Accounts Committee. The Strategy outlines the risk management process, including risk identification, analysis, control, and monitoring. Corporate and service risk registers are compiled annually, with monitoring of the corporate risk register by senior management and committee members. The Strategy also defines the roles and responsibilities of officers and members and is accessible on the council website and within the council policies framework. Key senior managers received project and risk management training, whilst mandatory risk management training for Audit and Accounts Committee members is provided annually, with the most recent session held in June 2024.

The Corporate Risk Register lists ten key risks, such as financial sustainability and data security, and is reviewed quarterly. Each corporate risk is assigned a risk owner and reported to senior management and members. Heads of service consult with service managers to develop business plans, which include key targets, actions, and associated risks. Service business plans, including service risk registers, are produced annually, though there is no consistent assessment of impact and likelihood or appointed risk owner. A standardised process and forms have been developed and incorporated into the revised Strategy for implementation in 2025-26. Our review confirmed that mitigation plans for service risks are in place and being implemented.

The Corporate Risk Register is reported quarterly to the Audit and Accounts Committee and Overview and Scrutiny Committee, with discussions and clarifications of risks evidenced in meeting minutes. Service-level risks escalated to the Corporate Risk Register are overseen by senior management and members. However, service-related risks are rarely revisited, and a more consistent approach is needed for identifying and scoring risks. Different services adopt varied approaches to managing business plan risks, with some lacking recorded updates and amendments to risk registers. A mechanism for the formal monitoring of service-level risks is set out in the revised Strategy.

Agreed actions from the audit	Priority
To improve risk management effectiveness and accountability Service risk registers should be enhanced to include operational risks, a comprehensive risk description, consistent scoring for risk impact and likelihood, and designated risk owners.	●
Implement a formal and consistent process for reviewing service risk registers, either through regular meetings with service managers or as a standing agenda item in operational board meetings. Ensure that updates and changes to service risk registers are recorded on the register to provide an audit trail for changes.	●

2.1 Background

This audit has been undertaken in accordance with the 2024/25 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's approach to risk management and the framework for monitoring and reporting risks is set out in the Risk Management Strategy which is currently under review. In accordance with the Strategy, service level risks are identified as part of the annual business planning process and recorded in respective service area business plans. The most significant risks are escalated and recorded in the Corporate Risk Register and monitored in quarterly performance reporting to the Overview and Scrutiny Committee and the Audit and Accounts Committee.

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 accountability;
- Operational compliance; and
- Monitoring and reporting.

Contract Procedure Rules

Overall assurance rating	Audit findings requiring action			
 Limited	Extreme	High	Medium	Low
	0	1	4	0
<p><i>See Appendix A for Rating Definitions</i></p>				
<p>Overall, we can give limited assurance that Contract Procedure Rules (the Rules) are being complied with. The revised the Rules were approved by Full Council in November 2023 following review and update by an external consultancy, however these are not easily accessible and were not formally disseminated to staff. Our review of 16 procurement exercises revealed significant inconsistencies in applying the Rules, undermining the council's ability to demonstrate best value and transparency. Records for two procurement exercises were inaccessible whilst five suppliers were procured without a tendering exercise, formal advertising, or proper approval, representing a significant failure to comply with the Rules. The council's devolved procurement service places operational procurement responsibility on Procuring Officers across various service areas, which has proven difficult to maintain due to capacity issues. Implementing a centralized procurement service or appointing an officer to oversee procurement activities would support compliance and improve efficiency, and Senior Management have now approved the recruitment of a Procurement Officer.</p> <p>Where a procurement exercise had been completed and records were available, we confirmed that project planning is carried out to produce sufficiently detailed specifications and invitations to tender to enable suitable contracts to be procured, and these were formally advertised, or an appropriate number of quotations were obtained from recognised suppliers. Tender documentation or quotations had been obtained in accordance with the rules and decisions to award contracts properly authorised. Some procurement exercises did not require formal tendering as a decision was taken to procure through a framework agreement, however, two tendering exercises lacked the required declarations of pecuniary interests, and one only had a collusion certificate.</p> <p>The Contracts Register, maintained by the Finance department, includes details of all contracts over £5k as per the Local Government Transparency Code 2015. However, some columns were incomplete, and the register is not regularly updated despite a requirement to update quarterly. Regular reporting and sharing of procurement reports would improve transparency and ensure proper documentation.</p>				
Agreed actions from the audit				Priority
Management should ensure the updated Contract Procedure Rules are accessible on the Intranet under the policies section and distributed to all relevant council officers.				

Training sessions should be conducted to ensure all officers are fully aware of the Rules and of the need to comply with them. This training should cover the engagement with Finance, the use of the Contracts Finder e-portal, and the correct recording of contracts on the contracts register.	●
Procurement exercises should follow the tendering process as outlined in the Rules and a procurement specialist should be recruited to support officers and ensure compliance with the rules.	●
Procurement activity reports highlighting spend against each supplier split by service should be generated and shared with relevant officers on a regular basis.	●
The council should implement a structured process to ensure that the Contracts Register is regularly updated. This should include sending formal reminders to officers quarterly to update the register. Additionally, consideration should be given to adding drop-down menus for certain Register fields, such as contract status, classification and route to market to facilitate consistent completion.	●

2.1 Background

This audit has been undertaken in accordance with the 2024/25 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 current Contract Procedure Rules were agreed in November 2023. The council commissioned an external procurement specialist to undertake a review of the Rules for effectiveness and adherence to modern procurement practices. This resulted in changes to the definition of what constitutes a significant decision and internal thresholds. General delegations were amended for consistency and clarity. A significant expenditure was previously considered to be one which exceeds £15k and requires the completion of a Scheme of Delegation, and this limit was increased to £25k which also reflects the value of contracts that the council is required to advertise through the Government portal, Contracts Finder. The external consultants also worked with officers on the completion of the Contract Register, and to provide general advice and guidance on higher level procurements.

2.2 Financial information

Total revenue spend during 2023/24 was £11.7m whilst capital spend was £4.7m.

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:

- Governance and accountability;
- Operational compliance; and
- Monitoring and reporting.

Council Tax

Overall assurance rating



Substantial

See Appendix A for Rating Definitions

Audit findings requiring action

Extreme	High	Medium	Low
0	0	0	0

Overall, we were satisfied that the control framework to administer council tax operates effectively. The precepts and bandings for taxable properties inputted on the system matched to those published on the council website, additionally the Valuation Office Agency (VOA) reports were reconciled to the Northgate property database promptly and accurately. Discounts and exemptions reviewed were all assessed correctly with supporting evidence retained on the system and those claims that required an inspection had one undertaken.

A revised debt management policy has been drafted and the Service Assurance Team Leader is revising some aspects, including feedback from Members on the format, but confirmed that the substance will remain the same. On completion the policy will be submitted to Members for formal approval. Accounts that defaulted on payments were subject to recovery action and compliant with the current Debt Management Policy. The debt recovery process is making a positive impact overall, this was evidenced by a decrease in aged debt across all financial years since 2000, and when excluding the (2023) new debt and comparing the debt to the same period last year, there is a significant reduction of over £1.5m. Write-offs created and processed during the 2023-24 financial year were compliant with the Policy and approved appropriately based on their value, including approval by Cabinet prior to write-offs exceeding £5k. Refunds were appropriate and the accounts were in credit at the time of refund, additionally they were processed and approved by two different officers.

Council and Capita staff and management meet quarterly to discuss, monitor and performance targets. The Capita Service Performance Report is considered at Quarterly Operational Board Meetings, the collection rate for Council Tax is reported quarterly to Overview & Scrutiny Committee and monthly liaison meetings take place between RBC and Capita to review service delivery. The 2023/24 corporate performance management report records council tax collection rate performance as 95.8% against a target of 96.1%, and the performance trend as Amber. However, the Service Assurance Team Leader considered that the increased target for 2023/24 had been ambitious and that no action was necessary to address the shortfall. In view of this, and the relatively small percentile variance, we have not raised a recommendation to address this.

In our 2023/24 audit of council tax, we agreed management actions on the need to update the debt management policy and reporting of aged debt. The first will be implemented on approval of the revised policy and the second has been implemented.

2.1 Background

This audit has been undertaken in accordance with the 2024/25 Internal Audit Plan as approved by the Audit & Accounts Committee. The audit covers the period March 2023 to April 2024 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.

2.3 Financial Information

As at end of March 24 the total net Liability for Council Tax was £47.5m.

2.4 Scope of Audit

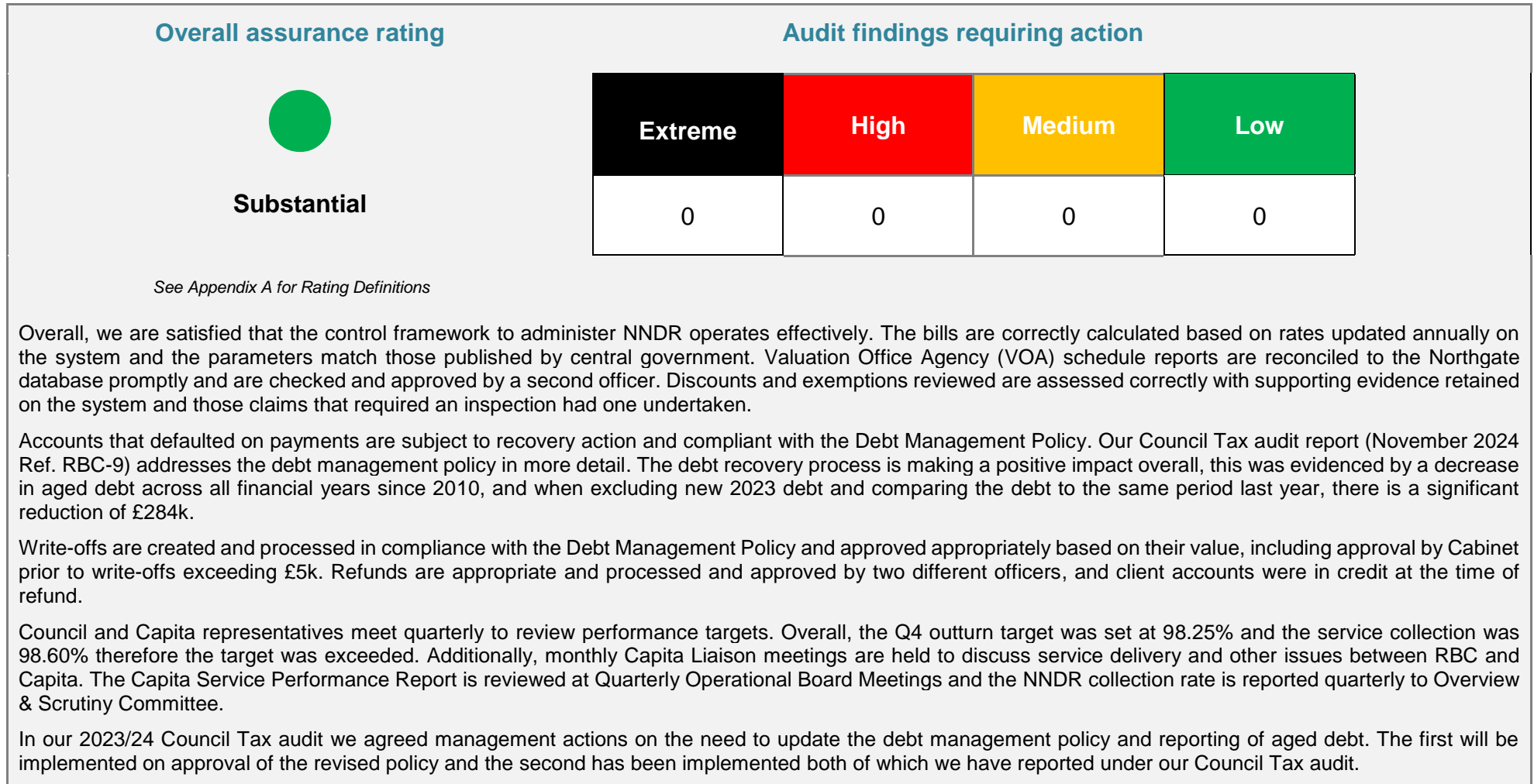
We audited the adequacy and effectiveness of controls and processes to mitigate the key risks relating to the following areas:

- 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.

2.5 Follow up of 2023-24 audit.

Action reference and description	Status
Action 4.1 - 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.	Implemented. The debt policy has been reviewed and updated, however, due to some last-minute feedback the policy is being amended to separate the write off and debt management sections; the substance of the policy will remain the same. Therefore, although it has been drafted and the service has adopted it the revised policy requires formal approval by members.
Action 4.2 - The quarterly performance target for collection rate should be accurately reported to members for both the Council Tax and National Non-domestic Rate. The quarterly performance report making process should be reviewed and improved to reduce the risk of reoccurrence.	Implemented. The collection rates for Council tax were accurately reported quarterly to members on the Overview & Scrutiny committee as part of the overall performance reports.

National Non-Domestic Rates (NNDR)



2.1 Background

This audit has been undertaken in accordance with the 2024/25 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 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.

2.3 Financial Information

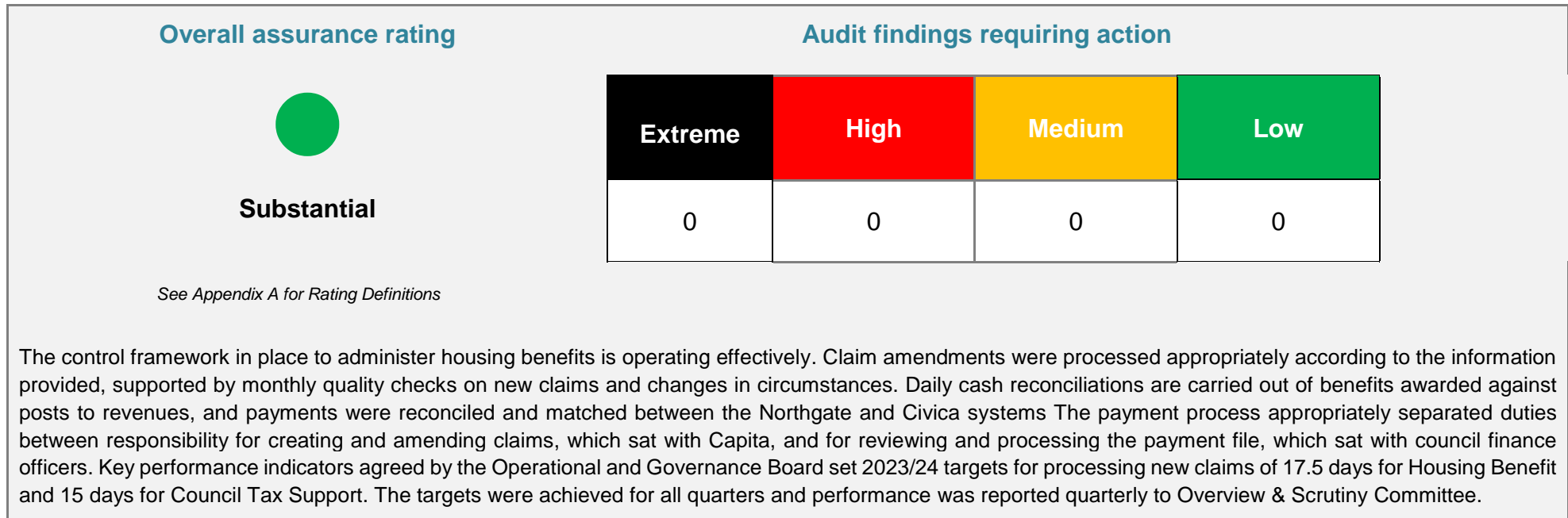
As at end of March 24 the total net Liability for NNDR was £13m.

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.

Housing Benefits



2.1 Background

This audit has been undertaken in accordance with the 2024/25 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 outsources the housing benefit and council tax support claims service to Capita PLC, with a new contract awarded in 2019. The council's Service Assurance 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 331 housing benefit and 1052 council tax support new claims during the period April 2023 to March 2024, with a total case load of 5074 claims and an average monthly payment of £925k.

2.4 Previous audit

An internal audit of housing benefit and council tax support was last carried out in October 2023. 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 set up 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.

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.*