

Rossendale Borough Council

Internal Audit Service

2011/12 financial year

**Monitoring report
covering the period to 31 October 2011**



1 Purpose of this report

- 1.1 The Annual Audit Plan for 2011/12 was approved by the Audit Committee on 15 June 2011. The plan reflects the approach agreed when Lancashire County Council's Internal Audit Service was reappointed as the Council's internal auditors. This report details the progress to date in undertaking the agreed coverage, and highlights any significant issues identified from the audit work performed in this period.
- 1.2 This report covers the period ended 31 October 2011.

Acknowledgements

- 1.3 We are grateful for the assistance that has been provided to us by staff of the Council during the course of our work.

2 Key issues and themes arising during the period

- 2.1 From the work undertaken during the period, no significant weaknesses have been identified that would have a material impact upon the Council's internal control environment.

3 Internal audit work undertaken

Internal audit plan 2010/11

- 3.1 Since our previous progress report, we have finalised the two remaining audit reviews from the 2010/11 audit plan, relating to our financial controls review of Community Leisure Association of Whitworth (CLAW) and procurement.

CLAW financial controls

- 3.2 In our opinion there is a generally sound system of internal control, adequately designed to meet the objectives of CLAW, and controls are generally being consistently applied. The audit work we have undertaken allows us to provide **substantial assurance** over the controls in place for CLAW's financial controls system. We have however made recommendations relating to:
- The pricing of special event and wedding packages;
 - Formal sign-off of timesheets;
 - Independent review of the bar auditor's report;
 - Documentary evidence of the insurance policy and documentation;
 - Repositioning of the existing CCTV camera in the bar area; and
 - Access restrictions to the Company Secretary's home PC and the use of memory sticks for transferring data between PCs.

Procurement

- 3.3 Based on the audit work undertaken we are able to confirm that four of the five recommendations raised as part of our previous review of procurement undertaken in 2009/10 have now been fully implemented. Progress has been made towards implementing the remaining recommendation, relating to monitoring of supplier expenditure, although this remains outstanding.
- 3.4 Testing identified one instance where the normal procurement rules had not been followed for the purchase of an ex-demonstration specialist vehicle. The procurement rules were not fully complied with in this instance as the vehicle purchased was the only ex-demonstration model available in the country and represented a significant cash saving to the Council rather than buying a new vehicle as originally intended. Though the reasoning behind the procurement of the vehicle from the particular supplier appears valid, this has not been documented in accordance with Council procedures.
- 3.5 We have obtained assurances from management that an exception report will be produced quarterly showing expenditure outside of a formal contract, or where the normal procurement rules have not been applied. Existing procedures requires all expenditure over £15,000 to be authorised by an Accountant, and as part of these checks, documentary evidence will be obtained to ensure compliance with the Council's contract procedure rules.

Internal audit plan 2011/12

- 3.6 Work carried out during this period was in accordance with the agreed audit plan. Details of the progress to date, including assurance provided and key issues identified for each of the areas completed to date, are set out in the 'Summary of findings and Assurance' table which forms part of Section 4.
- 3.7 Currently, this shows that 160 days have been spent in delivering the 2011/12 audit plan in the period up to 31 October 2011. This is 62% of the total audit activity of 260 days planned for the year.
- 3.8 In addition, 28.5 days have been spent during 2011/12 in finalising the audits that were ongoing at 31 March 2011. The unused allocations brought forward from the preceding year are now shown in the summary table.
- 3.9 In respect of the balance of the 2011/12 plan, work has been programmed over the remainder of the year to ensure the areas identified are covered. As at 31 October 2011, four audit reviews were ongoing at various stages of completion. These relate to:
- Partnerships;
 - Asset management;
 - Housing benefits; and
 - Income collection and banking.
- 3.10 Outcomes arising from our work will be reported upon finalisation.

- 3.11 The outcomes of the audit reviews finalised since our last progress report are set out in the following paragraphs:
- Corporate governance*
- 3.12 The audit work we have undertaken allows us to provide **substantial assurance** over the adequacy and effectiveness of the controls in place surrounding various elements of the Council's governance arrangements.
- 3.13 The Bribery Act 2010, which came into force on 1 July 2011, requires organisations to have adequate bribery prevention policies and procedures in place and be able to demonstrate that these procedures are effective. The Council is taking action to address these implications by developing an anti bribery policy and procedure, reviewing (and updating where necessary) existing relevant policies and procedures, and briefing staff on the main provisions of the Act.
- 3.14 Only six current officers have registered interests and five of these declarations were registered more than two years ago. A message regarding the Bribery Act, posted on the Council's intranet in June 2011, provided more guidance on the registration of officers' interests. Furthermore, it is intended that the declaration of interest form and an email reminder will be issued to officers on an annual basis to update their declarations.
- 3.15 Our review also noted that there are no arrangements for monitoring the operation of the Code of Conduct for Employees, including the register of interests. Management Team have since agreed that breaches of the code should be reported to Overview and Scrutiny Performance Committee on an annual basis by the People and Policy Team. In the absence of effective procedures surrounding the declaration and monitoring of officers interests there is a risk that the Council may not be able to demonstrate bribery prevention procedures or managers may be unable to identify potential conflicts of interest.
- 3.16 Councillors are required to complete a declaration of interests form within 28 days of each election and then notify any subsequent changes within 28 days. Following the May 2011 elections, all newly elected members with the exception of three, completed the declarations within the required timescale. These three members last submitted a notification to the register of interests in 2009. In addition, audit testing for a sample of five councillors found a number of instances where declarations were not complete and up to date and did not reflect for example, political affiliation or interests in land and property. There is therefore a risk that the register of members' interests is not up to date or accurate or that members do not comply with the requirements of the Code of Conduct. It is however intended that the requirements of the Code will be reiterated to members via the members' bulletin and the outstanding entries on the register of interests will be updated accordingly.

Information governance

- 3.17 Our work in this area found some elements of good practice and a good general understanding of the risks associated with information management, particularly within the ICT environment. Furthermore, through our discussions with senior management it is apparent that there is acceptance of the need to establish an effective information governance framework. Senior management support will be essential to facilitate the necessary changes within the council.
- 3.18 However, the council does not have a formal information governance framework in place to effectively address its information risks. Therefore we can only provide **limited assurance** over the information governance framework and management of information risks.
- 3.19 The review established that many of the necessary technical controls within the ICT environment have been developed and documented with supporting policies. However, an important element in mitigating information security risks is the establishment of an effective governance framework which has clearly defined roles and responsibilities and supporting reporting framework. We have established that such a framework does not currently exist but this has been recognised and work is currently ongoing to address the council's information governance requirements.
- 3.20 In developing its information governance arrangements it is considered important that the council:
- identifies its key areas of risk and implements arrangements that are proportionate with those risks and to the size of the council, and the resources available to achieve its objectives;
 - identify a Senior Information Risk Owner (SIRO) as a key role within information governance, which the council has since done with the agreement of the Executive Management Team;
 - formally records information asset owners and the systems involved;
 - determines the corporate group that will be responsible for information governance;
 - recognises and addresses information risk specifically within its overall risk management arrangements;
 - documents the developing information governance framework, organisational structure and roles and responsibilities of key officers in monitoring and measuring the effective performance of information governance. It is also important that the policy fully reflects all of the operational needs of the council and is not produced in isolation by any one team or group;
 - develops further a culture which properly values, protects and uses information for the public good, which is essential for maintaining the efficient, effective, correct and secure use of the council's information assets. An effective information governance framework necessitates embedding different ways of working and a change of culture in how information is managed within the organisation. It is important that there

is adequate and appropriate training available and effective channels of communication to ensure the correct messages reach the right people.

Elections

- 3.21 In our opinion the system of internal control over these areas has adequate controls to achieve its control objectives and the system controls are generally operating effectively. The audit work we have undertaken therefore allows us to provide **substantial assurance** over the controls in place for the Council's elections system.
- 3.22 Council officers that undertake election duties receive paid time off work and an allowance from elections funding for these duties. It is acknowledged that the Elections Manager obtains the approval of department managers before offering elections work to interested Council employees. The Council does not currently have a formal policy for the use of Council staff to undertake election duties or the authorisation of paid time off work for such officers which would clarify these arrangements.
- 3.23 Elections officers, including staff involved in administering elections are in receipt of allowances defined by a schedule of election fees developed by the Elections Manager. The Returning Officer (Chief Executive) whom holds responsibility for all election expenditure has verbally but not formally approved the schedule of fees. A more formal documented method of approval would provide a clearer separation of duties between the development of the schedule and its approval prior to use.

Contract management – Service Assurance Team

- 3.24 Our audit work in this area demonstrated adequate and effective controls, and allows us to provide **substantial assurance** over the controls in place for the Council's contract management arrangements over arrangements with Capita.
- 3.25 Whilst there were adequate and effective systems and procedures in relation to the majority of areas our audit work identified a number of areas for minor improvement. In particular, the potential need to update contractual documentation to reflect the current governance and fraud arrangements.
- 3.26 We also recommended a clarification in performance reports to the Strategic Governance Board (or Operational Board as appropriate) to reflect outcomes based on a sample of data checked, rather than the whole population, to ensure that the reported results are not misleading. Furthermore, a revision of the 2011/12 benefit performance targets to align with Department for Work and Pensions (DWP) benchmarking statistics should also be considered by management to encourage continued service improvement.

Summary of findings

Overall summary and assurance provided

- 3.27 The table on the following pages sets out a brief summary of each review undertaken during the period and the areas to be covered in the remainder of the year. This indicates the planned and actual days we have spent on each area, the variance between the days reported, and a summary of the assurance we have been able to provide in relation to each system or operational area of your business, where work has been finalised. The key issues identified encapsulate the significant issues and areas where key recommendations were made. They reflect the findings at the time the work was carried out.
- 3.28 As the plan progresses, we will provide an overall level of assurance for each audit assignment and further, distil the assurance into an assessment of the adequacy of each system, and its effectiveness in operation.
- 3.29 The level of assurance provided on each assignment can be at one of four levels; full, substantial, limited and no assurance. Definitions of the assurance levels used are attached as Appendix 1.
- 3.30 The table will indicate our overall assessment of each system where reviews have been finalised during the period and the assurance you may take from its operation in supporting effective internal control. A dash (-) indicates an area where work is in progress or where we are unable to give an assessment because of the reason given.
- 3.31 ***System adequacy:*** We have defined a system as adequate if its design enables it to achieve its core control objectives which, if operating as intended, serve to manage its inherent risks.
- 3.32 ***System effectiveness:*** We have defined a system as operating effectively if, after testing or other supporting evidence has been found, it is operating as intended.

Summary of our findings and assurance

Review area	Audit days			Assurance	Key issues/Comments
	Planned	Actual	Variation		
Controls over cross-cutting risks					
Corporate Governance	20	20	0	<p>Substantial assurance</p> <p>In our opinion the system of internal control over these areas has adequate controls to achieve its control objectives and the system controls are generally operating effectively.</p>	<p>The Bribery Act 2010 requires organisations to have adequate bribery prevention policies and procedures in place and be able to demonstrate that these procedures are effective. The Council is taking action to address these implications by developing an anti bribery policy and procedure, reviewing (and updating where necessary) existing relevant policies and procedures, and briefing staff on the main provisions of the Act.</p> <p>Only six current officers have registered interests and five of these declarations were registered more than two years ago. A message regarding the Bribery Act, posted on the Council's intranet in June 2011, provided more guidance on the registration of officers' interests. It is intended that the declaration of interest form and an email reminder will be issued to officers on an annual basis to update their declarations. Our review noted the lack of arrangements for monitoring the operation of the Code of Conduct for Employees. Management team have since agreed that breaches of the code should be reported to Overview and Scrutiny Performance Committee by the People and Policy Team.</p> <p>Councillors are required to complete a declaration of interests form within 28 days of election and then notify any subsequent changes within 28 days. Following the May 2011 elections, all newly elected members with the exception of three, completed the declarations within the required timescale. Audit testing for a sample of five councillors found instances where declarations were not complete and up to date. It is intended that the requirements of the Code will be reiterated to members via the member's bulletin.</p>

System adequacy: We have defined a system as adequate if its design enables it to achieve its core control objectives which, if operating as intended, serve to manage its inherent risks.

System effectiveness: We have defined a system as operating effectively if, after testing or other supporting evidence has been found, it is operating as intended

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Review area	Audit days			Assurance	Key issues/Comments
	Planned	Actual	Variation		
Controls over cross-cutting risks (contd)					
Partnerships (Health, Leisure and Communities)	32	29	3	-	Audit fieldwork in respect of these reviews is now complete and a draft report will be issued for management consideration in due course. Due to the ongoing financial and operational pressures in respect of leisure arrangements, it was agreed with management that this element of the review will be deferred.
Information Governance	18	17	1	Limited assurance In our opinion the system of internal control over this area needs to be developed further in order for the Council's control objectives to be achieved.	<p>This review was completed in August 2011, and whilst various elements of good practice were evident, in developing its information governance arrangements it is considered important that the council:</p> <ul style="list-style-type: none"> • identifies its key areas of risk and implements arrangements that are proportionate with those risks and to the size of the council, and the resources available to achieve its objectives; • identify a Senior Information Risk Owner (SIRO) as a key role within information governance, which the council has since done with the agreement of the Executive Management Team; • formally records information asset owners and the systems involved; • determines the corporate group that will be responsible for information governance; • recognises and addresses information risk specifically within its overall risk management arrangements; • documents the developing information governance framework, organisational structure and roles and responsibilities of key officers in monitoring and measuring the effective performance of information governance; • develops further a culture which properly values, protects and uses information for the public good, which is essential for maintaining the efficient, effective, correct and secure use of the council's information assets.

System adequacy: We have defined a system as adequate if its design enables it to achieve its core control objectives which, if operating as intended, serve to manage its inherent risks.

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Review area	Audit days			Assurance	Key issues/Comments
	Planned	Actual	Variation		
Service-specific controls					
Elections	10	10	0	<p>Substantial assurance</p> <p>In our opinion the system of internal control over these areas has adequate controls to achieve its control objectives and the system controls are generally operating effectively.</p>	<p>Council officers that undertake election duties receive paid time off work and an allowance from elections funding for these duties. It is acknowledged that the Elections Manager obtains the approval of department managers before offering elections work to interested Council employees. The Council does not currently have a formal policy for the use of Council staff to undertake election duties or the authorisation of paid time off work for such officers which would clarify these arrangements.</p> <p>Elections officers, including staff involved in administering elections are in receipt of allowances defined by a schedule of election fees developed by the Elections Manager. The Returning Officer (Chief Executive) whom holds responsibility for all election expenditure has verbally but not formally approved the schedule of fees. A more formal documented method of approval would provide a clearer separation of duties between the development of the schedule and its approval prior to use.</p>

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Review area	Audit days			Assurance	Key issues/Comments
	Planned	Actual	Variation		
Service-specific controls (continued)					
Contract Management – Service Assurance Team	15	15	0	Substantial assurance In our opinion the system of internal control over this area has adequate and effective controls to achieve its control objectives.	Whilst there were adequate and effective systems and procedures in relation to the majority of areas our audit work identified a number of areas for minor improvement. In particular, the potential need to update contractual documentation to reflect the current governance and fraud arrangements. We also recommended a clarification in performance reports to the Strategic Governance Board (or Operational Board as appropriate) to reflect outcomes based on a sample of data checked, rather than the whole population, to ensure that the reported results are not misleading. Furthermore, a revision of the 2011/12 benefit performance targets to align with Department for Work and Pensions (DWP) benchmarking statistics should also be considered by management to encourage continued service improvement.
Corporate common controls					
Asset Management	5	5	0	-	Audit fieldwork in respect of this review was completed in September 2011 and a draft report has been issued for management consideration. We will report the findings following receipt of management responses and an action plan being agreed.
General Ledger and Budgetary Control	7	0	7	-	This review is scheduled to be undertaken in Quarter 4 of 2011/12.

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Review area	Audit days			Assurance	Key issues/Comments
	Planned	Actual	Variation		
Corporate common controls (contd)					
Treasury Management	10	6	4	<p>Substantial assurance</p> <p>In our opinion the system of internal control over the operation of treasury management within the Authority has adequate controls to achieve its control objectives and is generally operating effectively in the areas reviewed</p>	<p>There are no significant findings arising from our review of treasury management arrangements. We did however raise three low priority recommendations requiring action by management.</p> <p>We were unable to obtain documented authorisation for one of the three investments tested during our review although we acknowledge that there was email correspondence to indicate that this was discussed between officers.</p> <p>Prescribed limits should be agreed formally in respect of the amount borrowed or invested that the Head of Finance and Property can enter into, above which, approval should be sought through a scheme of delegation. In addition, the Treasury Management Practices document requires updating to reflect the list of authorised signatories able to sign cheques and authorise bank transactions. This list was approved by Cabinet in August 2011.</p>
Housing Benefits	5	0	5	-	We have agreed with Capita to undertake this piece of work in November/ December 2011.

System adequacy: We have defined a system as adequate if its design enables it to achieve its core control objectives which, if operating as intended, serve to manage its inherent risks.

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Review area	Audit days			Assurance	Key issues/Comments
	Planned	Actual	Variation		
Corporate common controls (contd)					
Council Tax	10	8	2	<p>Substantial assurance</p> <p>In our opinion the system of internal control has adequate controls to achieve its control objectives and the system controls are operating effectively.</p>	<p>There are no significant findings arising from our review of council tax. We did however raise two low priority recommendations for consideration by management.</p> <p>The Council undertakes appropriate checks on the award of each discount and any inconsistencies are appropriately investigated. In addition, the data matches identified as part of the bi-annual National Fraud Initiative (NFI) exercise are investigated and followed up by the Council. We recommended that management also consider the use of credit referencing agency data to identify false claims for discounts. The level of discounts is monitored on an ongoing basis and consideration will be given to this initiative bearing in mind existing checks and data matching exercises already performed.</p> <p>At the time of our review contingency arrangements for empty property inspections were in place with the back office administration staff undertaking inspections in the absence of the Inspection Officer. Whilst these revised arrangements were operating effectively there was no independent monitoring of completed inspections. The Inspection Officer has since returned to work although management are looking at partially retaining a rota system. In May 2012 the Service Assurance Team will report to Strategic Governance Board on compliance with the targeted inspection regime and subsequently the performance and safeguards in the regime.</p>
Accounts Payable	15	0	15	-	This review is scheduled to be undertaken in Quarter 4 of 2011/12.

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Review area	Audit days			Assurance	Key issues/Comments
	Planned	Actual	Variation		
Corporate common controls (contd)					
Accounts Receivable	15	0	15	-	This review is scheduled to be undertaken in Quarter 4 of 2011/12.
Payroll	8	0	8	-	This review is scheduled to be undertaken in Quarter 4 of 2011/12.
NNDR	5	0	5	-	We have agreed with Capita to undertake this piece of work in Quarter 4 of 2011/12.
Income collection and banking	10	2	8	-	Audit fieldwork in respect of this review commenced in November 2011. Our findings from this review will be reported to Committee members upon completion of the audit and finalisation of the report.

System adequacy: We have defined a system as adequate if its design enables it to achieve its core control objectives which, if operating as intended, serve to manage its inherent risks.

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Review area	Audit days			Assurance	Key issues/Comments
	Planned	Actual	Variation		
Other areas					
Counter Fraud (Including National Fraud Initiative)	15	9	6	-	<p>In October 2010 we submitted data to the Audit Commission in regards to the general category of NFI matches including housing benefits, payroll, creditors, market trader licences, insurance, licences to supply alcohol and taxi driver licences. The resulting matches were subsequently released to RBC in January 2011 and work has been ongoing towards the investigation and follow-up of the resultant data matches by RBC officers.</p> <p>We confirmed that of the 1401 matches, 1040 have now been actioned including all high priority matches. There are 348 matches requiring further investigation and work with these is progressing well. To date there have no identified frauds although 24 errors have been identified in regards to concessionary travel passes and respective travel passes have subsequently been cancelled.</p> <p>With regards to the forthcoming NFI exercise relating to council tax records, the NFI key contact has been liaising with relevant officers within the Council and council tax data was successfully submitted in October 2011. Arrangements are being put in place to enable submission of electoral roll data in December 2011. The subsequent matches are due to be released in February 2012, when the process of investigating any reported matches will commence.</p>

System adequacy: We have defined a system as adequate if its design enables it to achieve its core control objectives which, if operating as intended, serve to manage its inherent risks.

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Review area	Audit days			Assurance		Key issues/Comments
	Planned	Actual	Variation			
Other areas (continued)						
Follow up reviews	15	4	11	-		Licensing – The four recommendations raised in our previous review have been implemented.
						Waste and recycling - This review is scheduled to be undertaken in Quarter 4 of 2011/12.
						CLAW financial controls - This review is scheduled to be undertaken in Quarter 4 of 2011/12.
						IT service management - This review is scheduled to be undertaken in Quarter 4 of 2011/12.
Contingency	15	14	1	N/A		Contingency used for additional work in relation our reviews of corporate governance (4), elections (5.5), contract management (3) and asset management (1.5).
Management of the audit service	30	21	9	N/A	N/A	This time relates to the day to day management of the Authority's audit plan including preparation and attendance at committee, liaison with senior management and the Council's external auditors and any ad-hoc advice and support to the Authority.
2011/12 days	260	160	100			

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Review area	Audit days			Assurance	Key issues/Comments
	Planned	Actual	Variation		
2010/11 audits brought forward					
Community Leisure Association of Whitworth (CLAW) Financial Controls	0	0.5	(0.5)	<p>Substantial assurance</p> <p>In our opinion there is a generally sound system of internal control, adequately designed to meet the objectives of CLAW, and controls are generally being consistently applied.</p>	<p>We have however made recommendations relating to:</p> <ul style="list-style-type: none"> • The pricing of special event and wedding packages; • Formal sign-off of timesheets; • Independent review of the bar auditor's report; • Documentary evidence of the insurance policy and documentation; • Repositioning of the existing CCTV camera in the bar area; and • Access restrictions to the Company Secretary's home PC and the use of memory sticks for transferring data between PCs.
Waste and Recycling	0	2	(2)	<p>Substantial assurance</p>	<p>We spent two days in finalising the waste and recycling audit report. The findings from this review were previously reported to members in the 2010/11 Annual Report at the 15 June 2011 meeting of the Audit and Accounts Committee.</p>

System adequacy: We have defined a system as adequate if its design enables it to achieve its core control objectives which, if operating as intended, serve to manage its inherent risks.

System effectiveness: We have defined a system as operating effectively if, after testing or other supporting evidence has been found, it is operating as intended

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Review area	Audit days			Assurance	Key issues/Comments
	Planned	Actual	Variation		
2010/11 audits brought forward (contd)					
Cash Collection and Banking	0	1	(1)	Substantial assurance	We spent one day in finalising the cash collection and banking audit report. The findings from this review were previously reported to members in the 2010/11 Annual Report at the 15 June 2011 meeting of the Audit and Accounts Committee.
Accounts Receivable	3.5	5	(1.5)	Substantial assurance	Findings from this review have been reported to members at the 6 September 2011 meeting of the Audit and Accounts Committee.
				In our opinion the system of internal control over the Council's accounts receivable system has adequate controls to achieve its control objectives and the system controls are generally operating effectively in the areas covered by this review.	
Accounts Payable	4	5	(1)	Substantial assurance	Findings from this review have been reported to members at the 6 September 2011 meeting of the Audit and Accounts Committee.
				In our opinion the system of internal control over the Council's accounts receivable system has adequate controls to achieve its control objectives and the system controls are generally operating effectively in the areas covered by this review.	

System adequacy: We have defined a system as adequate if its design enables it to achieve its core control objectives which, if operating as intended, serve to manage its inherent risks.

System effectiveness: We have defined a system as operating effectively if, after testing or other supporting evidence has been found, it is operating as intended

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Review area	Audit days			Assurance	Key issues/Comments
	Planned	Actual	Variation		
2010/11 audits brought forward (continued)					
NNDR	10	9.5	0.5	Substantial assurance	Findings from this review have been reported to members at the 6 September 2011 meeting of the Audit and Accounts Committee.
				In our opinion the system of internal control over the Council's NNDR system has adequate controls to achieve its control objectives and the system controls are generally operating effectively in the areas covered by this review.	
Follow-ups	0	1	(1)	-	Our audit testing confirmed that management have taken appropriate action in implementing recommendations made as part of our reviews of business continuity, leisure trust, planning and health and safety.

System adequacy: We have defined a system as adequate if its design enables it to achieve its core control objectives which, if operating as intended, serve to manage its inherent risks.

System effectiveness: We have defined a system as operating effectively if, after testing or other supporting evidence has been found, it is operating as intended

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Review area	Audit days			Assurance	Key issues/Comments
	Planned	Actual	Variation		
2010/11 audits brought forward (continued)					
Procurement	3	4.5	(1.5)	- In our opinion, from information provided by managers and the testing carried out, the system of internal control over the procurement system is operating as intended, in the areas reviewed. Appropriate action has been taken with regard to each recommendation in the November 2010 report to address the issues raised.	Based on the audit work undertaken we are able to confirm that four of the five recommendations raised as part of our 2009/10 review of procurement have now been fully implemented. Progress has been made towards implementing the remaining recommendation although this remains outstanding. Testing identified one instance where the normal procurement rules had not been fully followed for the purchase of an ex-demonstration specialist vehicle. The procurement rules were not fully complied with in this instance as the vehicle purchased was the only ex-demonstration model available in the country and represented a significant cash saving to the Council rather than buying the vehicle from new as originally planned. Though the reasoning behind the procurement of the vehicle from the particular supplier appears valid, this has not been documented in accordance with Council procedures.
2010/11 audit days brought forward	20.5	28.5	(8)		
Total days used	280.5	188.5	92		

System adequacy: We have defined a system as adequate if its design enables it to achieve its core control objectives which, if operating as intended, serve to manage its inherent risks.

System effectiveness: We have defined a system as operating effectively if, after testing or other supporting evidence has been found, it is operating as intended

1. Audit assurance levels

Appendix 1

- 1.1 The assurance we can provide over any area of control falls into one of four categories as follows:

Full assurance: there is a sound system of internal control which is adequately designed to meet the council's objectives and is effective in that controls are being consistently applied.

Substantial assurance: there is a generally sound system of internal control, adequately designed to meet the council's objectives, and controls are generally being applied consistently. However some weakness in the design and/ or inconsistent application of controls put the achievement of particular objectives at risk.

Limited assurance: weaknesses in the design and/ or inconsistent application of controls put the achievement of the council's objectives at risk.

No assurance: weaknesses in control and/ or consistent non-compliance with controls could result/ has resulted in failure to achieve the council's objectives.