

<b>Subject:</b>	Internal Audit Progress Report	<b>Status:</b>	For Publication
<b>Report to:</b>	Audit and Accounts Committee	<b>Date:</b>	24 September 2013
<b>Report of:</b>	Head of Internal Audit	<b>Portfolio Holder:</b>	<b>Finance and Resources</b>
<b>Key Decision:</b>	<input type="checkbox"/> Forward Plan <input type="checkbox"/>	<b>General Exception</b>	<input type="checkbox"/> <b>Special Urgency</b> <input type="checkbox"/>
<b>Community Impact Assessment:</b>	Required: No	<b>Attached:</b>	No
<b>Biodiversity Impact Assessment</b>	Required: No	<b>Attached:</b>	No
<b>Contact Officer:</b>	Ian Rushworth Audit Manager	<b>Telephone:</b>	<b>01772 534779</b>
<b>Email:</b>	ian.rushworth@lancashire.gov.uk		

<b>1.</b>	<b>RECOMMENDATION(S)</b>
1.1	The Committee is asked to consider the internal audit progress report for the period to 31 August 2013.

**2. PURPOSE OF REPORT**

2.1 To present the internal audit progress report covering the period to 31 August 2013.

**3. CORPORATE PRIORITIES**

3.1 The matters discussed in this report impact directly on the following corporate priorities:

- **Responsive Value for Money Services:** This priority is about the Council working collaboratively, being a provider, procurer and a commissioner of services that are efficient and that meet the needs of local people.
- **Clean Green Rossendale:** This priority focuses on clean streets and town centres and well managed open spaces, whilst recognising that the Council has to work with communities and as a partner to deliver this ambition

**4. RISK ASSESSMENT IMPLICATIONS**

4.1 This report is provided for information and to support the Audit and Accounts Committee's role in relation to risk management.

**5. BACKGROUND AND OPTIONS**

5.1 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 and the related audit inputs.

5.2 The report, at Appendix A, provides a summary of internal audit activity undertaken in the 2013/14 financial year to 31 August 2013.

**COMMENTS FROM STATUTORY OFFICERS:**

**6. SECTION 151 OFFICER**

6.1 Any financial implications are commented upon in the report.

**7. MONITORING OFFICER**

7.1 Any legal implications are commented upon in the report.

**8. POLICY IMPLICATIONS AND CONSULTATION CARRIED OUT**

8.1 Any policy implications are commented upon in the report.

**9. CONSULTATION CARRIED OUT**

9.1 Reported findings have been discussed and agreed, including management responses to the recommendations, with respective service managers and heads of service prior to reporting.

**10. CONCLUSION**

10.1 The audit programme is progressing in line with the plan.

No background papers

**Rossendale Borough Council**

**Internal Audit Service**

**2013/14 Financial year**

**Progress report**

**covering the period to 31 August 2013**





## **Matters arising from internal audit work completed during the period**

### **1 Introduction**

- 1.1 This report highlights key issues that the Audit and Accounts Committee should be aware of to fulfil its role of providing independent oversight of the adequacy of the council's internal control and risk management framework.
- 1.2 It summarises the work undertaken during the five months of the year to 31 August 2013 by the council's Internal Audit Service under the internal audit plan for 2013/14. The findings included in this report have been agreed with relevant directors and managers.
- 1.3 A full table of all the audit work planned for 2013/14 is provided below, setting out brief notes of the progress made on each project and the outcomes where work has been completed. It also clarifies where planned assignments have been deferred or removed from the plan, and where additional work has been included in the programme for the year.

### **2 Key issues**

- 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**

- 3.1 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 table on page 3.
- 3.2 To 31 August 2013, 25 days have been spent in delivering the 2013/14 audit plan. Whilst this is a relatively small amount of time this is due to the majority of our work focussing on the key financial systems which are required to be reviewed towards the end of the financial year. Work is either ongoing or has been programmed over the remainder of the year to ensure that the balance of the 2013/14 plan will be completed. Twenty five days equates to 11% of the total audit activity of 225 days planned for the year.
- 3.3 In addition, 22 days have been spent during 2013/14 in finalising the audits that were ongoing at 31 March 2013.
- 3.4 The Homes and Communities Agency (HCA) has requested that the council arranges for a compliance audit to be performed this year. We have agreed with the Head of Finance to use some of the contingency days to perform this audit.
- 3.5 We have planned to meet with the external audit team from Grant Thornton to discuss our planned work and their requirements. Our work has been scheduled to allow the external auditors to maximise the reliance they can place on it. We have also agreed to share the terms of reference relating to our key financial system work with the external auditors which will enable us

to adapt the scope of our reviews to fit in with the work of the external auditors.

## **Summary of findings**

### ***Overall summary and assurance provided***

- 3.6 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, 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.
- 3.7 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.
- 3.8 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.
- 3.9 **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.
- 3.10 **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**

Audit review 2013/14	Audit scope	Planned audit days	Actual audit days	Findings/ comments	Assurance	Management response
<b>Corporate controls and cross-service issues</b>						
Risk management	An assessment of the risk management arrangements made in practice by examining a snapshot of senior management discussions and resulting actions, and a review of the risk register as a practical tool in effecting change.	5	0.5	We have commenced initial planning for this review and intend to perform the fieldwork in Quarter 3.	-	-
Planning	We are proposing to perform an audit which will cover the planning application process as well as the specific risks referred to on the council's risk register relating to English Heritage funding and the potential reduction of development control income.	25	3.5	We have agreed the terms of reference relating to this review with management and initial fieldwork has commenced.	-	-

Rossendale Borough Council  
 Internal Audit monitoring report for the period ended 31 August 2013

---

Audit review 2013/14	Audit scope	Planned audit days	Actual audit days	Findings/ comments	Assurance	Management response
<b>Corporate controls and cross-service issues</b>						
Public consultations – Forward planning	A review of the robustness of consultation processes in respect of the Site Allocation Plan and Statement of Community Involvement (SCI) to stand up to any potential challenge and scrutiny.	5	1	We have undertaken an initial consultation with management to agree the scope of this review. It was agreed that the fieldwork would be performed in Quarter 4.	-	-
<b>Service specific controls</b>						
Business continuity (IT and non IT controls)	A review of the business continuity arrangements to effectively manage the specific risk of loss of staff knowledge, as per the risk register.	20	0	This review is scheduled to begin in Quarter 3.	-	-



Rossendale Borough Council  
Internal Audit monitoring report for the period ended 31 August 2013

Audit review 2013/14	Audit scope	Planned audit days	Actual audit days	Findings/ comments	Assurance	Management response
<b>Corporate common controls</b>						
General ledger/ budgetary control	An assessment of the effectiveness of key controls surrounding the council's general ledger and budget monitoring system, incorporating a follow-up review of previous audit recommendations and transactions relating to Rossendale Leisure Trust.	10	0	This review is scheduled to begin in Quarter 3.	-	-
Treasury management	A review of the adequacy and effectiveness of controls in place to ensure investments and borrowing are in accordance with legislation and best practice guidance.	8	2.5	Audit fieldwork in respect of this review commenced in Quarter 2. The findings of this review will be presented to members in due course.	-	-
Housing Benefits	A review of procedures that relate to the control and administration of the housing and council tax benefits system, including follow up of recommendations raised in our previous review of this area in 2012/13.	8	0	This review is scheduled to begin in Quarter 3.	-	-

Rossendale Borough Council  
Internal Audit monitoring report for the period ended 31 August 2013

Audit review 2013/14	Audit scope	Planned audit days	Actual audit days	Findings/ comments	Assurance	Management response
<b>Corporate common controls</b>						
Asset management	A follow up of our review of this area in 2012/13 will be undertaken to provide assurance that the Council's property assets are accounted for and controlled adequately and effectively. This will include testing of key controls relating to the accuracy of property asset records, maintenance arrangements and commercial income and management of empty properties and follow up of previous audit recommendations. As this area received Limited Assurance in 2012/13 we will perform a full re-review of the system.	10	0	This review is scheduled to begin in Quarter 4.	-	-
Council Tax	A review of the adequacy and effectiveness of key controls and procedures in place for the timely and accurate collection and recording of income due to the council in respect of council tax, incorporating follow up of recommendations raised in our previous review of this area in 2012/13.	8	5.5	This review is ongoing and will be reported to this Committee upon finalisation of our report.	-	-

Rossendale Borough Council  
 Internal Audit monitoring report for the period ended 31 August 2013

---

Audit review 2013/14	Audit scope	Planned audit days	Actual audit days	Findings/ comments	Assurance	Management response
<b>Corporate common controls</b>						
Accounts Payable	A detailed review over the adequacy of the accounts payable procedures and the effectiveness of controls around the ordering and payment processes will be performed including a follow up of the recommendations from the previous review. The audit will also look at the financial transactions relating to the Rossendale Leisure Trust.	9	0	This review is scheduled to begin in Quarter 4.	-	-
Accounts Receivable	A detailed review over the adequacy of the accounts receivable procedures and the effectiveness of controls around the invoicing and debt management processes will be performed including a follow up of the recommendations from the previous review. The audit will also look at the financial transactions relating to the Rossendale Leisure Trust.	9	0	This review is scheduled to begin in Quarter 4.	-	-

Rossendale Borough Council  
Internal Audit monitoring report for the period ended 31 August 2013

---

Audit review 2013/14	Audit scope	Planned audit days	Actual audit days	Findings/ comments	Assurance	Management response
<b>Corporate common controls</b>						
Payroll	This review will consider the effectiveness of key controls and procedures in place within the payroll function to ensure the timely and accurate payment of wages and salaries to employees. The audit will also look at the financial transactions relating to the Rossendale Leisure Trust.	10	0	This review is scheduled to begin in Quarter 3.	-	-
Income Collection and Banking	We have previously covered Markets and Council Properties. In 2013/14 we will select alternative service areas to consider the adequacy and effectiveness controls and processing procedures in relation to the collection and banking of income. The review will ensure that all money paid to the council is promptly and correctly accounted for. The areas subject to review will be discussed and agreed with management as part of the audit planning process.	10	0	This review is scheduled to begin in Quarter 4.	-	-

Rossendale Borough Council  
Internal Audit monitoring report for the period ended 31 August 2013

Audit review 2013/14	Audit scope	Planned audit days	Actual audit days	Findings/ comments	Assurance	Management response
<b>Corporate common controls</b>						
NNDR	A review of procedures that relate to the control and administration of the National Non Domestic Rates (NNDR) system at the Council including a follow up of recommendations raised in our previous review of this area in 2012/13.	8	0	This review is scheduled to begin in Quarter 4.	-	-
Systems work contingency	A small provision has been made to respond to unforeseen issues should they arise.	5	0	-	-	-
<b>Other areas</b>						
Counter fraud/ National Fraud Initiative	This is a provision for investigatory work and will also include coordinating the council's investigations of data identified by the National Fraud Initiative.	15	3.0	As in previous years the Internal Audit team facilitated the submission of the Annual Fraud Survey. We are currently chasing contacts throughout the council to ensure the matches are being investigated.	-	-
Contingency	A provision to respond to unforeseen issues should they arise or to cover additional areas.	15	0	2 days have been allocated to perform the HCA compliance audit. We have started to discuss and plan this work.		

Rossendale Borough Council  
Internal Audit monitoring report for the period ended 31 August 2013

Audit review 2013/14	Audit scope	Planned audit days	Actual audit days	Findings/ comments	Assurance	Management response
<b>Other areas</b>						
<b>Follow-up reviews:</b> Health and safety Public consultations ICT Controls	Where not undertaken elsewhere within planned audit coverage, resources have been earmarked to ensure that all previous reviews are followed up and the actions previously agreed with management are implemented.	15	0	<b>Health and safety</b>	Original assurance – <b>Substantial</b>	-
				<b>Public consultations</b>	Original assurance – <b>Substantial</b>	-
				<b>ICT Controls</b>	Original assurance -	-
<b>Management of the Audit Service</b>	This time relates to other management and tasks in support of the internal audit service to the Authority, including liaison with the senior management team and the council's external auditors, central reporting (annual and periodic progress) and attendance, support, and reporting to the Audit and Accounts Committee as required.	30	9	-	-	-
<b>TOTAL 2013/14</b>		225	25			

Rossendale Borough Council  
Internal Audit monitoring report for the period ended 31 August 2013

Audit review 2012/13 brought forward	Audit scope	Days in 2013/14	Findings/ comment	Assurance	Response
ICT – Public Sector Network/ Government Connect	A review of project management controls established to maintain compliance with the latest version of the code of connection and the processes and procedures established to address any identified network vulnerabilities.	4	Audit fieldwork in respect of this review is now complete and a draft report has been issued for management consideration. We are currently discussing this report with management and will report the findings of this review to members upon finalisation of the report.		-
Follow-ups	Where not undertaken elsewhere within planned audit coverage, resources were earmarked to ensure that all previous reviews were followed up and the actions previously agreed with management were implemented.	2.5	<p><b>Information governance:</b></p> <p>We have completed our fieldwork and issued a draft report for management consideration. Findings from this review will be reported in due course.</p>	Original assurance - <b>Limited</b>	-
			<p><b>Health partnerships:</b></p> <p>The Public Health Lancashire (PHL) Board has established a team for East Lancashire with a dedicated officer focusing on Rossendale. Meetings have been held to assess priorities and a work plan for the Borough is currently in progress. This will be further developed through the forthcoming Health Summit to be held on 26 September 2013.</p>	Original assurance - <b>Limited</b>	-

Rossendale Borough Council  
 Internal Audit monitoring report for the period ended 31 August 2013

---

Audit review 2012/13 brought forward	Audit scope	Days in 2013/14	Findings/ comment	Assurance	Response
Finalisation of reports (already reported to Audit and accounts Committee) <ul style="list-style-type: none"> <li>- Health and Safety</li> <li>- Public consultations</li> <li>- Accounts Payable</li> <li>- Accounts Receivable</li> <li>- NNDR</li> </ul>		15.5			
<b>TOTAL 2012/13</b>		<b>22</b>			



## 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 designed to meet the service objectives and controls are being consistently applied.

**Substantial assurance:** there is a generally sound system of internal control, designed to meet the service 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 service objectives at risk.

**No assurance:** weaknesses in control and/ or consistent non-compliance with controls could result/ have resulted in failure to achieve the service objectives.