

Rossendale Borough Council

Internal Audit Service

2014/15 Financial year

**Progress report
covering the period to 31 August 2014**



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 2014 by the council's Internal Audit Service as part of the internal audit plan for 2014/15. The findings included in this report have been agreed with relevant directors and managers.
- 1.3 In terms of the 2014/15 audit plan we have started to scope and plan several of the audits but are not in a position to report any findings from the 2014/15 audit plan at this time. This is not unusual at this time of the year as the majority of our audit plan covers financial systems which need to be audited towards the end of the financial year.
- 1.4 This report also provides an update on the 2013/14 audits which have been completed since our last report to the Committee in June 2014.

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. To 31 August 2014, 10 days have been spent in delivering the 2014/15 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 completed 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 2014/15 plan will be completed. The non-financial systems audits are in the process of being planned and some initial work has commenced.
- 3.2 We have also arranged for the council's data to be prepared and submitted as part of the next NFI exercise.
- 3.3 In addition, 18 days have been spent during 2014/15 in finalising the 2013/14 audits that were previously outstanding. A summary of these audits and our findings is provided at page 3 of our report.
- 3.4 We have also 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

- 3.5 The table on the following page sets out a brief summary of each of the remaining 2013/14 audits which have now been completed. 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.

Summary of our findings and assurance

Audit review 2013/14	Audit scope	Findings/ comments	Assurance
Risk management	We have completed a review of the risk management arrangements. The audit covered the procedures in place to ensure that risks are effectively identified, recorded and monitored.	<p>The Council has established an adequate framework for managing and controlling its risks as set out in the Risk Management Strategy.</p> <p>However, we found that further work is required to develop and embed risk management across the organisation through effective and consistent integration of risk management processes. In particular risks which were identified as part of the annual business planning process did not appear to be actively managed throughout the year with only 2 of the 27 risk scores being updated during the first nine months of the year.</p>	<p>Substantial – high level framework</p> <p>Limited – risk management controls</p>
Trade Waste and Bulky Item Collection	The audit covered the adequacy and effectiveness of controls and procedures in place to ensure trade waste and bulky collections are administered and collected in accordance with established procedures and maximise income for the Council.	<p>Overall we were able to provide substantial assurance over the trade waste and bulky item collection process.</p> <p>We issued a total of 10 Medium and 5 Low priority recommendations including the need for effective monitoring of trade waste in the Borough to ensure proper waste collection arrangements are in place for ceased customers or businesses using alternative suppliers and potential misuse of the service is effectively controlled and managed. In addition to this, controls should be put in place or enhanced to verify the accuracy of invoices from the bulky collections supplier (HUFs) prior to payment and checks undertaken to minimise the risk of collections being accepted without payment.</p>	Substantial
Asset Management	This area received Limited Assurance in 2012/13 and we have reviewed management's progress in implementing the recommendations.	A draft report has been issued to management highlighting that a number of recommendations from our previous reports remain outstanding. A meeting has been arranged with management for the 23 rd September and a verbal update will be provided at the committee meeting.	Limited
NNDR	We have completed a review of the National Non Domestic Rates (NNDR) system controls.	We have issued our draft report to management providing Substantial assurance over the NNDR process. We have raised 3 Medium/ Low recommendations regarding improvements to the inspection process. The previous recommendations have all been actioned appropriately.	Substantial

Audit assurance levels

Appendix 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.