

Rossendale Borough Council

Internal Audit Service

2014/15 Financial year

Progress report

covering the period to 28 February 2015



1 Key issues

- 1.1 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.

2 Internal audit work undertaken

- 2.1 Work carried out during this period was in accordance with the agreed audit plan. To 28 February 2015, 127.5 days have been spent in delivering the 2014/15 audit plan. The majority of our work focusses 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 by early April 2015. Progress is either complete or ongoing in respect of the other non-financial systems audits including business continuity and risk management.
- 2.2 In addition, 37 days have been spent during 2014/15 in finalising the 2013/14 audits that were previously outstanding.
- 2.3 We have met 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

3 Main findings

- 3.1 Following discussions with the Director of Business we have agreed to delete our planned audit of Local Land Charges due to the Land Registry taking on responsibility for this function during 2015/16.
- 3.2 A joint meeting has been held between the external auditors of Rossendale Transport Limited (RTL) and the external and internal auditors for Rossendale Borough Council to gain a better understanding of the audit process for RTL. Whilst the external auditors for RTL perform some substantive testing as part of their year-end audit they do not provide any additional controls assurance over the adequacy and effectiveness of the company's internal controls. As the company is 100% owned by the council it was suggested that future audit plans should consider covering financial and operational risks at RTL to provide the council, as owners, with assurance that the risks facing the business are being managed. The views of the Audit and Accounts Committee are welcomed on this subject.

3.3 Last year's annual internal audit report highlighted 4 areas where we concluded that controls were limited. An update on each of these areas is provided below.

3.4 ***Treasury Management***

Our 2013/14 report raised concerns regarding the breaching of treasury management limits and also the lack of checks on interest received from investments.

The council has now improved the controls around treasury management limits and on occasions where limits are breached these are fully documented, approved and reported.

At the time of our audit a record was being retained of the interest due but this was not being checked against the interest received. Audit testing identified that the interest received on the Council's Special Interest Bearing Account (SIBA) provided by NatWest was significantly less than expected. Subsequent enquiries made by the Exchequer Manager established that tax had been incorrectly deducted from the interest received. The council has since been successful in recovering all of the incorrectly deducted tax totalling approximately £80,000.

3.5 ***Planning – s106 agreements and English Heritage***

We have completed a follow-up review of the planning recommendations raised during 2013/14. Whilst Planning in general received substantial assurance we did allocate limited assurance to the s106 agreements and English Heritage aspects of our audit scope. Some improvements are being made to the monitoring of s106 agreements however at the time of our follow-up work these had not been implemented. In addition no progress had been made with the recommendations covering the English Heritage funding. As things stand we are not able to raise the level of assurance from limited assurance over these two areas. We will liaise with the Planning Manager during March to assess if further progress is made with our recommendations and incorporate the findings into our annual report.

3.6 ***Risk Management***

Our 2013/14 audit concluded that further work was required to develop and embed risk management across the organisation and that inconsistencies in the identification, scoring, monitoring and subsequent scrutiny of risks meant that risks facing the Council may not be effectively controlled and managed.

We have held an initial meeting with staff responsible for risk management and are satisfied that appropriate action is being taken to progress our recommendations. We will re-review this area at the end of March 2015.

3.7 ***Wireless Network Access***

This issue had been satisfactorily addressed during 2013/14.

4 National Fraud Initiative

4.1 We have facilitated the submission of the NFI data for the council and the data matches were received in January 2015. We are co-ordinating the investigation of these matches and the outcome of the investigations will be reported back to a future committee.

4.2 A table summarising of the number of NFI matches is provided below. The Insurance matches have not yet been received as the data was submitted late by Zurich. Overall the number of matches have reduced from the previous NFI exercise. The council will as a minimum investigate all of the recommended matches.

<u>Rossendale Borough Council</u> <u>2014/15 NFI Exercise - Analysis of reports/ matches</u>				
<u>Category of data</u>	<u>No of match reports 2014/15</u>	<u>No of matches 2012/13</u>	<u>No of matches 2014/15</u>	<u>Recommended matches</u>
Housing Benefit	24	806	556	145
Payroll	4	60	17	5
Insurance Claimants	To follow	8	To follow	To follow
Creditors	5	60	118	45
Procurement	3	239	245	35
Taxi Driver licences	4	4	8	0
Total	40	1177	944	230

5 Overall summary and assurance provided

5.1 The table on the following page sets out a brief summary of each of the 2014/15 audits. 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 2014/15	Timing of audit	Budget days	Actual days	Findings/ comments	Assurance
Risk Management	March 2015	5	0.5	In January 2015 we met with management to discuss progress with the recommendations raised in our previous review of this area. Audit fieldwork is scheduled to be completed in March 2015.	
Members Allowances	September 2014	5	2.5	We issued our final report in January 2015 and were able to give an overall Substantial Assurance. We confirmed that action has been taken to implement recommendations in our previous review of this area in 2011/12. We identified two incorrect payments to Councillor's that were not highlighted by existing controls and noted that special responsibility allowance payments to two Councillor's were omitted in error from the figures published on the Council website.	Substantial
Local Land Charges	N/A	10	0	The Land Registry will take on sole responsibility for performing land searches from 1 April 2015 onwards. Given this national policy decision the Director of Business has requested that this audit is deleted.	
Elections	November 2014	12	11	We issued our final report in February 2015 and were able to give an overall Substantial Assurance. At the time of our review, there was a backlog in actioning Council Tax team and Greenvale Homes notifications of changes to the Electoral Register. Furthermore, personal visits had not been carried out for new registrations in line with Electoral Commission guidance and in one instance there was insufficient evidence to support individual registrations. Electoral Commission guidance highlights the importance of obtaining background information including convictions although the Council had no mechanism in place for recording such information.	Substantial
Business Continuity	January 2015	20	6	The scope for this audit has been agreed and audit fieldwork commenced in January 2015. We will issue a draft report for management consideration upon completion of our fieldwork.	
Counter Fraud	October	8	9	Following a fraud risk assessment a number of high fraud risk areas were selected, namely Fuel, Vehicle parts and Parks Equipment and reviewed. We have issued	Substantial

Rossendale Borough Council
Internal Audit monitoring report for the period ended 28 February 2015

Audit review 2014/15	Timing of audit	Budget days	Actual days	Findings/ comments	Assurance
Assessment	2014			<p>our final report and were able to provide Substantial Assurance. We have not found any instances of fraud occurring in the areas reviewed but we have made recommendations to strengthen a number of controls.</p> <p>The register of assets for parks equipment and machinery contained over 70 assets that had no unique asset reference number and whilst this asset register is physically verified on an annual basis, there is no independent review of this exercise. The asset register for the motor vehicles workshop does only include tools and equipment that require calibration and therefore needs expanding.</p> <p>The Council does not have a formal disposal process which sets out the arrangements for the approval of assets for disposal and requirements for assessing the future viability of assets.</p> <p>There is currently no monitoring of scrap metal collection and income which has resulted in a failure to collect income during 2014/15. The amount of income collected during 2013/14 was £1068.61. The income for 2014/15 is currently being pursued with the scrap metal merchant.</p> <p>We identified anomalies in the fuel card reports for 2014/15 relating to the use of fuel cards, and one where a fuel card was used outside of service provision which could not be fully explained. Also, officers were not required to sign a fuel use declaration.</p>	
NFI	October 2014	5	5	<p>We have facilitated the submission of the NFI data for the council. Data matches were received in January 2015 and are currently under investigation. We will continue to report progress with this exercise to future meetings of this committee.</p>	

Rossendale Borough Council
Internal Audit monitoring report for the period ended 28 February 2015

Audit review 2014/15	Timing of audit	Budget days	Actual days	Findings/ comments	Assurance
Treasury Management	November 2014	8	8.5	<p>We have issued our final report. The audit assurance has increased from Limited to Substantial assurance. Investment limits are now monitored and any breaches considered and reported.</p> <p>One of our high priority recommendations from 2013/14 concerned the reconciliation of interest payments received. Whilst interest due is now recorded checks on interest payments received were not being performed. Our testing identified that the interest received from NatWest was less than expected. Further enquiries by management have identified that NatWest were incorrectly deducting tax from the interest payments and had deducted £17,000 over the past 4 years. This amount plus previous year's amounts are currently being recovered from the bank.</p>	Substantial
Accounts Payable	January 2015	9	7.5	Audit fieldwork commenced in January 2015 and is currently in progress. A draft report will be issued for management consideration upon completion of our work.	
Accounts Receivable	January 2015	9	7.5	Audit fieldwork commenced in January 2015 and is currently in progress. A draft report will be issued for management consideration upon completion of our work.	
Payroll inc expenses	February 2015	10	1	Audit fieldwork commenced in February 2015 and is currently in progress. A draft report will be issued for management consideration upon completion of our work.	
General Ledger, budget setting and monitoring	January 2015	10	9	Our audit fieldwork in respect of this is complete and a draft report has been issued for management consideration. There are no significant improvements identified as part of this review.	Full
Income collection and banking	December 2014	10	9	We issued our draft report in February 2015 and following receipt of management responses we will finalise the report. There are no significant findings arising from this review although we did highlight four low priority recommendations.	Substantial
Council Tax	December 2014	8	7.5	We have completed our fieldwork and have not identified any significant issues. Key controls are operating well.	Full
Housing	December	8	8	Fieldwork for this audit is in progress. The work done by us so far has not identified any significant concerns. We will issue a draft report for management	

Rossendale Borough Council
Internal Audit monitoring report for the period ended 28 February 2015

Audit review 2014/15	Timing of audit	Budget days	Actual days	Findings/ comments	Assurance
Benefits	2014			consideration upon completion of our work.	
NNDR	March 2015	8	1	Fieldwork for this audit commenced in February 2015 and is in progress. We will collate our findings and issue a draft report for management consideration upon completion of our work.	
Asset Management	March 2015	10	1.5	This audit is scheduled for March 2015 as the majority of the outstanding recommendations were due to be implemented by March 2015.	
Follow-up	N/A	15	7	Work to follow up the recommendations raised in our previous review of Planning and Development Control is now complete. We have issued a draft report for management consideration and the findings of this review will be reported upon finalisation of the report.	
Contingency	N/A	23	0		
Management of Service	N/A	30	26		
TOTAL		225	127.5	We forecast that we will complete the plan within 188 days. This is 37 fewer days than planned mainly due to contingency days not being required and the deletion of the planned audit of Local Land Charges.	

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.