

## Appendix A

### **Rossendale Borough Council**

### **Internal Audit Service annual report for 2017/2018**



**Rossendale Borough Council**  
**Internal Audit Service annual report 2017/18**

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## **1 Introduction**

### **Purpose of this report**

- 1.1 This report summarises the work that the county council's Internal Audit Service has undertaken during 2017/18 and the key themes arising in relation to internal control, governance and risk management across the council.
- 1.2 In March 2017 the Audit and Accounts Committee considered and approved an internal audit plan for 2017/18, and any amendments to the plan have been reported to the committee during the course of the year. The work completed supports the overall opinion on the frameworks of governance, risk management and internal control.

### **The role of internal audit**

- 1.3 The Internal Audit Service is an assurance function that provides an independent and objective opinion on the adequacy and effectiveness of the council's control environment. The Public Sector Internal Audit Standards (PSIAS) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA) require the head of internal audit to provide an opinion on the council's control environment and a written report to those charged with governance, timed to support the annual governance statement. This report presents my opinion based upon the work the Internal Audit Service has performed during 2017/18.
- 1.4 The scope of our work, management and audit's responsibilities, the basis of my assessment, and access to this report are set out in Appendix C to this report.

### **Interim progress reports**

- 1.5 We have provided summaries of the individual pieces of audit work completed throughout the course of the year in progress reports to each meeting of the Audit and Accounts Committee. Any audit reports will be provided to any members if they wish.

Ruth Lowry  
Head of Internal Audit  
Rossendale Borough Council

## 2 Summary assessment of internal control

### Overall opinion

- 2.1 I can provide substantial assurance overall regarding the adequacy of design and effectiveness in operation of the organisation's frameworks of governance, risk management and control.
- 2.2 In forming my opinion I have considered the work undertaken by the Internal Audit Service throughout the year.
- 2.3 A summary of the assurance available from the audits we have undertaken during the year and more detailed notes of the findings arising from each of them are set out in Annex B and C. An explanation of the levels of assurance the Internal Audit Service provides is set out in Annex A.

### The council's control framework

- 2.4 Our work has been organised in accordance with the Internal Audit Service's planning principles and an understanding of the council's controls at the start of the year, which was set out as follows:

| <b>A framework for governance, risk management and control</b> |                                       |                                     |                       |                         |
|----------------------------------------------------------------|---------------------------------------|-------------------------------------|-----------------------|-------------------------|
| <b>Governance and democratic oversight</b>                     |                                       |                                     |                       |                         |
| Corporate governance framework                                 |                                       |                                     | Democratic processes  |                         |
| <b>Business effectiveness</b>                                  |                                       |                                     |                       |                         |
| Risk management                                                | Performance monitoring and management |                                     | Organisational design | Working in partnership  |
| <b>Service delivery</b>                                        |                                       |                                     |                       |                         |
| Customer services                                              |                                       | Operations and environmental health |                       | Business                |
| Benefits administration                                        | Revenue collection                    | Refuse collection and recycling     | Parks and open spaces | Housing<br>Regeneration |
| Leisure services                                               |                                       | Street sweeping                     | Planning              | Licensing               |
| <b>Service support</b>                                         |                                       |                                     |                       |                         |
| Contract monitoring and management                             |                                       |                                     | Public interface      |                         |
| <b>Business processes</b>                                      |                                       |                                     |                       |                         |
| Financial processes                                            | ICT                                   | Facilities management               | Human resources       |                         |
| Investment                                                     | Payroll                               | Procurement                         | Business continuity   |                         |

## Summary of assurance provided by the Internal Audit Service

- 2.5 A summary of all the assurance we have provided during the year is set out in the table below. These figures exclude two audits which were deferred to 2018/19: re-procurement of the revenues and benefits contract (service support) and performance management (business effectiveness).

| 2017/18 assignments relating to:    | Total     | Assurance |             |          |          |
|-------------------------------------|-----------|-----------|-------------|----------|----------|
|                                     |           | Full      | Substantial | Limited  | None     |
| Governance and democratic oversight | 2         |           | 2           |          |          |
| Business effectiveness              | 1         |           | 2           |          |          |
| Service delivery                    | 5         | 1         | 4           |          |          |
| Service support                     | 0         |           |             |          |          |
| Business processes                  | 10        |           | 9           | 1        |          |
| <b>2017/18 total assignments</b>    | <b>18</b> | <b>1</b>  | <b>16</b>   | <b>1</b> | <b>0</b> |
| <b>2016/17 total assignments</b>    | <b>16</b> | <b>1</b>  | <b>12</b>   | <b>3</b> | <b>0</b> |

## Management's responses to our findings

- 2.6 We have discussed the issues we raised during the year with service managers and members of the Senior Management Team. We agreed action plans and our work during 2017/18 indicates that the plans agreed in 2016/17 are largely being addressed, although some work is still ongoing.

## 3 Key issues and themes

- 3.1 While the council and its officers will feel the impact of the Empty Homes Programme for some time – particularly financially – much has been done to tackle the problems identified in our 2015/16 audit report. We gave substantial assurance this year over the delivery of actions to support the implementation of the Improvement Plan, and new arrangements are being embedded into the day-to-day operation of the council through the 2017/21 Corporate Strategy. This is supported by improvements in corporate and project risk management and decision making.
- 3.2 We followed up progress with implementation of actions agreed following audits in 2016/17, confirming substantial assurance over decision making and raising our risk management opinion from limited to substantial. However we again gave limited assurance over procurement. While a revised Commissioning and Procurement Strategy was approved in 2017, the implementation date for publishing revised contract and procurement rules has moved from March to September 2018. This action is central to implementation of a number of high and medium risk actions including changes to the scheme of delegation, Official Journal of the European Union (OJEU) procurement limits and contract waivers. The Head of Finance confirmed that the rules require extensive changes and the Legal Services Manager is currently reviewing and revising them for submission to full Council in September and subsequent publication.

- 3.3 We agreed with managers to defer two audits to 2018/19:
- Performance management – new procedures were introduced at the end of 2017/18 and we agreed to audit once they were fully established.
  - Procurement of the revenues and benefits contract – we deferred the planned audit for management to assess the issues and requirements, and will audit compliance with procurement rules in 2018/19.
- 3.4 Improved internal controls continue to operate effectively over the council's basic business processes, and we gave substantial assurance over all the transactional systems we audited, including accounts receivable over which we gave limited assurance in 2016/17.

## **4 Implications for the annual governance statement**

- 4.1 In preparing its annual governance statement the council should consider this annual assurance opinion in relation to its control environment, risk management processes and corporate governance. The council should therefore reflect the progress made in delivering Improvement Plan actions, describing the impact of completed actions on corporate governance and its plans to implement the remaining actions.

## **5 Organisational independence**

- 5.1 The Internal Audit Service has access to and support from the council's Senior Management Team and is able to operate independently within the organisation so is properly able to fulfil its responsibilities. In accordance with its charter the service remains independent of the council's other functions and, with the exception of its support to management in relation to counter fraud and investigatory work, no member of the Internal Audit Service has any executive or operational responsibilities.
- 5.2 The Internal Audit Service's work programme and priorities are determined in consultation with the Senior Management Team and the Audit and Accounts Committee, but remain decisions for the head of internal audit. The head of internal audit has direct access to and freedom to report in her own name and without fear or favour to all officers and members.

## **6 Internal audit performance: completion of the internal audit plan**

- 6.1 We carried out audit work in the year in accordance with the audit plan submitted to and approved by the Audit and Accounts Committee on 14 March 2017. We also agreed to carry out additional work during the year on delivery of the Rossendale Improvement Plan. All planned audits have been completed and the 'Summary of Findings and Assurance' table at Annex B records the status, assurance opinion and comments for each audit. As set out at paragraph 2.5 above our assurance opinion is based on 18 audit assignment reports, compared to 16 in 2016/17. The 2018/19 audit plan includes follow up of progress to implement agreed improvement actions.
- 6.2 We agreed audit findings with managers and have issued final reports for all audits. We used 166 days to deliver our audit plan, 34 fewer than the 200

planned, due mainly to the deferral of two audits to our 2018/19 audit plan. A record of the time taken to complete each audit is set out in Annex D.

## 7 Quality assurance and improvement programme

- 7.1 The Internal Audit Service has established and regularly reviews a quality assurance and improvement programme. PSIAS requires that all aspects of internal audit activity are considered by a combination of ongoing internal monitoring, periodic self-assessment or internal assessment by others with sufficient knowledge, and independent external review at least once every five years.

| Type of review                         | Internal review |         | External review        |
|----------------------------------------|-----------------|---------|------------------------|
|                                        | Frequency       | Ongoing | Periodic               |
| Audit assignment quality               | ✓               |         | At least 5-yearly<br>✓ |
| Professional and operational framework |                 | ✓       | ✓                      |

- 7.2 Following this framework, the Internal Audit Service's quality assurance and improvement programme consists of internal ongoing monitoring of audit assignment quality, periodic internal assessment of the professional and operational framework, and external review. All completed feedback questionnaires received from Council managers in 2017/18 recorded 'good' or 'very good' satisfaction scores.

### External review

- 7.3 An external quality assessment was undertaken by the Chartered Institute of Internal Auditors in November 2017. This confirmed that the Internal Audit Service 'generally conforms' to the full range of standards set out in the International Professional Practice Framework, PSIAS and Local Government Application Note. Work continues to address the few matters raised to improve the operation of the service and an assessment of progress against the action plan will be provided to any member who wishes to see it.
- 7.4 The review confirmed that the Internal Audit Service can say that its work has been in accordance with the International Professional Practices Framework, PSIAS and the Local Government Application Note.

### Internal review

- 7.5 The Internal Audit Service has designed procedures and an audit methodology that conform to PSIAS and are regularly reviewed. Every auditor in the team is required to comply with these or document the reasons why not, and to demonstrate this compliance on every audit assignment. The audit managers assess the quality of each audit concurrently as it progresses, and during the year a post-audit file review processes was also set out to test conformance with the service's working practices and the quality of work undertaken. The first post-audit file reviews were undertaken during February 2018 and they indicate that there is good evidence of compliance with our audit methodology and input from the audit managers to support the work of the auditors, although some learning points have been drawn out and shared with the team.

## **A Audit assurance levels and classification of residual risks**

Please note that these definitions have been reviewed and will be revised for 2018/19.

### **Audit assurance**

**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.

### **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 occurring: catastrophic loss of the county council's services, loss of life, significant environmental damage or huge 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 occurring: failure to achieve organisational objectives, disruption to the business, financial loss, fraud, 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:** Less critical, but 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:** Areas that individually have no major impact on achieving the service objectives or on the work programme, but where combined with others could give cause for concern. *Specific remedial action is desirable.*



## B Summary of findings and assurance

B.1 A summary of the assurance from each of the audits completed during the year is provided below. A longer explanation of the findings arising from each audit is set out in Annex C.

| Audit                                      | Opinion             | Findings/ comments                                                                                                                                                                                                                                                                                    |
|--------------------------------------------|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Governance and democratic oversight</b> |                     |                                                                                                                                                                                                                                                                                                       |
| Improvement Plan delivery                  | Substantial         | High-level strategies, policies and procedures are in place, including new performance and project management frameworks, or are to be refreshed. Good progress has been made to implement actions on related audits.                                                                                 |
| Decision making/ oversight (follow-up)     | Substantial         | Scheme of delegation processes have been improved and related work to address agreed actions on procurement will be implemented in September.                                                                                                                                                         |
| <b>Business effectiveness</b>              |                     |                                                                                                                                                                                                                                                                                                       |
| Performance management                     | Deferred to 2018/19 | We agreed with managers to defer work to 2018/19 for new procedures to embed.                                                                                                                                                                                                                         |
| Risk management (follow-up)                | Substantial         | While corporate risk was well managed our 2016/17 'limited' assurance opinion was based on concerns over project risk. A new project management framework now covers all projects and the Programme Board identify key projects for review, although a project risk register has not been introduced. |
| <b>Service delivery</b>                    |                     |                                                                                                                                                                                                                                                                                                       |
| Licensing: taxis                           | Substantial         | Revised 'intended use' and 'licensing' policies were approved by the Licensing Committee and we confirmed that they were consistently and correctly applied.                                                                                                                                          |
| Licensing: alcohol sales                   | Substantial         | Applications were recorded and processed promptly, in compliance with policy and regulations. A medium risk action was agreed to improve management assurance activity.                                                                                                                               |
| Disabled facilities grant (follow-up)      | Substantial         | Seven of eight actions were implemented and work on the eighth was ongoing, but we will take no further action on this low risk action.                                                                                                                                                               |
| Housing management (follow-up)             | Substantial         | Six medium risk actions were implemented or superseded by assurance checks for the Housing and Communities Agency.                                                                                                                                                                                    |
| Town centre redevelopment (follow-up)      | Full                | No follow-up work was required as we agreed no actions in our 2016/17 audit report.                                                                                                                                                                                                                   |
| <b>Service Support</b>                     |                     |                                                                                                                                                                                                                                                                                                       |
| Renewal of revenues and benefits contract  | Deferred to 2018/19 | We agreed with managers to defer to 2018/19 to provide assurance over compliance with procurement rules.                                                                                                                                                                                              |

| Audit                                         | Opinion     | Findings/ comments                                                                                                                                                                                                                                                                                              |
|-----------------------------------------------|-------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Business Processes</b>                     |             |                                                                                                                                                                                                                                                                                                                 |
| NDR                                           | Substantial | NDR was processed effectively although we agreed an action to address outstanding debt.                                                                                                                                                                                                                         |
| Housing benefits                              | Substantial | There were no significant control issues but we restated unimplemented actions from our 2016/17 audit on declarations of interest and system access.                                                                                                                                                            |
| Council tax                                   | Substantial | Controls operate effectively to ensure council tax is correctly and consistently processed, although we agreed an action to improve reporting of debt to members.                                                                                                                                               |
| Treasury management                           | Substantial | Treasury and investment strategies are approved at full Council and performance is reported to Cabinet. Cash flow, investments, loans and interest are effectively managed.                                                                                                                                     |
| Payroll                                       | Substantial | Salaries, deductions and expenses are paid correctly, supported by evidence and accurately accounted for. System access is restricted by role and grade. Some leaver records had not been retained on staff files.                                                                                              |
| Accounts payable                              | Substantial | The creditor system validates and matches invoices, purchase orders and goods received notes. Invoices are generally paid promptly though some exceeded the 30 day limit. Expenditure is correctly coded, is within defined budget limits and creditors accounts are regularly reconciled.                      |
| Accounts receivable                           | Substantial | The debtor database is administered through effective procedures for invoices, credit notes, cancellations and debt management.                                                                                                                                                                                 |
| General ledger, budget setting and monitoring | Substantial | Effective controls operate to approve and manage the budget and administer the general ledger. The budget is reviewed and approved and the general ledger is well managed and maintained.                                                                                                                       |
| Income collection and banking                 | Substantial | Procedures to collect, receipt, record, reconcile and bank income are in place and operating effectively.                                                                                                                                                                                                       |
| Procurement                                   | Limited     | While the Council approved a revised Procurement Strategy in 2017 several high/ medium risk actions depend on revised Contract Procedure Rules, which have not yet been published. A review is in hand and draft Rules will go to Cabinet in September. Compliance with current requirements is also a concern. |

## **C Findings arising from each audit completed during the year**

### **Governance and democratic oversight**

#### **Improvement Plan – substantial assurance**

- C.1 We agreed with the Head of Finance to audit progress to implement actions to improve governance, in response to issues arising from the Empty Homes Programme. Plan delivery is linked to actions agreed on 2016/17 audits of risk management, performance management, decision making and democratic oversight and procurement. Good progress has been made to implement actions, although some are ongoing. We confirmed 'substantial' assurance on audits of decision making and performance management and upgraded assurance on risk management from 'limited' to 'substantial'. We confirmed the 'limited' assurance opinion on procurement. We also reviewed progress to implement medium and low risk actions agreed in our housing management audit (2016), which gave 'substantial' assurance over property renovation. Further details are given below.
- C.2 High level strategies, policies and procedures are in place and fit-for – purpose or are due to be refreshed, to improve key systems. Action is being taken to improve compliance, for example a new Project Management Framework has been published including project risk management, and a new performance management framework is in place. Scheme of delegation processes have been improved to promote clarity and consistency. Further work is needed, particularly on procurement, and we will continue to audit the adequacy and effectiveness of new policies and procedures.
- C.3 In June the council's Chief Executive and Head of Finance presented an update on the Empty Homes Programme for all Members. The current position is that of 359 properties taken onto the Programme the council have returned 140 to their owners. 200 have been refurbished and transferred to Calico Homes who are renovating the remaining 19 properties

#### **Decision making and democratic oversight – substantial assurance**

- C.4 We agreed six actions with managers to improve controls by making policies and procedures clearer and more accessible, and training officers on the decision making framework. Four actions have been implemented. The action to carry out independent compliance checks will not now be implemented due to resource constraints, but senior managers consider that there is sufficient oversight of decisions to ensure compliance and that budget monitoring identifies significant variations. Work to review the Contract Procedure Rules is being progressed under the procurement audit.

### **Business effectiveness**

#### **Performance management – deferred**

- C.5 Managers agreed to update and publish the performance management strategy, and to improve the quality of performance data by validating annual service level declarations. New arrangements were introduced towards the end of 2017/18 and we agreed to defer planned audit work to 2018/19, to give them time to embed.

**Risk Management** – substantial assurance (revised opinion)

- C.6 Our 2016/17 audit gave 'limited' assurance overall, based on 'substantial' assurance on corporate risks and 'limited' assurance on project risks, which were not consistently managed. Two medium and three low risk actions have been implemented and two medium actions are partially implemented. As a result of improvements in project risk management we can now give 'substantial' assurance overall.
- C.7 A Project Management Framework introduced in 2017 standardises risk management requirements for all projects including reporting to Programme Board. The Board review all projects and identify higher risk projects on which they will receive regular reports. An action to embed checks on '7 Keys' project status reports is ongoing. These are a Framework requirement and include governance, performance, risk and financial management.

**Service Delivery**

**Licensing: taxis** – substantial assurance

- C.8 Revised licensing and intended use policies are comprehensive and accessible. Changes include a knowledge and policy conditions test, disability and safeguarding training and DBS update service. Website licensing pages contain guidance and downloadable documents including mock tests. We confirmed that licences are issued in compliance with policy, are properly authorised by Licensing Committee and that evidence of applicant eligibility is retained. DBS retention periods are being reviewed and the update service could be used for more frequent driver checks.
- C.9 The licensing system (Uniform) does not facilitate open case and backlog monitoring and a large number of open cases should be removed. Complaints are followed up and investigated. One license was renewed while in the process of being revoked for non-compliance with Intended Use Policy, as details were not updated on Uniform, and a reminder to staff should reduce the risk of reoccurrence. The Licensing and Enforcement Manager reports verbally on enforcement activity to the portfolio holder and Licensing Committee. This does not yet include enforcement data but will do as overall numbers of licensed vehicles drop and the proportion operating in the borough increases.

**Licensing: alcohol sales** – substantial assurance

- C.10 An effective premises licence application process operates in line with the Licensing Act 2003, supported by guidance for applicants. Applications are issued correctly and licence application information is accurately recorded on the database. Application forms for premises and personal licences can be downloaded from the council's website. The Licensing Manager is working with the Information Technology Team to introduce electronic submission of applications and payment, to reduce manual processing and improve the application process. Enforcement Officers inspect premises to ensure compliance with regulations and licence conditions.
- C.11 The Licensing Team is very experienced and receive specialist training, but a training record would help to monitor future needs. Management assurance checks are carried out but checks and outcomes should be recorded.

**Disabled facilities grant: follow up – substantial assurance**

- C.12 The council has implemented five medium and two low risk actions out of eight raised. These address improved recording of occupational therapy priority, checks on additional works, procurement, backlog reporting and a standard disclaimer. Implementation of a final action was ongoing but as this was low risk we will not follow up further.

**Housing management: follow-up – substantial assurance**

- C.13 We reviewed implementation of six medium risk actions designed to improve controls to ensure properties are renovated to required standards. Most were superseded by work to address Housing and Communities Agency (HCA – now Homes England) assurance requirements, including checks on rents and tenancy agreements, owner legal interest, draw-down of grants and decent homes standards practical completion certificates.

**Town centre redevelopment: follow-up – full assurance**

- C.14 Follow up was not required on this audit as we raised no actions.

**Service Support**

**Renewal of revenues and benefits contract - deferred**

- C.15 We deferred work on this until 2018/19, to provide assurance over compliance with procurement rules for the new contract tender process.

**Business Processes**

**Key financial systems**

- C.16 The council's financial controls are generally well established and operate effectively. Actions from our previous year's audits were largely implemented and we raised further actions to address minor errors and lapses in compliance. We maintained our 'limited' assurance opinion on procurement as new Contract Procurement Rules are not yet in place.

**National non-domestic rates (NNDR) – substantial assurance**

- C.17 NNDR is processed effectively although we raised an action to address outstanding debt. Capita reconcile Valuation Office reports weekly to the Northgate system although on one occasion they had not informed the Service Assurance (SA) Team of a failure to balance. We agreed an action for Capita to report such issues promptly in future and for any significant issues to be referred to the Operational Board.
- C.18 Collection rates fluctuate monthly and the year-end target was missed by 0.7%. The council's Service Assurance Team commented on this in their quarterly reporting but did not consider it to be of material concern as it could be due to changes in payment arrangements. Overall outstanding debt remained largely unchanged, with debt management activity focused on collecting debt in the current year, and we agreed an action to increase oversight. We consider that the one medium and three low risk actions on debt management in our 2016/17 audit report are fully implemented.

**Housing benefits** – substantial assurance

- C.19 Housing benefits processes are operating effectively. The Service Assurance Team and Capita Contract Manager review performance monthly, including appropriate challenge although Capita achieve most key performance targets. Capita procedures operate effectively to process new claims and changes, and are supported by a clear and accessible audit trail. Senior Capita officers check to ensure procedures are followed and to identify fraud. Other checks include pre-payment checks on claims exceeding a pre-set limit, periodic checks on suspended and pending claims and adjustments. We agreed that 'write' access is limited to the Service Assurance Team.
- C.20 System user accesses were appropriately allocated but Council officers had not completed declarations of interest forms and access had not been removed from one officer who no longer needed it. We raised an action in 2016/17 to address these issues and restated them in our 2017/18 audit.

**Council Tax** – substantial assurance

- C.21 Council tax is processed in compliance with regulation, promptly and accurately. Tax bands and charges, discount rates and reductions and refunds are correctly applied. Outstanding debt is pursued effectively and debts are monitored by the Head of Finance and Service Assurance Team Leader and write-off is correctly processed, including those requiring Cabinet approval. There was some reporting on debt to members but we agreed an action to report overall debt.
- C.22 Members asked us to consider the process by which new property developments are identified and monitored. We consider adequate controls are in place to ensure Northgate's database is complete and up-to-date, although we did not test their operation. Capita reconcile weekly Valuation Office and planning permission reports to Northgate and the Housing Inspector inspects new properties at least every six months. The Service Assurance Team reconcile the Planning Permission Team's building applications plan to Northgate data and use information from other sources including the National Fraud Initiative, service requests and local knowledge.
- C.23 Of three medium risk actions in our 2016/17 audit, two on debt write-off are implemented and one on debt monitoring is partially implemented.

**Treasury Management** – substantial assurance

- C.24 The Treasury Management and Annual Investment Strategies comply with legislation, best practice and the CIPFA Code of Practice on Treasury Management in the Public Services. They are submitted annually to Cabinet and approved by full Council. We agreed an action to address breaches of the £5m single investment limit. Performance is reported to Cabinet in quarterly financial monitoring reports, accessible on the council website. Loans, investments and interest are managed in accordance with the strategy and are appropriately authorised, documented, monitored and supported by records. Banking system accesses are restricted and allocated appropriately and money transfers are appropriately authorised.

**Payroll – substantial assurance**

- C.25 Payroll system controls are adequate and operating effectively. Access is appropriately managed based on officers' roles. The system contains accurate salary data, and tax rates and thresholds align with Government rates. Salary additions and deductions are authorised and evidence is retained. Salaries are accurately paid and accounted for. Regular budget meetings with service managers inform monitoring activity.
- C.26 Starters are set up promptly on receipt of appointment information, to ensure details are correctly entered. We agreed an action to keep exit interview checklists and letters as a record of decisions, action taken and equipment returned. We agreed two medium risk actions in our 2017 audit. One on removal of access rights, was implemented. The second, on retention of pre-leaver checks, had not and we agreed a further action in this report.

**Accounts payable – substantial assurance**

- C.27 The creditors system validates invoices effectively, matches them to purchase orders and goods received notes and records receipt. Expenditure is coded appropriately on the general ledger and creditors are fully reconciled weekly. There is separation of duties between officers who authorise, receive, input and check orders and invoices. Expenditure is within defined limits and quarterly corporate expenditure reports are published on the council website. System access rights align to officers' roles, but access for one user who had left the council had not been removed.
- C.28 Our 2016/17 audit report included three agreed management actions. A medium risk action on compliance with the 30 day invoice payment limit and a low risk action on credit card policy are partially implemented. A number of invoices are still unpaid after 30 days and the credit card policy has not been updated and actions were raised to address this. A medium risk action to reduce the number of confirmation orders is fully implemented.

**Accounts receivable – substantial assurance**

- C.29 The debtor database is administered through effective procedures for invoicing, credit notes and cancellations. Debt monitoring and reporting informs scrutiny by senior management and Council members. Recovery is managed effectively by Finance and Exchequer Services and most debt was pursued and escalated in line with policy, which is due for review.
- C.30 Legal Services record progress with debt recovery cases although status indicators make it difficult to monitor progress, and we agreed an action for an additional recovery stage indicator and regular update meetings between Legal Services and Exchequer Services. Services do not always respond promptly to requests for evidence or to stop providing traded services to debtors, resulting in delays with debt recovery.

**General ledger, budget setting and monitoring – substantial assurance**

- C.31 The annual budget is reviewed and approved by Members, who use quarterly financial monitoring reports to inform review and challenge. The general ledger is well managed and maintained, with appropriate controls in place. Cash-at-bank is reconciled monthly but there had been a delay in resolving an issue with one reconciliation due to competing priorities, although it was

subsequently balanced. Access to Civica is appropriately restricted and evidence supports variances and new code requests. We advised that three unused accounts are closed.

**Income collection and banking** – substantial assurance

- C.32 Procedures for collecting, storing, recording, banking and reconciling income operate effectively. Income is promptly receipted, banked and appropriately coded when posted to the General Ledger. Audit reports for 2015/16 and 2016/17 agreed an action that market income and debt would be reconciled and included in quarterly reports to Members. This has not yet happened but we were told that the action will be implemented 2018/19.

**Procurement** – limited assurance

- C.33 Our August 2017 audit report agreed 12 actions with senior managers, most of which are contingent on revision and reissue of the Procurement Strategy and the Constitution's Contract Procedure Rules. A revised Strategy was approved by full Council in 2017, although it is not yet accessible on the Council website. Contract Procedure Rules have not yet been reviewed and, as a consequence, several high and medium risk actions are outstanding. We were told that a review is in hand and that draft Rules will be submitted to Cabinet in September. Managers were unable to demonstrate consistent compliance with current requirements in areas such as maintenance of the contracts register and Invitation to Tender (ITT).



## D Days planned and used

D.1 The days budgeted for each audit, and the days actually used to complete the audit work are shown below.

|                                               | Planned       | Used          | Variance       |
|-----------------------------------------------|---------------|---------------|----------------|
| <b>Governance and democratic oversight</b>    |               |               |                |
| Improvement Plan Delivery                     | 10            | 9             | (1)            |
| Decision making/ democratic oversight         | 3             | 3             | -              |
| <b>Business effectiveness</b>                 |               |               |                |
| Performance management                        | 15            | 1             | (14)           |
| Risk management                               | 5             | 4             | (1)            |
| <b>Service delivery</b>                       |               |               |                |
| Licensing – taxis                             | 15            | 16.75         | 1.75           |
| Licensing – alcohol sales                     | 10            | 9.5           | (0.5)          |
| Disabled facilities grant: follow-up          | 2             | 3.25          | 1.25           |
| Housing management: follow-up                 | 4             | 3             | (1)            |
| Town centre redevelopment: follow-up          | 5             | 0             | (5)            |
| <b>Service support</b>                        |               |               |                |
| Renewal of revenues and benefits contract     | 10            | 0.75          | (9.25)         |
| <b>Business processes</b>                     |               |               |                |
| NNDR                                          | 8             | 10            | 2              |
| Housing benefits                              | 8             | 10            | 2              |
| Council tax                                   | 8             | 8             | -              |
| Treasury management                           | 8             | 8             | -              |
| Payroll                                       | 9             | 9             | -              |
| Accounts payable                              | 9             | 10            | 1              |
| Accounts receivable                           | 9             | 10            | 1              |
| General ledger, budget setting and monitoring | 9             | 8             | (1)            |
| Income collection and banking                 | 8             | 10            | 2              |
| Procurement                                   | 6             | 8             | 2              |
| Counter fraud and National Fraud Initiative   | 8             | 8             | -              |
| Whistleblowing                                | 2             | 1.50          | (0.50)         |
| Client management                             | 15            | 15            | -              |
| Contingency                                   | 14            | -             | (14)           |
| <b>Audit days used</b>                        | <b>200.00</b> | <b>165.75</b> | <b>(34.25)</b> |