

Item D1 Appendix 1

Rossendale Borough Council

Internal Audit Service

2015/16 audit year

Progress report

covering the period to 29 February 2016

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 eleven months of the year to 29 February 2016 by the council's Internal Audit Service as part of the internal audit plan for 2015/16, and also provides an update on the 2014/15 audit reports. The report includes work previously reported to the committee in September 2015 however these are highlighted as such. The findings included in this report have been agreed with relevant managers.

2 Key issues

- 2.1 Work on the Empty Homes programme was reported to the Audit and Accounts Committee on 1 December 2015 and the council is still working to respond robustly to the issues raised by this.
- 2.2 As the committee noted in September 2015, progress on implementing improvements to several of the council's control systems is slower than anticipated. As agreed in September, we have provided a note of outstanding actions in Appendix B to this report.

3 Internal audit work undertaken

- 3.1 Work carried out during this period was in accordance with the agreed audit plan. To 29 February 2016, 138.5 days have been spent in delivering the 2015/16 audit plan. Work is either in progress or has been programmed to cover most of the remaining areas of the 2015/16 plan, although some work will be completed at the beginning of the next financial year.
- 3.2 A report on business continuity is being considered by the council's senior officers and a report on Rossendale Transport Ltd's financial systems is being considered by the council's senior officers, the management and the board of the bus company. The findings and agreed actions of both will be reported to a later meeting of the Audit and Accounts Committee.
- 3.3 The tables on the following pages set out a brief summary of the work completed in the eleven months of 2015/16 to 29 February 2016. We provide assurance at one of four levels; full, substantial, limited and no assurance, defined 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.

4 National Fraud Initiative (NFI) work undertaken

4.1 Following the submission of data in October 2014, the resulting matches were released by the Cabinet Office in January 2015 for investigation by the council with further matches released in March, July and December 2015. NFI has been an ongoing exercise throughout 2015/16 and the investigation and follow up of the data matches have been overseen by the NFI key contact. Categories of matches include housing benefits, payroll, creditors, market trader licences, insurance, licences to supply alcohol, taxi driver licences and for the first time, the council tax reduction scheme.

4.2 A separate exercise is undertaken which matches council tax data with the electoral roll. These matches are released in December each year and are processed by Capita in the following April because Capita has other priorities in terms of producing the council tax bills for the following financial year during the first three months of the calendar year. This means that the December 2015 matches will only be processed in April 2016 and hence there is no data on errors or frauds for those reports at this point in time.

4.3 A summary analysis of all of the matches is reported in a table below.

5 Use of this report

5.1 This report has been prepared solely for the use of Rossendale Borough Council and it would therefore not be appropriate for it or extracts from it to be made available to third parties other than the external auditors. We accept no responsibility to any third party who may receive this report, in whole or in part, for any reliance that they may place on it and, in particular, we expect the external auditors to determine for themselves the extent to which they choose to utilise our work.

Summary of our findings and assurance

Audit review	Audit scope	Findings/ comments	Assurance	Previously reported
2014/15 work completed in 2015/16				
NNDR	We reviewed the council's systems to collect and record National Non Domestic Rates (NNDR), focusing on billing procedures, processing of valuation updates, administration of exemptions and reliefs, and debt recovery.	The system of internal control over this area is adequately designed to meet the council's objectives, but the NNDR suspense account is not effectively reviewed.	We can provide substantial assurance over the controls in place.	September 2015
Asset management – follow-up	We assessed the progress made in implementing the actions agreed in October 2014, which arose from previous follow-up work. We have not undertaken a full re-review of the whole system.	Whilst some progress has been made, this has been slower than was originally anticipated and revised implementation dates have been agreed.	Since this is follow-up work on the actions taken we have not revised the limited assurance we originally gave.	September 2015
Planning – follow-up	We assessed the progress made in implementing the actions agreed in February 2014.	Whilst some progress has been made, this has been slower than was originally anticipated and revised implementation dates have been agreed.	Since this is follow-up work on the actions taken we have not revised the substantial overall assurance we originally gave.	September 2015
2015/16				
Elections – follow-up	We assessed the progress made in implementing the actions agreed in February 2014.	Whilst one action has been fully implemented, processes in some areas are still developing and work is ongoing to address the issues in this area. Revised implementation	Since this is follow-up work on the actions taken we have not revised the substantial assurance we originally	September 2015

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Audit review	Audit scope	Findings/ comments	Assurance	Previously reported
		dates have been agreed where possible.	gave.	
Members' allowances – follow-up	We established the progress made in implementing actions agreed in January 2015.	This work again identified incorrect allowance payments to members, which had not been identified through the council's control processes. There are currently insufficient resources to check on payroll input before payments are made, but it has been agreed that the finance team will check payments after they have been made.	Since this is follow-up work on the actions taken we have not revised the substantial assurance we originally gave.	September 2015
Empty Homes Programme	We assessed the issues arising in relation to this programme.	Our detailed findings were reported to the committee in December 2015.	We did not provide an opinion as this was not a control assurance report. However this work will clearly inform our overall opinion for the year.	N/A
Housing benefits	We reviewed the council's systems and processes surrounding housing benefit and council tax support.	There were no significant findings arising from our audit review and no action is required to improve controls.	We can provide full assurance over the controls in place.	N/A
Operations follow-up	We assessed the progress made in implementing actions agreed following the 2014/15 internal audit review of Operations, which covered fuel, parks equipment and motor	Good progress has been made in addressing the actions agreed in our report of February 2015 and revised dates for implementation have been agreed for the two ongoing actions, which both	Since this is follow-up work on the actions taken we have not revised the substantial assurance we originally gave.	N/A

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Audit review	Audit scope	Findings/ comments	Assurance	Previously reported
	vehicle parts and tools.	concern the asset register.		
Council tax	Our review focussed on the key controls relating to the setting of council tax, processing of amendments, administration of discounts and exemptions, inspection visits and debt recovery and enforcement procedures. We also checked the adequacy of user access permissions to the council tax system.	There were no significant findings arising from our audit review and no action is required to improve controls.	We can provide full assurance over the controls in place.	N/A

National Fraud Initiative 2014/15 analysis of matches

Category of data	Number of reports	Number of matches	Number of frauds	Number of errors	Savings £
Housing benefit	28	647	-	2	558
Payroll	4	17	-	-	-
Insurance	2	11	-	-	-
Taxi drivers	4	9	1 ¹	-	-
Creditors	8	363	-	-	-
Council tax reduction scheme	27	865	-	5	6,051
Council tax December '14 release	2	386	1 ²	40	16,885
Council tax December '15 release ³	2	370	-	-	-
Total	77	2,668	2	7	23,494

¹ A taxi driver was found to have no right to work in the UK, and their license has been suspended whilst an appeal is heard regarding their residency in the country.

² A single person discount was claimed inappropriately, and £727.42 has been billed to reclaim the discount applied.

³ The council tax NFI data released in December 2015 will not be processed until April 2016.