

Subject:	Internal Audit Annual Report 2024/25	Status:	For Publication
Report to:	Audit & Accounts Committee	Date:	28 July 2025
Report of:	Head of Internal Audit (Internal Audit Service)	Lead Member:	Resources
Key Decision:	<input type="checkbox"/> Forward Plan <input type="checkbox"/>	General Exception <input type="checkbox"/>	Special Urgency <input type="checkbox"/>
Equality Impact Assessment:	Required:	No	Attached: No
Biodiversity Impact Assessment:	Required:	No	Attached: No
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1 RECOMMENDATION

- 1.1 The Committee are asked to consider the Internal Audit Annual Report for 2024/25.

2 EXECUTIVE SUMMARY

- 2.1 The Committee are asked to consider the Internal Audit Annual Report for 2024/25. The Annual Report provides an independent, objective opinion on the adequacy of design and the effectiveness of operation of the Council's systems of governance, risk management and internal control.
- 2.2 Overall, I can provide moderate assurance over these systems based on the work undertaken by the Internal Audit Service in the year

3 BACKGROUND

- 3.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) is the relevant standard setter for internal audit in local government in the United Kingdom. CIPFA has published Public Sector Internal Audit Standards ('PSIAS'), which encompass the mandatory elements of the Global Institute of Internal Auditors' International Professional Practices Framework, including its Definition of Internal Auditing, Code of Ethics, and its International Standards for the Professional Practice of Internal Auditing. These documents are therefore mandatory for internal audit in local government in the United Kingdom, and they are supplemented within PSIAS by additional public sector interpretation and guidance. CIPFA has also published a Local Government Advisory Note setting out sector-specific requirements for local government within the United Kingdom. The Internal Audit Service therefore operates in accordance with this mandatory definition, code, standards and advice.
- 3.2 The Annual Report of the Head of Internal Audit meets these requirements and is attached at Appendix A.

4 DETAILS

- 4.1 This paper reports progress with the delivery of each audit on the 2024/25 annual audit plan

5 RISK

- 5.1 All the issues raised and the recommendation in this report involve risk considerations as set out below:
- Failure to comply with the Public Sector Internal Audit Standards issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) would undermine the ability to provide the Council with the necessary level of assurance in relation to their governance, risk management and internal control arrangements;

- The report enables the Leader and Chief Executive to report in the Annual Governance Statement.

6 FINANCE

- 6.1 Any financial implications are commented upon in the report.

7 LEGAL

- 7.1 Any legal implications are commented upon in the report.

8 POLICY AND EQUALITIES IMPLICATIONS

- 8.1 Reported findings have been discussed and agreed, including management responses to the recommendations, with respective Service Managers and Heads of Service prior to reporting.

9 REASON FOR DECISION

- 9.1 To support the Audit and Accounts Committee in fulfilling its responsibility to monitor Internal Audit performance.

No background papers.

Audit and Accounts Committee

Internal Audit Annual Report Year Ended 31 March 2025



Appendices

Appendices A and B are attached to support this report. For clarification they are summarised below and referenced at relevant points within this report.

Appendix	Title
Appendix A	Extracts from audit reports of all completed individual assurance assignments.
Appendix B	The scope and responsibilities of Internal Audit in support of the Head of Internal Audit's annual opinion.
Appendix C	A definition of the levels of assurance and residual risks.

Rossendale Borough Council

Internal Audit Annual Report for the year ended 31 March 2025

1 Introduction

Purpose of this report

- 1.1 This report summarises the work that the Rossendale Borough Council's (the Council) Internal Audit Service has undertaken during 2024/25 and the key themes arising in relation to internal control, governance and risk management across the Council.

The role of Internal Audit

- 1.2 The Internal Audit Service (the Service) is an assurance function that provides an independent and objective opinion on the adequacy and effectiveness of the Council's control environment. The Chartered Institute of Public Finance and Accountancy (CIPFA) is the relevant standard setter for Internal Audit in local government in the United Kingdom. The Public Sector Internal Audit Standards (PSIAS) 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 performed during 2024/25.
- 1.3 From 1 April 2025, the Global Internal Audit Standards (GIAS) and the Application Note: Global Internal Audit Standards in the UK Public Sector will replace the PSIAS. The Service therefore operates in accordance with this mandatory definition, code, standards, and advice.
- 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 B to this report.

Interim progress reports

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

2 Summary assessment of internal control

Overall opinion

- 2.1 I can provide moderate assurance overall over the adequacy of design and effectiveness in the operation of the Council's frameworks of governance, risk management and control. This is a positive assurance opinion which maintains the level of last year's annual report.
- 2.2 In forming my opinion, I have considered the work undertaken by the Internal Audit Service throughout the year. Most audits conducted provided

a positive assurance opinion as the areas under review were operating as expected. In most areas audited we were satisfied that policy and procedures were in place, although some were overdue for review and updating. We have noted significant improvement in management of the Council's financial systems over the last three years and this has continued, providing valuable assurance over the operation of key support functions. Across payroll, income receipting, banking, and budget monitoring, controls are well-designed and generally effective. Duties are appropriately segregated, reconciliations are timely, and financial reporting is accurate. The Council has also made progress in aged debt monitoring, with improved debtor days and a new debt management policy in development to address previous audit recommendations. The Council meets DEFRA guidelines for managing fly-tipping and abandoned vehicles, with timely site visits and consistent enforcement actions. All KPIs in this area received a green RAG rating.

- 2.3 However, lack of full compliance with policy and procedures has been a common issue, due to the need for updated communications and guidance for officers and increased managerial oversight, and monitoring resource limitations. Several key policies, including recruitment and travel and subsistence, are overdue for review. Inconsistencies in application, such as overclaimed mileage and missing recruitment documentation, highlight the need for updated guidance and training. While most processes are compliant, there are recurring issues with incomplete documentation, such as right-to-work checks, recruitment scoring templates, and journal entry narratives, which could pose compliance and audit risks.
- 2.4 Descriptions of the audit work completed are set out below and Appendix A contains summaries of audit reports not previously reported to the committee. An explanation of the assurance provided by internal audit assignments are set out in Appendix B.
- 2.5 It should be noted that this opinion does not imply that Internal Audit has reviewed all risks and assurances relating to the Council and is not an absolute assurance of the effectiveness of internal control arrangements and the management of risk. Neither this report nor the work of Internal Audit should be taken as a substitute for management's responsibilities for the application of sound internal control practices. The purpose of this opinion is to contribute to the assurances available to the Council which underpin the assessment of the effectiveness of its governance framework, including the system of internal control, which are summarised in the Annual Governance Statement.

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 and agreed action plans to address the need for improved controls. Follow-up work indicates that risks identified in previous years are largely being addressed and that work is in hand to implement some agreed actions although others had not been implemented.

The Council's control framework





- 2.7 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:




A framework for governance, risk management and control							
Governance and democratic oversight							
Corporate governance framework		Decision-making		Oversight and scrutiny		Policy setting	
Business effectiveness							
Risk management	Performance monitoring and management		Organisational design		Financial governance and planning		Working in partnership with others
Service delivery							
Growth, environment, transport & community services				Children's services & education		Adult services, health & wellbeing	
Economic development & planning	Programmes & project management		Community services	Children's services	School improvement & services	Adult Services	Public health
Service support							
Legal services	Skills, learning & development		Core business systems	Property management	Programme management	Business intelligence	Customer access
Business processes							
Financial systems & processes		Procurement		Facilities management		Human resources	
Budget monitoring		Contract monitoring & management		Information management		Payroll processing	
Investment				Business continuity		ICT systems	

3 Summary of assurance provided by the Service

3.1 The table below summarises the assurances we provided on 2023/24 audits completed to the end of June 2024, which contributed to our annual assurance opinion, including comparative figures from previous years. This excludes follow-up work from previous audits. The table at 3.2 reports the status of each audit on the annual plan

Year	Final Reports Issued	Assurance provided				
						N/A
2024/25	13	10	2	1	0	0
	100%	77%	15%	8%	0%	0%
2023/24	12	5	5	0	0	2
2022/23	16	4	10	1	-	1
2021/22	19	5	11	-	-	1
2020/21	11	4	3	-	-	3

3.2 A summary of the audits completed in the year is set out below showing the assurance level for each audit assignment.

Control Area	Audit Progress	Assurance
Governance and democratic oversight		
Contract procedure rules	Final report	 Limited
Subject Access/ Freedom of Information	Draft report	To be confirmed
Business effectiveness		
Risk Management	Final report	 Reasonable
IT Audit – Data Security	Progressing	To be confirmed
Service delivery		
Public Protection Unit – Environmental Crime	Final report	 Reasonable

Service support		
Expense claims	Final report	● Substantial
Recruitment	Final report	● Substantial
Business processes		
Payroll	Final report	● Substantial
Council tax	Final report	● Substantial
Business rates/ NNDR	Final report	● Substantial
Housing benefits	Final report	● Substantial
Accounts payable	Final report	● Substantial
Accounts receivable	Final report	● Substantial
General ledger and budget setting	Final report	● Substantial
Income collection/ banking	Final report	● Substantial

Stage of audit process	Number	Percentage
Complete/ final report	13	87%
Draft report	1	6.5%
Progressing	1	6.5%
Not yet started	0	0%
Deferred/ Cancelled	0	0%
Total number of audits	15	100%

Progress against the 2025/26 internal audit plan

- 3.3 The table below reports progress with delivery of audits on the 2024/25 audit plan agreed by the committee in April. Two audits are at the planning stage with initial meetings senior managers held to agree the scope and approach. The remaining audits have been scheduled in for delivery towards the back end of the year.

Control Area	Audit Progress	Assurance
Governance and democratic oversight		
LGA Improvement and Assurance Framework	Q3 Start	
Rossendale Leisure Trust	Q3 start	
Business effectiveness		
Capital Programme	Q3 start	
Contract management	Q4 start	
IT – Cyber Security (continued)	Q4 start	
Service delivery		
Asset management	Progressing	
Service support		
Data management	Progressing	
Business processes		
Payroll	Q4 start	

Council tax	Q3 start	
Business rates/ NNDR	Q3 start	
Housing benefits	Q3 start	
Accounts payable	Q4 start	
Accounts receivable	Q4 start	
General ledger and budget setting	Q4 start	
Income collection/ banking	Q4 start	

Stage of audit process	Planned Number	%
Complete and reported to committee	0	0%
Draft report stage	0	0%
Progressing	2	13%
Not started	0	0%
Total number of audits	15	100%

Implications for the annual governance statement

- 3.4 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 the actions set out in the Council's improvement plan, describing the impact of completed actions on corporate governance and its plans to implement the remaining actions.

4 Organisational independence

- 4.1 The Service has access to and support from the Council's senior management team and can 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, except for its support to management in relation to counter fraud work, no member of the Service has any executive or operational responsibilities.
- 4.2 The 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 who, with the Audit Manager, has direct access to and freedom to report in their own names and without fear or favour to all officers and members. During the year, there have been no matters arising which have impacted on the independence of the Service or inappropriate scope or resource limitations on internal audit work.

5 Internal audit performance

- 5.1 The Service has had a stable and experienced Audit team and has seen little staff turnover in recent years. Recently, however, several members of the audit team left the service. In response, the structure of

the audit service was reviewed and redesigned to ensure the right resources are in place at the appropriate levels. This restructuring aims to build capacity and support the long-term sustainability of both the service and the profession, including the appointment of a third audit manager and the recruitment of new auditors, audit trainees and a data analyst. As a result of the redesign, there are currently six vacancies within the Service, which we are actively recruiting for.

Client satisfaction

- 5.2 Internal Audit invites feedback on the quality of service provided by issuing a 'satisfaction questionnaire' at the end of each audit. This is an important process in terms of identifying how the audit was received by the service area and of identifying aspects of the audit process that can be improved. Responses from auditees indicated that, overall, they were satisfied with the way we conducted our work with them. There were no common themes in the responses received that highlighted particular areas for Service improvement.

Quality assurance and improvement programme

- 5.3 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-assessments or internal assessments 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	At least 5-yearly
Audit assignment quality	✓		✓
Professional and operational framework		✓	✓

- 5.4 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.

External review

- 5.5 The findings of the last external quality assessment (EQA) undertaken by the Chartered Institute of Internal Auditors were reported to the committee in April 2023. This confirmed that the Internal Audit Service 'generally conforms' to the full range of standards set out in the International Professional Practice Framework. Another external review is due to be completed in 2028/29, supported by an interim self-assessment, the findings of which will be reported to this committee.
- 5.6 The CIIA recently produced new Global Internal Audit Standards. These standards underpin the UK Public Sector Internal Audit Standards (PSIAS) which are mandated by CIPFA for local government bodies in the UK. The changes to the Global standards will mean that changes will need to be made to the UK PSIAS. CIPFA will be updating the PSIAS and providing guidance as to how the changes should be implemented later this year. Following receipt of this guidance the planned self-assessment will be completed based on the updated requirements.

Internal review

- 5.7 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. These reviews 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. As was confirmed by the results of the EQA.

Appendix A

Audit Report Summaries

Public Protection Unit – Environmental Crime

Overall assurance rating



Reasonable assurance

See Appendix A for Rating Definitions





Audit findings requiring action

Extreme	High	Medium	Low
0	0	4	0

Overall, our audit confirms that environmental crime cases, such as abandoned vehicles and fly-tipping, are managed in line with legislation and Department for Environment, Food and Rural Affairs (DEFRA) guidance. Public Protection Unit (PPU) officers are well-trained and experienced. The Council's subscription with Mallard is used effectively to provide environmental health training for staff however, with three team members nearing retirement it is crucial to implement proper procedures for new staff to ensure continued effectiveness. Although decisions are based on officer experience and DEFRA guidelines, there is a lack of formal documentation supporting the decisions. Establishing procedures, process maps, and guides will enhance understanding and consistency, particularly as experienced members retire.

Reporting environmental crime is straightforward through the Council website and Facebook page, and the Government's gov.uk website provides a link to relevant Councils to report such crimes. Records for abandoned vehicles and fly-tipping are securely stored on IDOX and the corporate shared folder. However, MOT and vehicle tax records for non-abandoned vehicles are inconsistently maintained. Communication with reporting parties, including details of actions taken and pending outcomes, is also inconsistent. Site visits for abandoned vehicles are conducted when deemed necessary, and initial investigation of abandoned vehicles have been conducted within the 5-day target. All fly-tipping sites are visited for waste removal and evidence collection, averaging a 4-day response time which is within the 5-day target. The Operations team is transitioning to the Bartec system to facilitate more streamlined processes.

Officers issue statutory 7-day notices and Fixed Penalty Notices (FPNs) for abandoned vehicles, following consistent procedures and retaining evidence on the shared drive. Fly-tipping and waste accumulation cases are managed by issuing FPNs and Community Protection Warnings or Notices based on sufficient evidence. While fly-tipping is promptly removed within the five-day performance target, the quality of evidence for court use needs improvement. Training for evidence collection operatives has been organised. Whilst there is some informal monitoring, we recommend increased managerial oversight to ensure compliance and monitoring, especially for long-standing cases. The four KPIs related to abandoned vehicles and fly-tipping are reported quarterly and have all received a green RAG rating, indicating effective operation. Recent prosecutions have been successfully published in the local press as deterrents.

Agreed recommendations from the audit	Priority
Develop comprehensive policies and procedures including process maps for handling environmental crimes, ensuring alignment with legislation and effective communication to reporters.	
Develop and implement clear guidelines for communicating with individuals who report environmental crimes. Ensure that all relevant officers are informed of and adhere to these communication protocols.	
Establish a formal requirement for officers to retain all forms of evidence for abandoned vehicles, including MOT and vehicle tax information, and ensure officers are made aware of this.	
A review of long standing and complex cases should be performed including supporting evidence to ensure compliance with legislation.	

2.1 Background

This audit has been undertaken in accordance with the 2024-25 Internal Audit Plan as approved by the Audit, Risk & Governance Committee. The audit covers the period 1 April 2024 to 31 March 2025 and has been conducted in conformance with the Public Sector Internal Audit Standards.

2.2 Context

Environmental crime, encompassing activities such as fly-tipping, abandoned vehicles, graffiti, nuisance vehicles, littering, and breaches of Public Space Protection Orders (PSPOs), poses significant challenges for district Councils. Requests to address these issues are typically received from the public, operational services, or other Council departments. The Council's actions are guided by legislation, ranging from issuing warnings to pursuing prosecutions. The review assessed the effective and timely management of reported environmental crimes, focusing on abandoned vehicles and fly tipping, including proper action in accordance with legislation.

2.3 Financial Information

A total of 35 FPNs were issued between April 2024 and March 2025. Some of these notices were cancelled for various reasons, while others were not paid and subsequently led to prosecutions. Of the FPNs that were paid, 18 were typically settled within the discounted period. The total income generated from these FPNs was £2,435.

2.5 Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas

Expenses

Overall assurance rating

Substantial assurance

See Appendix A for Rating Definitions

Audit findings requiring action

Extreme	High	Medium	Low
0	0	1	0

The Council has a Travel at Work Policy and Subsistence Guidance (policy) in place and there is generally good compliance although we identified some areas of inconsistent application of the policy as well reliance on manual processes. The policy, which was been in place since 2013, provides a framework for managing employee travel and expense claims. The policy outlines clear responsibilities for staff and line managers, including documentation requirements and compliance checks but is overdue for review. We were advised by management that a review was ongoing though this review needs to include clearer guidance in some areas and communication to staff. There is general adherence to policy requirements, with valid documentation submitted in most cases and mileage claims accurately reflecting travel distances. However, some errors were identified, including one missing approval and two late claims, highlighting the need for improved oversight and clearer guidance. Inconsistencies in policy application were also noted, such as overclaimed mileage due to home-to-work mileage not being deducted. Expense claims are completed and processed manually, with hard copy forms stored securely and cross-checked against payroll entries. While no duplicate claims were found, the lack of automated controls increases the risk of errors or unauthorised payments. However, we acknowledge that current financial systems may not have functionality to support automated expenses processing and, given the low number and value of claims, it is unlikely to be cost effective to purchase an appropriate system. The Council's mileage reimbursement rate of 46.9p per mile was approved in 2010 alongside the NJC Green Book arrangements following consultation with the Union and workforce. The reimbursement rate exceeds the HMRC-approved rate of 45p and while we would normally propose adopting this tax efficient rate we are not doing so in this case. We accept that changing the rate requires potentially long and complex negotiations, that the administrative work required to report the benefit-in-kind annually will cease from next year, and that only two staff receive an essential car user allowance which minimises the Council's liability.

Agreed recommendations from the audit	Priority
The current review of the Travel and Work Policy and Subsistence Guidance should ensure clarity on key areas such as home-to-work travel and remind line managers of their duty to review and challenge claims appropriately. A review of the policy should be undertaken every five years thereafter.	

2.1 Background

This audit has been undertaken in accordance with the 2024-25 Internal Audit Plan as approved by the Audit, Risk & Governance Committee. The audit covers the period 1 April 2024 to 31 March 2025 and has been conducted in conformance with the Public Sector Internal Audit Standards.

2.2 Context

The Council's policy which was originally implemented in 2013 outlines procedures for business travel, expense claims, and associated responsibilities. Expense claims were submitted and processed manually, with checks performed by line managers and the Payroll Officer. Claims were subsequently input onto the Council's payroll system for payment as part of the monthly payroll.

2.3 Financial Information

A total of 43 Council staff claimed expenses and mileage during 2023-24. During this period approximately £18,000 was paid in mileage claims, about £14,000 of this was at the HMRC-approved rate of £0.45 per mile, and £4,000 at the Council's additional rate.

Recruitment

Overall assurance rating



Substantial

See Appendix A for Rating Definitions

Audit findings requiring action

Extreme	High	Medium	Low
0	0	1	2

The Council's recruitment policy outlines a fair and transparent approach, with clear responsibilities for hiring managers. Supporting guidance is provided to enable compliance, such as job advert and shortlisting scoring templates. However, the policy and guidance are overdue for review, having been scheduled for January 2020. It is recommended that these documents be reviewed, updated, and approved by senior management, followed by training for hiring managers to encourage compliance with any changes. Recruitment opportunities are approved by the Senior Leadership Team (SLT) prior to advert, with multiple platforms used to broaden the scope of potential applicants. Recruitment panels generally comply with policy requirements, though diversity in terms of ethnicity and gender is limited. The Equality Act 2010 requires employers to ensure recruitment procedures are fair and local authorities have a legal duty to eliminate unlawful discrimination and advance equality in their workforces. We propose that the policy should require hiring managers to consider the use of gender and racially balanced recruitment panels where this is possible and practicable, with supporting guidance for line managers. Evidence of shortlisting and interview scoring is mostly retained, but some opportunities lack completed templates and we were unable to confirm all were awarded based on merit. Applicants are notified of their status via email, with references, right to work and qualifications mostly checked. We found similar issues with retention, with some successful applicants who were missing supporting evidence of their qualifications and right to work. Failure to confirm new employees right to work can result in a civil penalty fine of up to £60k per worker by HMRC. The introduction of a new recruitment system, anticipated to launch in May 2025, aims to digitise the process and should be used as an opportunity to improve evidence retention. This will also better enable periodic compliance reviews by Human Resources (HR) officers, which whilst specified in the policy are not routinely performed. Market supplements are reviewed periodically and we confirmed a recent example followed the established process. The review process includes benchmarking against other Councils and approval by senior management and lead member. All supplements applied have a specific review date set, typically within the next two years, to monitor the need against current market conditions.

Agreed actions from the audit	Priority
The Recruitment and Selection Policy should be reviewed, updated and approved by senior management and members, with subsequent training provision for hiring managers on the new policy and procedures.	●

Agreed actions from the audit	Priority
The Council revised policy should require consideration of gender and racially balanced interview panels where possible and practicable, with supporting guidance for hiring managers on panel selection that covers protected characteristics specified in Equality Act 2010.	●
<p>The Council must retain supporting evidence of qualifications, right to work in the UK and recruitment decision making for all applicants. The Council should:</p> <ul style="list-style-type: none"> • Utilise the new recruitment system to store shortlisting and interview scoring and prompt hiring managers to encourage compliance; • Make copies of qualifications and proof of right to work at interview stage and discard unsuccessful applicants once awarded. 	●
The Council should consider performing an annual review of recruitment exercises to confirm compliance and identify improvements in process. This may be particularly beneficial with the introduction of a new system and the potential changes to processes this may bring.	●

2.1 Background

This audit has been undertaken in accordance with the 2024/25 Internal Audit Plan as approved by the Audit & Accounts Committee. The audit covers the period June 2024 to February 2025 and has been conducted in conformance with the Public Sector Internal Audit Standards.

2.2 Context

Local authorities must ensure recruitment procedures are well designed and operating effectively to enable a fair and transparent process for attracting and selecting the best candidates in compliance with statutory obligations. Effective procedures help local authorities address skill shortages and ensure they can attract and retain talented individuals. The Council's recruitment states a commitment to selecting and retaining employees who positively contribute to providing a valuable service. The policy aims to ensure fair and transparent procedures, with an expectation of consistent application by hiring managers across the various service areas of the authority. The most recent workforce profile for the 2023-24 financial year shows the Council's workforce is generally representative of the regional demographics, with a slightly lower representation of ethnic minorities in the area. The Council is in the process of introducing a recruitment system, to replace the current procedures managed within physical files and shared folders. At time of review the system, Job Train, was beginning user acceptance testing with a planned launch of May 2025. This system is referred to within the following report and agreed actions should be considered alongside system implementation, especially if new functionality can be used to encourage compliance with policy and retention of supporting evidence.

2.3 Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

- Failure to appoint appropriately experienced, skilled and qualified candidates due to poor and/or biased applicant review procedures.
- Inefficient or ineffective recruitment process could lead to unfilled vacant posts impacting the delivery of Council services.
- Insufficient guidance and training for hiring managers leading to non-compliance with policies and legal challenge.
- Ineffective oversight by senior managers and members, leading to advertisement for unapproved or disestablished posts.

Payroll

Overall assurance rating



Substantial

See Appendix A for Rating Definitions

Audit findings requiring action

Extreme	High	Medium	Low
0	0	1	0

Overall, we are satisfied that the control operating over the payroll system are operating effectively, the organisational structure is reviewed and updated annually in July and was accurate, other than recent new starters, with officers and roles matching the payroll system. Access to the payroll system is restricted to officers in the Human Resources (HR), payroll and Information Technology (IT) service areas. The tax thresholds input on the system are accurate to the figures published by central government. Four out of five new starters had been paid correctly according to their contract. We identified that one employee's first monthly pay was incorrectly calculated but brought this to the payroll officer's attention and they corrected it on the day of our visit. Evidence of identity and right to work is retained on file for all but one officer, which the Human Resources (HR) manager was aware of and was working to resolve. Leavers final month's salary is paid correctly, although exit interviews are not always conducted and leavers checklists not always completed but all equipment and ID badges are returned. We will address the right to work and exit interview findings up in our planned 2024/25 recruitment audit. All overtime and expenses are approved by a line manager and the relevant evidence is retained. Voluntary deductions are appropriately requested by either the officer or a third party. Absence and maternity leave adjustments are supported by doctor's notes and declaration forms, and absences that impacted pay are calculated correctly. The monthly payroll is reviewed by the payroll systems officer and approved by the Head of Finance prior to payment. The final BACS submission amount is input into the Civica finance system by an accountant.

Agreed actions from the audit	Priority
The first or final payment calculations for new starters and leavers should be checked by another officer prior to monthly approval of the payroll.	●

2.1 Background

This audit has been undertaken in accordance with the 2024/25 Internal Audit Plan as approved by the Audit, Risk & Governance Committee. The audit covers the period January to August 2024 and has been conducted in conformance with the Public Sector Internal Audit Standards.

2.2 Context

The Council uses the Complete Human Resource Information System (CHRIS21) to administer and calculate payroll. HR and payroll functions

are undertaken by Council officer's and system access is restricted to those in HR, payroll and ICT service.

The Council employed 178 officers at the time of our review, with an approximate monthly net pay of £360k.

2.3 Previous audit

An internal audit of payroll was last carried out in September 2023. This resulted in a substantial assurance opinion being issued with no improvement action required.

2.4 Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

- Non-compliance with tax legislation related to employees, including the incorrect processing of deductions from salaries may lead to fines and penalties being imposed by HM Revenue and Customs;
- Access to the payroll system is not restricted or personal data is not stored securely;
- Unauthorised amendments to pay are processed resulting in inaccurate or untimely payment of salaries;
- Amendments relating to new starters and leavers are processed incorrectly or without sufficient authorisation, potentially resulting assets belonging to the Council being lost or stolen;
- Salaries and deductions are incorrectly calculated leading to employees being over or under paid;
- Bogus employees are set up on the payroll system enabling misappropriation of Council funds

Accounts Payable

Overall assurance rating



Substantial

See Appendix A for Rating Definitions



Audit findings requiring action

Extreme	High	Medium	Low
0	0	0	0

There is generally sufficient separation of duties between requesting services or goods, approving purchase orders, creating invoices, and processing payments. Typically, three or more officers are involved in processing transactions, ensuring a robust control environment. While some purchase orders were both raised and receipted by the same user but all were acceptable as they fell within the set approval limits. One exception was noted where the BACs file was created by an Accounts technician covering for the Senior Finance Officer and approved by the Director of Resources to maintain separation of duties. All other sampled BACs files were approved by the Head of Finance, indicating adherence to the control process. A significant portion of the sample consisted of retrospective purchase orders, which were raised after or on the same day as the invoice. These were deemed acceptable by the Head of Finance for emergency services, utility bills, agency fees, and vehicle hire costs.

Invoice matching was generally automated, but in urgent circumstances, invoices were manually created by the finance team. Three receipts were not applied in a timely manner, leading to delayed payments. One payment was made prior to the receipt date due to a utilities company's requirement for advance payment. Half of the sampled invoices were paid within the agreed trade terms of 30 days, with an average payment time of 38.2 days for the sample. Notably, invoices that exceeded trade terms were linked to retrospective purchase orders, highlighting a need for timely creation of purchase orders and receipts. The finance service achieved its key performance indicator of processing above 92% of undisputed invoices within the agreed timeframe for the reviewed quarters of 2024/2025. The general ledger codes accurately described the goods or services in the narrative or invoice image, ensuring accurate financial reporting. The Credit & Debit book accurately recorded weekly income collection and deposits, and monthly reconciliations of the creditor control account were completed and approved by senior officers. A persistent issue was identified with a -£60k variance due to a Rossendale Leisure Trust VAT charge from a 2019-20 loan. This variance remains unresolved, and Civica has advised that additional work is needed to correct the error. Despite this, the control account is considered balanced.

The risks arising from two actions from the 2023/24 audit report, regarding retrospective purchase orders and resolving system issues, have been accepted by managers due to a lack of support from the system provider and compensating controls in place.

Agreed action from 2023-24 audit report	Status	Priority
A one-time six-month exercise will be undertaken to create a list of known exceptions to the order process and determine the true number of retrospective orders within the period. This will be analysed to identify repeat offending services and reported to corporate management team.	<p>A training exercise was conducted in March 2023 to demonstrate creating a requisition and raising purchase order. The training session has been confirmed to not have much success in minimising retrospective orders, it was confirmed the wider organisation have a lack of interest in the order process.</p> <p>The Head of Finance advised that this action has not been implemented due to having controls in place of reviewing spend limits twice a year to identify any individuals staff ordering large amounts. Finance staff which orders are approved by the Head of Finance, or the Senior Finance officer have the highest spend. Any orders over £20k must be approved by The Head of Finance, who believes this time allocated to these controls is more critical than retrospective order analysis.</p>	<p>Risk Accepted</p> 
The Council should raise a request with the system provider, Civica, to investigate and resolve incorrect debits that are preventing balancing of key control accounts.	The Head of Finance has contacted Civica who have provided minimal updates or support throughout the business relationship with Rossendale Borough Council.	<p>Risk Accepted</p> 

2.1 Background

This audit has been undertaken in accordance with the 2024/25 Internal Audit Plan as approved by the Audit, Risk & Governance Committee. The audit covers the period April 2024 to March 2025 and has been conducted in conformance with the Public Sector Internal Audit Standards.

2.2 Context

The Finance Service administers the creditor database, processes invoice and reconciles spending to the general ledger. The Council uses Civica financial software in conjunction with an imaging software package to create and automatically match invoices to purchase orders and goods received notes once completed by services.

2.3 Financial Information

Relevant data to the system or process being audited, such as the cost/ budget/ staffing and income.

2.4 Previous audit

An internal audit of Accounts Payable was last carried out in March 2024. This resulted in a moderate assurance opinion being issued with one medium risk action regarding retrospective purchase orders being agreed.

2.4 Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

- The Council is charged for goods it did not order and/ or receive;
- Incorrect/ inaccurate or duplicate/ fictitious payments are made from the Council's bank account;
- Creditor data held on the system is inaccurate or unauthorised changes are made to the system;
- Inaccurate postings are made to creditor accounts;
- Invoices are not paid within agreed trade terms leading to interest charges and financial loss.

Accounts Receivable

Overall assurance rating



Moderate

Audit findings requiring action

Extreme	High	Medium	Low
0	0	1	0

See Appendix A for Rating Definitions

Council officers are supported by clear guidance from the Finance service when raising debtor invoices, with process notes provided upon gaining system access. Invoices cannot be amended once created; instead, they must be cancelled with a reason if errors occur, ensuring a strong control environment. The debt management policy has been enhanced to define key responsibilities and controls, with progress made following previous audit recommendations. A process for conducting credit checks before entering financial agreements has been introduced, though not yet consistently applied across all service areas. A change in accounting treatment now allocates write-offs to service budgets rather than Finance, which has improved engagement. The new policy, expected to be finalised in June 2025, should address these gaps and include training for service teams. Most sampled invoices were supported by appropriate documentation, although one longstanding arrangement with Whitworth Council lacked formal evidence. While recovery processes were generally followed, delays in issuing reminders were noted due to operational constraints, which are being addressed in the updated policy.

Debtor invoices are promptly recorded in the ledger using appropriate codes, and monthly reconciliations are completed and reviewed. A consistent £6k variance from a 2019–20 transfer remains unresolved due to cost considerations, but it is well understood, monitored and not considered a reconciliation failure. Aged debt reports are issued weekly to service areas and we noted some service areas are taking active ownership of their debt and intervening directly. The Head of Finance expects that consistent and ongoing monitoring, the new debt management policy and training for service leads should encourage all services to take this approach. Quarterly financial monitoring includes detailed aged debt analysis, and the doubtful debt provision has increased. As of March 2025, 92% of new debts were collected, and debtor days have improved from 82 to 77, surpassing the 80-day target.

We consider one of actions from the 2023/24 audit relating to inconsistent generation of debtor reminders to be implemented, which is to be considered in the new debt management policy. The remaining two actions from the 2023/24 audit relating to credit checks and identifying recoverable debt are progressing. We observed an improvement in processes to monitor aged debt between Finance, Legal and specific services, who are working together to recover any debts and perform credit checks. Further allocation of resources is needed to embed these improvements into routine operations and ensure the sustainability of monitoring and recovery processes.

Agreed actions from the audit	Priority
<p>To ensure that the process to identify, pursue and recover debt is fully embedded and sustained;</p> <ul style="list-style-type: none"> A formal monitoring framework should continue to be developed and implemented to track the effectiveness of the aged debt recovery process; and Debt management roles and responsibilities across Finance, Legal, and service areas should be clearly documented to ensure accountability and continuity of the process. The spreadsheet of debtor invoices for legal and service action should be reviewed, updated and maintained to ensure it fully reflects the current debt position and is consistent with the debtor database. 	●

Action ref	Agreed actions from the 2023-24 audit	Status of agreed action	Audit findings	Priority
4.1	A process for credit checking suppliers should be established and implemented, with guidance issued to responsible officers, supported by training, if necessary, to support compliance with policy. The debt management policy is due for review in October 2024 and the limit on credit checks will be considered to ensure it is achievable.	Progressing	We were able to confirm a process has begun for credit checks before entering financial agreements. Following last year's review, a process change means write off debts are now reflected in a specific services budget rather than the Finance budget. The Head of Finance has confirmed that this has increased engagement from services, although it was confirmed that not all services are completing credit checks or discussing new financial arrangements with the finance team. The Head of Finance confirmed that the new policy will address this process and will include training for services following approval of the new debt management policy which is set to be finalised in June 2025.	●
4.2	The inconsistent generation of Civica Debtor system reminders should be investigated and resolved to ensure reminders and notices are issued in compliance with the debt management policy. A test account has been created and officers are awaiting the system generated reminders to determine why notices are being issued later than instructed.	Implemented	Most reminders were issued 9-14 days later than expected despite the policy specifying when these notices should be issued. Following a review of last year's action 4.2 it was identified the parameters in the system were setup according to policy although the printer to scan the documents does not run on Fridays, which led to a lead time to be sent out on the following Monday. The Head of Finance confirmed that this finding will be considered in the new debt management policy.	●

Action ref	Agreed actions from the 2023-24 audit	Status of agreed action	Audit findings	Priority
	<p>Action should be taken to ensure that all recoverable debt is identified, and recovery is promptly pursued. This should include:</p> <ul style="list-style-type: none"> • Reviewing, updating and maintaining the spreadsheet of debtor invoices for legal action to ensure it fully reflects the current debt position and is consistent with the debtor database; • Taking prompt action to pursue legal recovery of outstanding debt; • Implementing a priority status for recovery cases to ensure progress on legal action is monitored and resources are allocated appropriately; and • Reviewing whether the minimum value of £100 for legal action as set out in debt management policy is realistic or should be increased given the work required to bring the monitoring spreadsheet up to date and address the current backlog. Any decision to change the policy should be subject to approval by members. 	Progressing	<p>Following last year's action 4.3 both the finance and legal services have implemented a process to review identified debt from April 2022 – 2024. We recognise an improvement in processes regarding the monitoring of aged debt between finance, legal and specific services areas who are working together to try to recover any debts in this period. We consider this action to be partially implemented and were encouraged by conversations with the Head of Finance who confirmed this process will continue following the new debt management policy being agreed and resources allocated to this process.</p> <p>The Debt Recovery Spreadsheet 2022-2024 we reviewed included:</p> <ul style="list-style-type: none"> • Review, updates and maintenance from finance, services and legal to reflect the debt position between April 2022 – March 2024. • Prompt action to pursue legal recovery of debts from the 2024/25 financial year is yet to be taken. Although is planned to be implemented for the next financial year. • The Debt Recovery Spreadsheet 2022-2024 includes progress, service ownership and debt positions allowing finance and legal to gain an understanding of debt positions. • The review of the minimum value of £100 for legal action as set out in debt management policy is due to go to the relevant board for approval on June 16th. 	●

2.1 Background

This audit has been undertaken in accordance with the 2024/25 Internal Audit Plan as approved by the Audit, Risk & Governance Committee. The audit covers the period April 2024 to March 2025 and has been conducted in conformance with the Public Sector Internal Audit Standards.

2.2 Context

The Council use the Civica Debtor system to manage and maintain the debtor database and raise invoices. This system is administered by the Finance Service, who control user access and report the overall debt position to senior managers and members. All service areas can raise debtor invoices or request that invoices are raised on their behalf. The system generates reminders and final notices to be issued at defined intervals if a debt is not paid promptly. If the system recovery procedure is exhausted, the Finance Service liaises with individual services and the Legal Service to escalate recovery, with action such as termination of service and pursuing legal recovery options.

2.3 Financial Information

Invoices raised in the year, to the end of Q4 totalled £5,426,000. As at March 2025, £437k (8%) of new debts raised in the year were considered outstanding or overdue giving a derived collection rate of 92%.

2.4 Previous audit

An internal audit of Accounts Receivable was last carried out in July 2024. This resulted in a limited opinion being issued with two low risk actions and one medium risk action regarding recoverable debt.

2.4 Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

- Invoices or credit notes are recorded in an inaccurate and untimely manner;
- Recovery procedures are not compliant with the Council's debt management policy potentially leading to a loss of income that is recoverable and inappropriate or unauthorised write offs;
- Debts are not recovered in a timely manner and there is a lack of regular monitoring;
- Transactions are inaccurately recorded in the accounting system or evidence of liability of debts is not retained, potentially hindering the recovery of debts.

Income and Bank Reconciliation

Overall assurance rating



Substantial

See Appendix A for Rating Definitions

Audit findings requiring action

Extreme	High	Medium	Low
0	0	0	0

The audit of income receipting, banking, and reconciliation processes for the 2024/25 financial year established that key financial controls are effectively designed and generally well implemented. There is adequate separation of duties between income receipting, banking, and reconciliation functions. Access to the office safe is appropriately restricted to finance officers, and cash held on site reconciles to records held and is within the insured limit. The Council's financial procedures clearly outlines responsibilities and control measures for income and banking. These procedures are accessible to all officers and the public in the Council's Constitution, which was approved by full Council in March 2025.

A structured system using payment references and fund codes ensures income is correctly identified and allocated. Automated ledger coding is in place for most transactions, with manual input required only for non-standard payments. Daily income is recorded and reconciled by the Exchequer Officer and Senior Finance Officer, forming the basis for weekly and monthly reconciliations completed by the Assistant Accountant. Income is generally receipted within 48 hours and banked promptly. While individual transaction amounts could not always be traced due to the bank's aggregation of income streams (e.g., card payments), daily totals were verified. Cheques are processed and appeared on bank statements within two working days. The Credit & Debit (C&D) book provided a reliable record of daily income, supported by global fund analysis and bank statement data. Weekly reconciliations are completed and reviewed, forming the foundation for monthly control account reconciliations, supported by the accurate and reliable C&D book.

The cash income suspense account is reviewed twice a month, with transactions investigated and resolved promptly. All 2024/25 transactions are appropriately allocated or refunded, and there are no recurring issues that could be proactively addressed. The working papers are thorough and well-documented. Monthly bank reconciliations are completed by the Assistant Accountant and approved by the Principal Accountant. A carried-forward imbalance of £895.22 from the 2023/24 financial year remains unresolved, though significant effort has been made to address it, and additional resources have been allocated. This variance has been carried into 2025/26. Despite this, all monthly reconciliations for 2024/25 were completed and found to be in balance.

The audit found that financial controls over income and banking operate effectively, with only minor issues noted. The Council demonstrates a strong commitment to continuous improvement and financial accountability.

2.1 Background

This audit has been undertaken in accordance with the 2024/25 Internal Audit Plan as approved by the Audit, Risk & Governance Committee. The audit covers the period April 2024 to March 2025 and has been conducted in conformance with the Public Sector Internal Audit Standards.

2.2 Context

The Council uses the Webpay receipting system to record income, which is reconciled in conjunction with other systems, such as the Civica modules for general ledger and debtors and the Northgate modules for Council tax and national non-domestic rates (NNDR). Cash and cheque transactions have significantly reduced, with the Council's stated aim to no longer accept cash directly. Most income is now received electronically.

2.4 Previous audit

An internal audit of Income Collection was last carried out in July 2024. This resulted in a substantial assurance opinion being issued with no actions.

2.4 Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas: Payments made to the Council are misappropriated or misused, resulting in financial loss; the collection and banking of income is not recorded to the general ledger promptly, completely or accurately; unauthorised access to systems leads to misappropriation or misuse of Council funds

General Ledger

Overall assurance rating



Substantial

Audit findings requiring action

Extreme	High	Medium	Low
0	0	0	0

See Appendix A for Rating Definitions

The annual budget for the fiscal year 2024/25 was approved by the Cabinet and Council members in February 2024. The reported figures were consistent with system reports and the budget-setting master spreadsheet. Quarterly financial monitoring reports were submitted to members, providing a detailed breakdown of the Council's budget along with a supporting narrative for any variances. Budget monitoring for individual services was assigned to responsible accountants, with quarterly meetings held with the respective budget holders. Sufficient evidence was provided to confirm that these meetings took place and that key issues, such as variances, were discussed and addressed.

All accountancy officers and assistants have access to create ledger codes, although this task is typically performed by the Principal Accountant with approval from the Head of Finance or Director of Resources. It was noted that the previous finance manager and an external auditor still have access to the Civica system to provide support as needed while the Council works through prior year financial accounts.

A recent review of new ledger codes added by the Principal Accountant showed that the additions were supported by reasonable explanations and approved by the Head of Finance. Most journal entries included a narrative reason and supporting evidence, such as creditor invoices. However, five journal entries lacked a narrative, although the entries included clear references on the Civica system, making the purpose of the journals evident.

The assistant accountant and exchequer officer manage the seven suspense accounts although not all suspense accounts were in use, with no transactions recorded for four accounts. All suspense accounts were either cleared or had their balances transferred to another code at year-end. The cash income suspense account had an approximate £20k imbalance, which is being actively investigated with the intention to allocate the amount correctly or return the income if the bank permits. If unresolved, the amount will be written off once the statute-barred limit is reached.

Control accounts were promptly reconciled and approved by the Principal Accountant or Head of Finance. In response to an action item from the 2023/24 audit, a comprehensive list of key control accounts and suspense accounts has been established. This document outlines the frequency of reconciliations and assigns specific officers the responsibility for completing and approving them. The evidence confirms that the newly implemented procedures are being executed as intended.

Some control accounts were balanced, while others had known variances at year-end. The creditor, debtor, and national non-domestic rates control accounts had known variances of £60k, -£6k, and £600, respectively, due to system issues. These variances have been previously raised and reported to the system provider, who has not yet resolved the issues.

Agreed action from 2022-23 audit report	Status	Priority
A complete list of all control and suspense accounts will be created showing the frequency of monitoring and reconciliation with an assigned responsible officer and approver.	The head of finance evidenced a spreadsheet that includes a complete list of all control and suspense account created, showing the frequency of monitoring with the responsible officer and approver.	Implemented ●

2.1 Background

This audit has been undertaken in accordance with the 2024/25 Internal Audit Plan as approved by the Audit, Risk & Governance Committee. The audit covers the period 2024 to 2025 and has been conducted in conformance with the Public Sector Internal Audit Standards.

2.2 Context

The purpose of this internal audit is to evaluate the accuracy, completeness, and integrity of the general ledger. The general ledger is a critical component of the company's financial reporting system, serving as the primary record of all financial transactions. This audit aims to ensure that the general ledger accurately reflects the company's financial position and performance, and that it complies with relevant accounting standards and internal policies.

2.3 Financial Information

The Council agreed a net revenue budget for 2024/25 of £10.599m in February 2024.

2.4 Previous audit

An internal audit was last carried out in July 2024. This resulted in a moderate assurance opinion being issued with one medium risk action.

2.4 Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

- Approved budgets are not correctly input to the system resulting in under or overspend by budget holders;
- Budget virements are not appropriately authorised or recorded resulting in inaccurate management accounts and reporting;
- Unauthorised system access and code creation/ amendment could lead to misappropriation of Council funds;
- Control accounts are not reconciled on a timely basis resulting in inaccurate debtor and creditor balances;
- Budget variances are not adequately monitored and reported, leading to financial loss.

Appendix B

Scope, responsibilities and assurance

Approach

- C.1 The Internal Audit Service operates in accordance with Public Sector Internal Audit Standards, 2017. The scope of internal audit work encompasses all of the Council's operations, resources and services including where they are provided by other organisations on its behalf.

Responsibilities of management and internal auditors

- C.2 It is management's responsibility to maintain systems of risk management, internal control and governance. Internal audit is an element of the internal control framework assisting management in the effective discharge of its responsibilities and functions by examining and evaluating controls. Internal auditors cannot therefore be held responsible for internal control failures.
- C.3 We have planned our work so that we have a reasonable expectation of detecting significant control weaknesses. We have reported all such weaknesses to management as they have become known to us, without undue delay, and have worked with management to develop proposals for remedial action.
- C.4 Internal audit procedures alone do not guarantee that fraud will be detected. Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud or other irregularities which may exist, unless we are requested to carry out a special investigation into such activities in a particular area.
- C.5 Internal audit's role includes assessing the adequacy of the risk management processes, key internal control systems and corporate governance arrangements put in place by management and performing testing to ensure those controls were operating effectively for the period under review.

Basis of our assessment

- C.6 My opinion on the adequacy of control arrangements is based upon the result of internal audit work undertaken and completed during the period in accordance with the plan approved by the Audit, Risk and Governance Committee. Sufficient, reliable and relevant evidence has been obtained to support the recommendations made.

Limitations to the scope of our work

- C.7 Other than as set out in the audit plan for the year there have been no limitations to the scope of the audit work.

Limitations on the assurance that internal audit can provide

- C.8 There are inherent limitations as to what can be achieved by internal control and consequently limitations to the conclusions that can be drawn from our work as internal auditors. These limitations include the possibility of faulty judgement in decision making, of breakdowns because of human error, of control activities being circumvented by the collusion of two or more people and of management overriding controls. Further, there is no certainty that internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks which may arise in the future.
- C.9 Decisions made in designing internal controls inevitably involve the acceptance of some degree of risk. As the outcome of the operation of internal controls cannot be predicted with absolute assurance any assessment of internal control is judgmental.

Access to this report and responsibility to third parties

- C.10 This report has been prepared solely for Lancashire County Council. It forms part of a continuing dialogue between the Internal Audit Service, the chief executive, Audit, Risk and Governance Committee and management of the Council. It is not therefore intended to include every matter that came to our attention during each internal audit assignment.
- C.11 This report may be made available to other parties, such as the external auditors. However, no responsibility is accepted to any third party who may receive this report for any reliance that may be placed on it and, in particular, the external auditors must determine the reliance placed on the work of the Internal Audit Service.

Appendix C

Audit assurance and residual risks

Note that our assurance may address the adequacy of the control framework's design, the effectiveness of the controls in operation, or both. The wording below addresses all of these options and we will refer in our reports to the assurance applicable to the scope of the work we have undertaken.

- **Substantial assurance:** the framework of control is adequately designed and/ or effectively operated.
- **Reasonable assurance:** the framework of control is adequately designed and/ or effectively operated overall, but some action is required to enhance aspects of it and/ or ensure that it is effectively operated throughout.
- **Limited assurance:** there are some significant weaknesses in the design and/ or operation of the framework of control that put the achievement of its objectives at risk.
- **No assurance:** there are some fundamental weaknesses in the design and/ or operation of the framework of control that could result in failure to achieve its 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: catastrophic loss of the county Council's services, loss of life, significant environmental damage or significant 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: failure to achieve organisational objectives, significant disruption to the Council's business or to users of its services, significant financial loss, 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:** 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:** matters that individually have no major impact on achieving the service's objectives, but where combined with others could give cause for concern. *Specific remedial action is desirable.*