

Subject:	Internal Audit Plan 2025/26 Progress Report October - November 2025	Status:	For Publication
Report to:	Audit & Accounts Committee	Date:	3 rd December 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 report on progress to deliver the 2025/26 audit plan.

2. EXECUTIVE SUMMARY

- To support the Audit and Accounts Committee in fulfilling its responsibility to monitor performance against the internal audit plan.
- To consider a summary of internal audit activity and the level of assurance it gives over the Council's governance, risk management and internal control arrangements.

3. BACKGROUND

In the context of fulfilling its responsibility to monitor the adequacy and effectiveness of the internal audit service, and to review internal audit reports, the Committee is asked to consider the assurance provided by the Internal Audit Service.

4. DETAILS

This paper reports progress with the delivery of each audit on the 2025/26 annual audit plan

5. RISK

All the issues raised and the recommendation in this report involve risk considerations as set out below: adequacy of Council management of risks in respect of the areas subject to audit.

6. FINANCE

Any financial implications are commented upon in the report.

7. LEGAL

Any legal implications are commented upon in the report.

8. POLICY AND EQUALITIES IMPLICATIONS

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

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

No background papers.

Appendix A

Rossendale Borough Council

Internal Audit Service

Progress Report:

2025/26 Audit Plan Delivery October - November 2025



1 Introduction

- 1.1 This report supports Audit and Accounts Committee's responsibility under its terms of reference to consider performance reports from Internal Audit on progress with delivery of the 2025/26 audit plan agreed at the July 2025 Committee meeting.

2 Summary of progress

- 2.1 The table below reports progress with delivery of the 16 audits on the audit plan. We have issued two final audit reports, are actively progressing six audits and are scheduling in the eight further audits for Quarter 4, including the four annual financial systems audits.
- 2.2 We issued a final report on our payroll audit, providing substantial assurance that processes are well-managed, with robust internal controls and improvements in documentation, system access, and procedural compliance.
- 2.3 Salford Technical Audit Service delivers our IT audits, and we issued the final report of their audit of the council's compliance with Payment Card Industry Data Security Standards (PCI DSS) framework. The audit gave a low level of assurance, identifying several significant gaps in the council's compliance framework. These included incorrect completion of the Self-Assessment Questionnaires (SAQs), unassessed payment channels, and incomplete vulnerability scanning, exposing the Council to potential regulatory penalties, reputational harm, and increased risk of cardholder data compromise. Staff responded positively and promptly to progress the implementation of solutions to a number of the findings.
- 2.4 A further IT audit is progressing, to assess controls in place to minimise key risks associated with physical access and environmental risks within the council's key IT infrastructure. The audit will concentrate on the logical, physical and environmental security of sites hosting elements of the network infrastructure, and arrangements are currently being made for the auditors to visit the council's outsourced data centre.
- 2.5 Our September progress report notified the Committee of our response to a reduction in internal audit team capacity due to leavers. We are still in the process of recruiting to vacancies under our revised structure. We have a new auditor starting in January and we are actively recruiting a further trainee auditor and senior auditor, to build Service capacity and to support our long-term sustainability.
- 2.6 We have included extracts from the finalised audit reports in Annex A to this report.

Control Area	Audit Progress	Assurance
Governance and democratic oversight		
LGA Improvement and Assurance Framework	Q4 Start	
Rossendale Leisure Trust	Q4 start	
Business effectiveness		
Capital Programme	Q4 start	
Contract management	Q4 start	
IT - Payment Card Industry Data Security Standards	Final	Limited (Low 5/10)
IT - Cyber Security: Outsourced Data Centre Physical Security and Environmental Controls	Progressing	
Service delivery		
Asset commercialisation	Progressing	
Service support		
Data management	Progressing	

Business processes		
Council tax	Progressing	
Business rates/ NNDR	Progressing	
Housing benefits	Progressing	
Payroll	Final	Substantial
Accounts payable	Q4 start	
Accounts receivable	Q4 start	
General ledger and budget setting	Q4 start	
Income collection/ banking	Q4 start	
Stage of audit process		Number of audits
Not started		8
Planning		0
Progressing		6
Draft report		0
Completed - Final Report or no report necessary		2
Deferred/ cancelled		0
Total number of audits		16

3 Update on the National Fraud Initiative (NFI)

- 3.1 The most recent results from the council's involvement in the National Fraud Initiative NFI are shown below.

Category of data	Number of matches				Frauds	Errors	Savings identified
	identified	processed	cleared	investigating			
Housing Benefit	9	9	8	0	1	0	£26,926.13
Payroll	9	0	0	0	0	0	£0.00
Waiting Lists	89	5	5	0	0	0	£0.00
Council Tax Reduction	255	166	162	20	2	2	£9,865.21
Creditors	902	0	0	0	0	0	£0.00
Procurement	32	0	0	0	0	0	£0.00
Totals	755	180	175	20	3	2	£36,791.34


4 Use of this report

- 4.1 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 we expect the external auditors to determine for themselves the extent to which they choose to utilise our work.

Extracts from Final Internal Audit reports

Payroll

Overall assurance rating



Substantial

Audit findings requiring action

Extreme	High	Medium	Low
0	0	0	0

See Appendix A for Rating Definitions

Overall, the audit concluded that payroll processes are well-managed, with evidence of strong internal controls and ongoing improvements in documentation, system access, and procedural compliance.

The organisational structure chart was produced and approved by the Corporate Management Team in July 2025. All officers listed on the chart were accurately reflected in the payroll system, with correct alignment of names and role titles. Tax thresholds were correctly input into the CHRIS21 payroll system in accordance with central government guidance and system access was appropriately restricted.

Starting and final salary payments were correctly calculated and processed in line with contractual terms. New starters were added to the organisational structure chart, and leavers had accurate end dates on the payroll system. Improvements were noted in the collation and retention of HR documentation for new starters, including completed personal file checklist, signed contract, proof of identity, and evidence of right to work in the UK. Exit interview completion rates showed improvement compared to the previous year, supported by increased involvement from HR in assisting line managers. Not all leavers agreed to participate or attended their scheduled interviews, but we acknowledge that there will always be some level of non-engagement.

Controls over overtime, mileage, and expense claims were effective. All claims were calculated using the correct rates, supported by retained evidence such as receipts, and approved by line managers prior to processing. Voluntary deductions were appropriately supported by either direct officer requests or third-party instructions. Sickiness absences were supported by completed and signed sickness declaration forms retained on file. No officers were on maternity leave during the period reviewed, and therefore no testing was undertaken in this area.

Reconciliation procedures were robust. Exception reports were produced monthly to support the review of payroll accuracy prior to approval by the Head of Finance and Principal Accountant. Net pay posting reports were confirmed to match the Civica system totals for the period, providing assurance over the completeness and accuracy of payroll transactions.

Section Two – Background and Scope

2.1 Background

This audit has been undertaken in accordance with the 2025/26 Internal Audit Plan as approved by the Audit, Risk & Governance Committee. The audit covers the period January to August 2025 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 172 officers at the time of our review, with an approximate monthly net pay of £370k.

2.3 Previous audit


An internal audit of payroll was last carried out in September 2024. This resulted in a substantial assurance opinion being issued with one improvement 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:

- 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

IT: Payment Card Industry Data Security Standards
Executive Summary

Risk Opinion	Risk Opinion Score
<p>The audit identified several significant gaps in Rossendale Borough Council's PCI DSS compliance framework, including incorrect completion of the Self-Assessment Questionnaires (SAQs), unassessed payment channels, and incomplete vulnerability scanning.</p> <p>These weaknesses expose the Council to potential regulatory penalties, reputational harm, and increased risk of cardholder data compromise.</p> <p>However, it should be noted that staff were quick to progress the implementation of solutions to a number of the findings documented in this report.</p> <p>As a result, the overall risk opinion score reflects a low level of assurance, indicating that urgent remedial action is required to address the three Priority 1 and four Priority 2 recommendations raised. Implementing these recommendations will strengthen the Council's PCI DSS posture and ensure ongoing compliance.</p>	<div><p>The scale above is an indication of the level of control measures in place to manage risk. See Appendix B for more details.</p></div>

Audit Overview

Overview	Audit Objectives
<p>Rossendale Borough Council is required to submit Self-Assessment Questionnaires (SAQs) to ensure compliance with the Payment Card Industry (PCI) Data Security Standards (DSS).</p> <p>As the Council processes card payments to deliver services and support its operations, adhering to these mandatory data security standards, established by the PCI Security Standards Council is essential.</p> <p>In addition to a lack of data security, failure to comply with the standards can result in fines from the card brands (MasterCard/VISA) and ultimately could result in the withdrawal of card payment services.</p>	<p>The objective of this review was to assess the current progress in reviewing whether appropriate controls are in place to ensure that payment card transactions are conducted securely, in alignment with the Payment Card Industry Data Security Standard (PCI DSS). The audit focused on the following key areas:</p> <ul style="list-style-type: none">• The completed Self-Assessment Questionnaires (SAQs) corresponds accurately to the payment channels in use (e.g., chip & PIN, telephone payments, online transactions), and that appropriate due diligence has been performed for any third-party service providers involved.• Relevant vulnerability scans are conducted regularly and identified vulnerabilities are addressed and remediated.• Evaluation of whether the key controls outlined in the SAQs have been implemented effectively, with supporting evidence available to demonstrate compliance.

Scope, responsibilities and assurance

Approach

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

Responsibilities of management and internal auditors

- 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.
- 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.
- 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 for such activities in a particular area.
- 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

- 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 and Accounts Committee. Sufficient, reliable and relevant evidence has been obtained to support the recommendations made.

Limitations to the scope of our work

- 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

- 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.

- 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

- 10 This report has been prepared solely for Rossendale Borough Council. It forms part of a continuing dialogue between the Internal Audit Service, the chief executive, Audit and Accounts 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.
- 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.

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 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.*