

**Rossendale Borough Council**

**Internal Audit Service**

**Monitoring report for the period ended**

**31<sup>st</sup> October 2008**





## **1 Purpose of this report**

- 1.1 The Annual Audit Plan for 2008/09 was approved by the Audit Committee on 5 June 2008. The plan reflects the approach agreed last year, which appointed Lancashire Audit Service as Rossendale Borough Council's (RBC) internal auditors for the period 2006/7-2008/9. This report details the progress to date in undertaking the agreed coverage, and highlights any significant issues identified from the audit work performed in this period.
- 1.2 This report covers the period 1 April 2008 to 31<sup>st</sup> October 2008.

### ***Acknowledgements***

- 1.3 We are grateful for the assistance that has been provided to us by RBC staff during the course of our work.

## **2 Key issues and themes arising during the period**

- 2.1 From the work undertaken to date, no significant weaknesses have been identified that would have a material impact upon the Council's internal control environment.

## **3 Internal audit work undertaken**

### ***Internal audit plan 2008/09***

- 3.1 Work carried out during this period was in accordance with the agreed Audit Plan. Details of the progress to date, including assurance provided and key issues identified for each of the areas completed to date, are set out in the 'Summary of findings and Assurance' table which forms part of Section 4. Currently, this shows that 160 days have been spent in the seven months since the start of the financial year to deliver the audit plan. This equates to 57% of the total audit activity of 280 days planned for the year.
- 3.2 However it should be noted that part of this time relates to the finalisation of 2007/08 audits.
- 3.3 In respect of the balance of the 2008/09 plan, work has been programmed over the remainder of the year to ensure that all the areas identified are covered.

### ***Resource input***

- 3.4 The staff resource input for the seven months to 31<sup>st</sup> October 2008 is as follows:

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	Audit plan Days	Target %	Actual %
Head of Internal Audit	0	3	0
Principal Auditor	11.5	12-20	7
Senior Auditor (including IT)	45.5	25-35	29
Audit team members (including IT)	103	50-55	64
Total	160		100

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## **4 Summary of findings**

### ***Overall summary and assurance provided***

- 4.1 We have set out in the table on the following pages a brief summary of each review undertaken during the period and the areas to be covered in the remainder of the year. This sets out the planned and actual days we have spent on each review, the variance between the days reported, and a summary of the assurance we have been able to provide in relation to each system or operational area of your business where work has been finalised. The key issues identified encapsulate the significant issues and areas where key recommendations were made. They reflect the findings at the time the work was carried out.
- 4.2 As the plan progresses, we will distil the assurance into an assessment of the adequacy of each system, and its effectiveness in operation.
- 4.3 The table indicates briefly with simple ticks (✓) and crosses (x) our overall assessment of each system where reviews have been finalised during the period and the assurance you may take from its operation in supporting effective internal control. A dash (-) indicates an area where work is in progress or where we are unable to give an assessment because of the reason given.

### Summary of our findings and assurance

Review area	Audit days			Assurance		Key issues/Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
<b>Core financial systems</b>						
Housing Benefits Investigation Unit	15	15	0	✓	✓	The final audit report in respect of this review was issued in November 2008. Controls were generally operating effectively as intended, although in some instances the effectiveness of controls was reduced as a result of limited staffing resources.
				The controls in place are adequate and were generally operating effectively as intended.		
Housing Benefits appeals	10	8	2	-	-	A draft report was issued for management response in November 2008. This report will be finalised and reported to members in due course.
Housing Benefits Performance Indicators - Interventions	5	6	(1)	✓	✓	The final audit report in respect of this review was issued in November 2008. Controls were found to be operating effectively as intended. This review focused on the processes and procedures surrounding the appropriate collation, input, internal monitoring and quality checking of data around NI 180 and NI 181. One low priority recommendation relating to internal performance targets has been raised and agreed by management.
				The controls in place are adequate and operating effectively as intended.		

**System adequacy:** We have defined a system as adequate if its design enables it to achieve its core control objectives which, if operating as intended, serve to manage its inherent risks.

**System effectiveness:** We have defined a system as operating effectively if, after testing or other supporting evidence has been found, it is operating as intended

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Review area	Audit days			Assurance		Key issues/Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
<b>Core financial systems (contd)</b>						
National Non Domestic Rates (NNDR)	10	6	4	-	-	Audit fieldwork in this area is currently in progress. A draft report will be issued for management response in due course.
General ledger and Budgetary control	10	3	7	-	-	Audit fieldwork in this area is currently in progress. A draft report will be issued for management response in due course.
Treasury Management	5	3	2	-	-	Audit fieldwork in this area is currently in progress. A draft report will be issued for management response in due course.
Asset Management	10	10	0	-	-	Audit fieldwork on this review is nearing completion.
Procurement	5	0	5	-	-	Audit planning in respect of this review commenced in November 2008 with a view to performing audit testing in December 2008.
Cash collection and banking	10	0	10	-	-	Audit scheduled to be commenced in Q3.
Payroll	10	0	10	-	-	Audit rescheduled to be undertaken in Q4 following discussions with RBC management.
Debtors	5	0	5	-	-	Audit scheduled to be undertaken in Q4.

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<b>Core financial systems (contd)</b>						
Creditors	5	0	5	-	-	Audit scheduled to be undertaken in Q4.
<b>Focussed reviews</b>						
Use of Resources / KLOE	20	9	11	-	-	Time to date has been spent on initial assessment work around the Use of Resources and the areas of our audit work that these impact on.
Data Quality	20	0	20	-	-	Initial discussions have been held with RBC management to consider coverage within the data quality review for 2008/09. We will also liaise with the Audit Commission to determine scope and coverage for this audit.
Planning	15	18	(3)	-	-	Audit fieldwork in this area has now been completed and a draft report is due to be issued imminently.

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<b>Focussed reviews(contd)</b>						
Health and Safety	10	12	(2)	✓	✓	This audit report was finalised and issued in October 2008. We noted that the core service requirements which make up the consultancy agreement are being adhered to. Reports from the health and safety audits performed have been issued to all Service Unit Managers informing them of the recommendations made.
				The controls in place are adequate and operating effectively as intended.		
Client side management arrangements – Leisure Trust	5	0.5	4.5	-	-	An update has been obtained on the current progress with recommendations and a further more detailed follow up exercise is scheduled to be undertaken in Q4.
National Fraud Initiative	15	12.5	2.5	-	-	Time spent to date by NFI key contact in arranging Fair Processing Notices and liaising with Authority contacts regarding the provision of required datasets.
Business Continuity Planning	15	15	0	-	-	A draft report relating to this review has been issued for management response. A finalised report will be issued upon receipt of management responses.
Contingency	6	0	6	-	-	

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<b>Specialist areas</b>						
Response to fraud/ impropriety	10	0	10	-	-	
IT Controls – Payment Card Industry Data Security Standard	15	0.5	14.5	-	-	Terms of reference in respect of this review have been produced and are due to be agreed with RBC management. It is intended that fieldwork will commence in December 2008.
<b>2007/08 audits carried forward</b>						
Antifraud and Corruption Policy	0	5.5	(5.5)	✓	✓	A final audit report has been issued in respect of this review.
				The controls in place are generally adequate and in the main, operating effectively as intended.		
Cash and Banking	0	0.5	(0.5)	✓	✓	The time relates to the finalisation of work on this area which was reported in the Annual Audit Report 2007/08.
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<b>2007/08 audits carried forward (contd)</b>						
Council Tax	0	0.5	(0.5)	✓	✓	The time relates to the finalisation of work on this area which was reported in the Annual Audit Report 2007/08.
				The controls in place are adequate and operating effectively as intended. .		
Debtors	0	6.5	(6.5)	✓	✓	A final report has been issued in September 2008 following receipt of management responses. Of the eight recommendations agreed at the previous audit, three have been fully implemented, one is considered to be on-going and four remain outstanding. From discussions with key personnel and testing in the appropriate areas, five new recommendations have been raised.
				The controls in place are generally adequate and operating effectively as intended.		
Follow-up reviews	0	5	(5)	✓	✓	A final report was issued in September 2008. Appropriate action was found to have been taken or was ongoing to implement recommendations agreed in previous audit reviews.
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<b>2007/08 audits carried forward (contd)</b>						
IT Controls - NNDR	0	0	0	-	-	A draft report has been issued for management response and a subsequent meeting was held with management to discuss the findings and agree the recommendations. This report will be finalised following receipt of the completed action plan.
Payroll	0	2.5	(2.5)	✓	✓	A final report has been issued. All of the 11 recommendations made at the previous review in September 2007 have now been implemented or are being adequately addressed. There is still a requirement to ensure the Disaster Recovery Plan is fully tested.
				The controls in place are adequate and operating effectively as intended.		
Procurement	0	3	(3)	✓	✓	The time relates to the finalisation of work on this area which was reported in the Annual Audit Report 2007/08.
				The controls in place are adequate and operating effectively as intended.		

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<b>2007/08 audits carried forward (contd)</b>						
Risk Management	0	2.5	(2.5)	✓	✓	The time relates to the finalisation of work on this area which was reported in the Annual Audit Report 2007/08.
				The controls in place are adequate and generally operating effectively as intended.		
<b>Other areas</b>						
Follow up reviews	5	1	4	-	-	A schedule containing recommendations raised during 2007/08 audits has been produced for subsequent follow up during 2008/09.
Risk assessment and strategic planning	5	0.5	4.5	N/A	N/A	This time relates to the day-to-day management of the Authority's audit plan.
Committee and other meetings	6	2.5	3.5	N/A	N/A	This time covers Audit Committee preparation and attendance.
Central reporting (annual and periodic progress)	10	5.5	4.5	N/A	N/A	This allocation covers the time required for the Committee reporting process as well as preparing the monitoring reports for the Head of Financial Services.

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<b>Other areas</b>						
Liaison with senior management	14	5	9	N/A	N/A	This time covers the monthly update meetings with the Head of Financial Services as well as meetings with the Executive Director of Resources and Senior Management Team.
Liaison with Audit Commission	3	1	2	N/A	N/A	This time relates to regular liaison meetings with the Audit Commission.
Ad hoc advice and support	6	0	6	N/A	N/A	This allocation covers ad hoc advice and assistance to the Authority when requested.
<b>Total Days</b>	<b>280</b>	<b>160</b>	<b>120</b>			

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