

Rossendale Borough Council

Internal Audit Service

2011/12 financial year

Progress report

covering the period to 29 February 2012



1 Purpose of this report

- 1.1 The Annual Audit Plan for 2011/12 was approved by the Audit Committee on 15 June 2011. The plan reflects the approach agreed when Lancashire County Council's Internal Audit Service was reappointed as the Council's internal auditors. 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 ended 29 February 2012.

Acknowledgements

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

2 Key issues and themes arising during the period

- 2.1 From the work undertaken during the period, 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 2011/12

- 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.
- 3.2 Currently, this shows that 222.5 days have been spent in delivering the 2011/12 audit plan in the period up to 29 February 2012. This is 85% of the total audit activity of 260 days planned for the year.
- 3.3 In addition, 28.5 days have been spent during 2011/12 in finalising the audits that were ongoing at 31 March 2011. The unused allocations brought forward from the preceding year are now shown in the summary table.
- 3.4 In respect of the balance of the 2011/12 plan, work is either ongoing or has been programmed over the remainder of the year to ensure the areas identified are covered. Draft reports in respect of a number of audit assignments have been issued for management consideration and the findings from these reviews will be reported to Committee members in due course. As at 29 February 2012, fieldwork in respect of audits of the Council's key financial system were ongoing at various stages of completion. These specific assignments relate to:
- Accounts payable;
 - Accounts receivable; and
 - Payroll.
- 3.5 Outcomes arising from our work will be reported upon finalisation.

- 3.6 The outcomes of the audit reviews finalised since our last progress report are set out in the following paragraphs:

Partnership arrangements - Communities

- 3.7 The audit work we have undertaken allows us to provide **full assurance** over the systems and processes in place relating to the partnership arrangements with community groups.
- 3.8 Whilst we are able to confirm that there are adequate and effective controls and the system controls are operating effectively, the arrangements around community engagement, at the time of our review, were in their infancy.
- 3.9 The Rossendale partnership model was widened in 2011 to enable community involvement and embed the Neighbourhood Forums into the local strategic partnership (LSP), now known as the Rossendale Forum. The Rossendale Forum provides a single overarching framework to ensure that all partners work together to deliver joint actions to help achieve the shared vision as set out in Rossendale's Sustainable Community Strategy (SCS).
- 3.10 Some of the new arrangements, for example the role of Rossendale Issue Groups (RIGs), are still developing and only limited audit testing of the effectiveness of controls has been possible in such areas.

Asset management

- 3.11 Based on the audit work undertaken we are able to confirm that only one of the recommendations raised as part of our 2010/11 review of asset management has been fully implemented whilst seven of these recommendations are currently in progress. No action has been taken with respect to four of the recommendations. It is appreciated that the re-prioritisation of resources as a result of the budget savings and efficiency initiatives has affected progress with actioning the recommendations agreed in our previous report of this area.
- 3.12 The Council has purchased the Civica asset management database to replace the IPF database. This is currently being manually populated with asset data and due to the manual nature of this task is taking longer than expected. As there has been significant changes to systems in this area and we have not performed a full audit review, we are unable to form a revised opinion.
- 3.13 There are also ongoing changes with respect to the Council's assets, for example, the development of the Valley Centre, the disposal of Stubby Lee Hall and the sale of Ski Rossendale. Management intend to update the Corporate Asset Management Plan (CAMP) to reflect these and changes in the operational practices within the Authority once these initiatives are complete. The formal revision of the CAMP will enable a number of recommendations, including the facilitation of regular performance management and monitoring via the CAMP, to be actioned.

Summary of findings

Overall summary and assurance provided

- 3.14 The table on the following pages sets out a brief summary of each review undertaken during the period and the areas to be covered in the remainder of the year. This indicates the planned and actual days we have spent on each area, 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.
- 3.15 As the plan progresses, we will provide an overall level of assurance for each audit assignment and further, distil the assurance into an assessment of the adequacy of each system, and its effectiveness in operation.
- 3.16 The level of assurance provided on each assignment can be at one of four levels; full, substantial, limited and no assurance. Definitions of the assurance levels used are attached as Appendix 1.
- 3.17 The table will indicate 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.
- 3.18 ***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.
- 3.19 ***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.

Summary of our findings and assurance

Review area	Audit days			Assurance level	Key issues/Comments
	Planned	Actual	Variation		
Controls over cross-cutting risks					
Corporate Governance	20	20	0	Substantial assurance	Findings from this review were reported at the 12 December 2011 meeting of the Audit and Accounts Committee.
Partnerships: Health	32	33	(1)	-	Audit fieldwork in respect of the review of health partnerships is now complete and a draft report was issued on 23 January 2012 for management consideration. The findings from this review will be reported to members upon finalisation of the report.
Partnerships: Communities				Full Assurance The audit work we have undertaken allows us to provide full assurance over the systems and processes in place relating to the partnership arrangements with community groups.	Whilst we are able to confirm that there are adequate and effective and the system controls are operating effectively, the revised arrangements around community engagement, at the time of our review, were in their infancy. The Rossendale partnership model was widened in 2011 to enable community involvement and embed the Neighbourhood Forums into the local strategic partnership (LSP), now known as the Rossendale Forum. Some of the new arrangements, for example the role of Rossendale Issue Groups (RIGs), are still developing and only limited audit testing of the effectiveness of controls has been possible in such areas.
Information Governance	18	17	1	Limited assurance	Findings from this review were reported at the 12 December 2011 meeting of the Audit and Accounts Committee.

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Internal Audit monitoring report for the period ended 29 February 2012

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	Planned	Actual	Variation		
Service-specific controls					
Elections	10	10	0	Substantial assurance	Findings from this review were reported at the 12 December 2011 meeting of the Audit and Accounts Committee.
Contract Management	15	15	0	Substantial assurance	Findings from this review were reported at the 12 December 2011 meeting of the Audit and Accounts Committee.
Corporate common controls					
General Ledger and Budgetary Control	7	0	7	-	This review is scheduled to be undertaken in March 2012.
Treasury Management	10	6	4	Substantial assurance	Findings from this review were reported at the 12 December 2011 meeting of the Audit and Accounts Committee.
Housing Benefits	5	7	(2)	Provisional assurance: Substantial	Our review of this has been completed and a draft report was issued for management consideration on 13 January 2012. We are currently liaising with management to finalise this report and will report the findings from this review to members in due course.

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Rossendale Borough Council
 Internal Audit monitoring report for the period ended 29 February 2012

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	Planned	Actual	Variation		
Corporate common controls (contd)					
Asset Management	5	5	0	-	<p>Based on the audit work undertaken we are able to confirm that only one of the recommendations raised as part of our 2010/11 review of asset management has been implemented whilst seven of these recommendations are currently in progress. No action has been taken with respect to four of the recommendations. This limited progress is largely due to the lack of available resources to complete the actions resulting from the budget savings and efficiencies.</p> <p>The Council has purchased the Civica asset management database to replace the IPF database. This is currently being manually populated with asset data and due to the manual nature of this task is taking longer than expected. As there have been significant changes to systems in this area and we have not performed a full audit review, we are unable to form a revised opinion.</p> <p>There are also ongoing changes with respect to the Council's assets, for example, the development of the Valley Centre, the disposal of Stubby Lee Hall and the sale of Ski Rossendale. Management intend to update the CAMP to reflect these and changes in the operational practices within the Authority once these initiatives are complete. The formal revision of the CAMP will enable a number of recommendations, including the facilitation of regular performance management and monitoring via the CAMP, to be actioned.</p>

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Rossendale Borough Council
Internal Audit monitoring report for the period ended 29 February 2012

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	Planned	Actual	Variation		
Corporate common controls (contd)					
Council Tax	10	8	2	Substantial assurance	Findings from this review were reported at the 12 December 2011 meeting of the Audit and Accounts Committee.
Accounts Payable	15	13	2	-	The fieldwork relating to this review is complete and a draft report is due to be issued for management consideration. We intend to share the findings from this review with members upon finalisation of the report.
Accounts Receivable	15	3	12	-	The fieldwork relating to this review is in progress and once this is complete a draft report will be shared with Council management. The results of the review will be subsequently reported to members upon finalisation of the report.
Payroll	8	5	3	-	The fieldwork relating to this review is in progress and once this is complete a draft report will be shared with Council management. The results of the review will be subsequently reported to members upon finalisation of the report.
NNDR	5	0	5	-	We have agreed with Capita to undertake this piece of work in April 2012.
Income collection and banking - markets	10	11.5	(1.5)	-	Audit fieldwork in respect of this review commenced and our findings were submitted for management consideration on 13 February 2012 and we are currently awaiting a formal response to enable the finalisation of this report. We will report the findings to Committee in due course.

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Other areas					
Counter Fraud (Including National Fraud Initiative)	15	13	2	-	<p>In October 2010 we submitted data to the Audit Commission in regards to the general category of NFI matches including housing benefits, payroll, creditors, market trader licences, insurance, licences to supply alcohol and taxi driver licences. The resulting matches were subsequently released to RBC in January 2011 and work has been ongoing towards the investigation and follow-up of the resultant data matches by RBC officers.</p> <p>We confirmed that of the 1402 matches, 1050 have now been actioned including the majority of high priority matches. There are 352 matches that have not been processed although only 37 of these are high priority and are currently under investigation. The remaining are either low priority matches or for information only that have not been processed or investigated. To date there have been no identified frauds from this NFI exercise. This exercise is nearing completion and the final results will be reported by the Audit Commission in May 2012.</p> <p>The NFI key contact liaised with relevant officers within the Council to facilitate the successful submission of council tax data in October 2011 and subsequently the electoral roll data in January 2012. Data matches relating to the council tax records (Single Person Discount (SPD) and rising 18s) were released in February 2012 which indicate an increase of 18% in SPD and a 40% reduction in Rising 18s matches compared with the previous exercise undertaken in 2009/10. The process of investigating the reported data matches has commenced and ongoing progress with this will be monitored by the NFI key contact.</p>

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Internal Audit monitoring report for the period ended 29 February 2012

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	Planned	Actual	Variation			
Other areas (continued)						
Follow up reviews	15	9.5	5.5	-		Licensing – The four recommendations raised in our previous review have been implemented.
						Waste and recycling – Audit fieldwork in respect of this review is in progress.
						CLAW financial controls – There has been progress with each of the 14 recommendations raised in our previous review of this area.
						IT service management – Fieldwork in respect of this review is in progress.
Contingency	15	15	0	N/A		Contingency used for additional work in relation our reviews of corporate governance (4), elections (5.5), contract management (3) and asset management (2.5).
Management of the audit service	30	31.5	(1.5)	N/A	N/A	This time relates to the day to day management of the Authority's audit plan including preparation and attendance at committee, liaison with senior management and the Council's external auditors and any ad-hoc advice and support to the Authority.
2011/12 days	260	222.5	37.5			

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	Planned	Actual	Variation		
2010/11 audits brought forward					
Community Leisure Association of Whitworth (CLAW) Financial Controls	0	0.5	(0.5)	Substantial assurance	Findings from this review were reported at the 12 December 2011 meeting of the Audit and Accounts Committee.
Waste and Recycling	0	2	(2)	Substantial assurance	We spent two days in finalising the waste and recycling audit report. The findings from this review were previously reported to members in the 2010/11 Annual Report at the 15 June 2011 meeting of the Audit and Accounts Committee.
Cash Collection and Banking	0	1	(1)	Substantial assurance	We spent one day in finalising the cash collection and banking audit report. The findings from this review were previously reported in the 2010/11 Annual Report at the 15 June 2011 meeting of the Audit and Accounts Committee.
Accounts Receivable	3.5	5	(1.5)	Substantial assurance	Findings from this review were reported at the 6 September 2011 meeting of the Audit and Accounts Committee.
Accounts Payable	4	5	(1)	Substantial assurance	Findings from this review were reported at the 6 September 2011 meeting of the Audit and Accounts Committee.

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	Planned	Actual	Variation		
2010/11 audits brought forward (continued)					
NNDR	10	9.5	0.5	Substantial assurance	Findings from this review were reported at the 6 September 2011 meeting of the Audit and Accounts Committee.
Procurement	3	4.5	(1.5)	Substantial assurance	Findings from this review were reported at the 12 December 2011 meeting of the Audit and Accounts Committee.
Follow-ups	0	1	(1)	-	Our audit testing confirmed that management have taken appropriate action in implementing recommendations made as part of our reviews of business continuity, leisure trust, planning and health and safety.
2010/11 audit days brought forward	20.5	28.5	(8)		
Total days used	280.5	251	29.5		

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1. Audit assurance levels

Appendix 1

- 1.1 The assurance we can provide over any area of control falls into one of four categories as follows:

Full assurance: there is a sound system of internal control which is designed to meet the service objectives and controls are being consistently applied.

Substantial assurance: there is a generally sound system of internal control, designed to meet the service objectives, and controls are generally being applied consistently. However some weakness in the design and/ or inconsistent application of controls put the achievement of particular objectives at risk.

Limited assurance: weaknesses in the design and/ or inconsistent application of controls put the achievement of the service objectives at risk.

No assurance: weaknesses in control and/ or consistent non-compliance with controls could result/ have resulted in failure to achieve the service objectives.