

**Rossendale Borough Council  
Internal Audit Service**

**Annual report of the Head of Internal Audit  
for the year ended 31 March 2012**

**June 2012**





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## **1. Introduction**

### **Purpose of this report**

- 1.1 This report summarises the work that the council's Internal Audit Service has undertaken during 2011/12. It sets out the key themes arising in relation to internal control, governance and risk management across the council.

### **The role of internal audit**

- 1.2 Internal Audit is an assurance function that primarily provides an independent and objective opinion on the adequacy of the organisation's control environment. The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government in the United Kingdom requires the Head of Internal Audit to provide 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 has performed during 2011/12.
- 1.3 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 1 to this report.

### **Interim reports**

- 1.4 This report builds on the matters reported in previous years, which have been the subject of discussions throughout the year with respective service managers and where applicable the senior management team during the course of our work.
- 1.5 Summaries of the key areas of our work have been reported to the Audit and Accounts Committee as they have been completed.

### **Acknowledgements**

- 1.6 I am grateful for the assistance that has been provided to the Internal Audit Service by the staff across the council in the course of our work during the year.

Ruth Lowry  
Head of Internal Audit  
Lancashire County Council

## **2. Assessment of internal controls**

### **Overall opinion**

- 2.1 On the basis of our programme of work for the year, I can conclude that the council's internal control environment, risk management process and corporate governance, taken as a whole are adequate and generally effective. I have however identified individual themes relating to the lack of an information governance framework and the requirement to further develop existing health partnership arrangements that present exceptions to this broad conclusion, and have set these out below.
- 2.2 Consequently, we are able to provide **substantial** assurance over the internal control environment. Definitions of the assurance levels used are attached as Appendix 2.
- 2.3 Whilst recognising there are control issues which need to be addressed, our work during the year has identified good areas of effective control too and we can also confirm that good progress has been made in implementing recommendations raised in our previous year's reviews, although action is still required in some areas. Management should consider the issues identified above surrounding information governance and health partnerships as these may impact on the Authority's Annual Governance Statement.

### **Management's responses to our findings**

- 2.4 Each of the issues I have set out in this report has been discussed with the relevant service managers. Action plans have been agreed and actions are already being implemented; the Internal Audit Service will follow up our findings during the course of 2012/13 and provide support to managers to develop pragmatic solutions to the control issues identified.

### **Follow-up of our previous work**

- 2.5 We have undertaken work to ascertain progress in implementing agreed recommendations resulting from earlier years' reviews. Except as noted, the majority of the recommendations we have agreed with management have been implemented, and revised action plans have been obtained detailing the progress to date and further action required to achieve full implementation if this has not already been achieved.

### **Summary of assurance provided by the Internal Audit Service**

- 2.6 A summary of all the assurance we have provided during the year is provided in the table below. This includes each internal audit assignment directed to providing controls assurance.

Assignments relating to:	Assurance				
	Full	Substantial	Limited	Nil	In progress
<b>2011/12 reviews</b>					
Key financial systems	0	8	0	0	1
Focussed reviews	1	3	2	0	0
<b>2010/11 reviews completed in 2011/12</b>					
Key financial systems	0	7	0	0	-
Focussed reviews	0	0	0	0	-
<b>Total assignments</b>	<b>1</b> <b>(5%)</b>	<b>18</b> <b>(82%)</b>	<b>2</b> <b>(9%)</b>	<b>0</b> <b>(0%)</b>	<b>1</b> <b>(5%)</b>

### 3. Key issues and themes

3.1 We have detailed below some of the key issues and themes arising out of our internal audit work during 2011/12 and these have been split between our core financial systems work and focused reviews undertaken. The issues noted below do not cover all of the outcomes identified as part of our audit work and focus primarily on significant issues although the findings from each of our audit reviews can be found in Table 1 at the back of the report.

3.2 We worked closely with the Audit Commission in 2010/11 to structure our work to comply with their requirements and this approach has once again been adopted during 2011/12. Our change in approach to the core financial systems, which now provides an overview of each system and sample testing in accordance with Audit Commission requirements provides assurance that we have completed an appropriate level of systems documentation and audit testing for each core financial system. The Audit Commission rely on our work to complete their International Standards in Auditing (ISA) assessments.

#### *Core Financial Systems*

3.3 Our work to date on the council's core financial systems (payroll, debtors, creditors, general ledger, income collection and banking and council tax) has found that there are generally sound systems of internal control to achieve the control objectives. However, some weaknesses have been identified and we have made recommendations to strengthen the existing controls in this area. We made one high priority recommendation as part of our work relating to income collection and banking at the Rossendale markets, further details relating to this are provided below.

3.4 From our assessment of previous audit recommendations we also found that action is being taken towards implementing agreed recommendations raised in the 2010/11 reviews.

3.5 Our review of **income collection and banking** in respect of the Rossendale markets noted that as at the end of November 2011 the

council was owed £8,000 for outstanding markets related debts and this had further increased to nearly £10,000 at February 2012. Whilst we acknowledge that management were aware of the debt position and action was being taken towards recovering the outstanding debts we thought it necessary that a more formal debt recovery process is put in place. We appreciate that an appropriate balance needs to be maintained in respect of debt recovery as a potential withdrawal of trading licences may have a knock-on effect on the business of other traders and market income overall.

- 3.6 Weaknesses were identified in reconciliation processes relating to market income. The weekly market income reconciliation performed did not include checking the accuracy of the income split by market. Whilst differences were not material, and there were explanations for the discrepancies, it is important that the split of income by market is accurate and should be incorporated into the reconciliation process, to avoid a risk of inaccurate records and subsequent reporting.
- 3.7 We also noted that the reconciliation process did not consider the accuracy of income recorded in the ledger compared with market income records. Banked income was slightly higher than that expected from the Communities team records. During our review a procedure was adopted jointly by the Finance and Communities teams which involved the weekly verification of income recorded in the ledger.
- 3.8 We gave substantial assurance from our review of the **accounts payable** system. As part of this, we followed up a previous recommendation relating to duplicate payments which was agreed following the 2009/10 audit report, and reiterated in the subsequent 2010/11 report and noted that this is in progress and will be fully implemented in 2012/13. We confirmed that the facility to produce a duplicate payments report has been made available and that a report is to be produced on a monthly basis and manually reviewed to identify potential duplicate payments. There are, however, further refinements necessary to the existing report which management intend to develop and implement in 2012/13.
- 3.9 We noted that the incidence of confirmation orders was slightly higher than expected ie orders raised after receipt of the relevant invoice, and we consequently suggested that guidance is issued to ordering officers regarding the type of expenditure where the raising of a confirmation order would be considered acceptable to minimise the risk that expenditure is incurred without proper authorisation.
- 3.10 From our follow-up review relating to **asset management**, we were able to confirm that only one of the recommendations raised as part of our 2010/11 review had been implemented whilst seven other recommendations were in progress. No action had 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 implementing the recommendations agreed in our previous report of this area.
- 3.11 In our previous review of this area we were able to provide substantial assurance over the controls in place around the council's asset management system. There has been significant changes in the systems and processes in this area, not least the purchase of the new Civica asset management database, and therefore in the absence of a full audit review we were unable to form a revised opinion.
- 3.12 Our audit testing noted that there is still no mechanism to ensure the Corporate Asset Management Plan (CAMP) is reviewed on an annual basis although management agreed to undertake a review of the CAMP in 2012. If the CAMP is inaccurate or out of date there is a risk of ineffective management of the Council's assets.
- 3.13 The results from the 2010/11 Chartered Institute for Public Finance and Accountancy (CIPFA) benchmarking exercise were received in November 2010 however there was no analysis of the results nor were these reported to senior management or members, thereby potentially missing an opportunity to identify potential development areas.
- 3.14 There is no formal monitoring of the actions in the CAMP and these have not been added to the council's performance management system, Covalent. Whilst we appreciate that Councillors receive a monthly financial report which contains matters relating to assets such as rental income received this does not enable members to evaluate the overall performance of the council's assets.
- 3.15 In providing substantial assurance over the **Housing Benefits** system, we noted a reorganisation of staff roles and responsibilities in November 2011, and that performance monitoring and quality checking had not been undertaken since the restructure. It was agreed that the performance monitoring and quality checking procedures would be re-initiated again as soon as feasibly possible, and brought up to date.
- 3.16 We noted in our review of **National Non-Domestic Rates** (NNDR), that Council staff from the legal services and elections teams have access to the NNDR system which enables modifications and changes to be made to NNDR records. As these teams are not involved in the processing and administration of NNDR and essentially use the system to enquire on accounts and verify their own internal records, their access should be restricted to 'view only'. We also noted that access has not been removed for one member of staff who has left employment with the council otherwise there is a risk of unauthorised access to the system.
- 3.17 During the course of our review we were made aware of a number of rate avoidance schemes including the occupation of premises for a short period of time (six weeks) to gain the (three or six month) empty property relief, or leasing the premises to a charity to take advantage of mandatory exemptions. Whilst some action is being taken to identify the impact of

such avoidance schemes to the council, more action is needed to tackle these issues to minimise financial loss to the council. It is essential that a coordinated approach, involving the council's legal services team, is taken to counter the schemes in operation around Rossendale.

- 3.18 All empty properties are visited as part of the bi-annual inspection programme and this includes properties where rates are being paid in full and instalments are up to date. We concur with management's intention to change the format and structure of the inspection visits. The planned changes to the inspection programme will involve focusing visits on properties which are approaching the end of the exemption period to identify potential avoidance activity and there will be prioritisation of instances where there may be wrongful claim of exemptions, failure to pay on time and potential avoidance of tax. The procedures for revised methodology are currently being drawn up by management and will be implemented during 2012/13.
- 3.19 We noted that of the sample of three debts write offs over £5,000 reviewed, one was processed in July 2011 and authorised by Cabinet in March 2012 whilst another was processed in March 2012 and will be subject to approval by Cabinet in March 2013. In accordance with the current financial limits, debts in excess of £5,000 need to be authorised by Cabinet prior to write off, rather than after the event. Whilst we understand that management are aware of the debts written off and these are subsequently reported to Cabinet for approval, the current procedures do not fully comply with the council's policy as detailed above.

#### *Focussed Reviews*

- 3.20 Based on the Council's position at the time of our review, we were only able to provide limited assurance in relation to the **health partnership** arrangements. We confirmed that there is evidence of joint working although these arrangements were in the early stages and still needed further development. In addition, the lack of operational resource is affecting the Council's ability to deliver on the health priorities and objectives.
- 3.21 We acknowledge however that, since our review was completed, there has been progress with the proposals for Public Health Lancashire and that the responsibility for public health will sit with Lancashire County Council. Whilst some of the recommendations raised in this report will be within the remit of the Joint Health Unit there is still a responsibility on the council to deliver against its health priorities jointly with the County Council. The main points raised in the report are noted below.
- 3.22 A Rossendale Issue Group (RIG) was established to address matters arising from the misuse of alcohol and reduce the levels of hazardous drinking. There had been some progress at the time of our fieldwork, although work was ongoing to confirm the available resources and obtain commitment from partners to implement the identified actions. We also

- noted that some of the identified actions did not indicate timescales for completion.
- 3.23 In addition, no actions were drawn up in regards to mental health at the Community Health Group meeting held and no further progress can be made with this initiative until an alternative structure is devised and appropriate resources are identified. In the absence of sufficient resource from the Council or associated partner agencies there is a risk that actions identified may not be completed in a timely manner or there may be no progress with achieving the health priorities identified.
- 3.24 We noted a lack of clarity and transparency in regards to the overall project management and delivery responsibility for the Alcohol RIG which may result in misunderstandings in roles and expectations of the individuals concerned. The relative high level roles taken by both the Director of Customers and Communities and the NHS Consultant also means that there is a lack of operational resource to undertake the day to day delivery of agreed actions and the management of the group's activities. Whilst we appreciate that the RIGs have sufficient representation from outside agencies, the commitment of these agencies is still to be challenged, and formal confirmation obtained to ensure assigned actions will be completed.
- 3.25 The Health and Wellbeing Strategy which was produced in 2009 has not been reviewed or updated since although we understood, at the time of our review, that management intended to review the strategy. Whilst we acknowledge the transfer of responsibility for public health to local authorities will result in significant change for the Council it is important that an over-riding strategy is put in place otherwise there is a risk that work in this area may not be adequately prioritised. In addition, the disbanding of the Health and Wellbeing Theme Group meant that there was no monitoring of the health plan. In the absence of adequate performance monitoring arrangements there is a risk that the Council's priorities and associated actions may not be achieved.
- 3.26 The Bribery Act 2010 which was implemented on 1 July 2011 has had implications for the council's **corporate governance** arrangements, including the Codes of Conduct for Members and Employees and the policy surrounding the declaration of interests. The council has taken action to address these implications by developing an anti bribery policy and procedure, reviewing (and updating where necessary) existing relevant policies and procedures, and briefing staff on the main provisions of the Act.
- 3.27 Only six current officers had registered interests and five of these declarations were registered more than two years ago. The Code of Conduct for Employees is unclear on the types of interest to register and the process to be followed. There is also no requirement for officers to regularly refresh their declarations of interests or to confirm when they have no interests to declare, which would evidence that they understand

- their responsibilities in this area under the Code of Conduct for Employees and help to demonstrate that bribery prevention procedures are working in practice. Management agreed to implement an annual process to refresh the register of officers' interests and update the Code of Conduct for employees to clarify the requirements for declaring interests.
- 3.28 The council's Standards Committee is only responsible for promoting and maintaining high standards of conduct by councillors and co-opted members and monitoring the operation of the members' Code of Conduct. There are currently no arrangements for monitoring the operation of the Code of Conduct for Employees, including the register of interests. This gap in the existing procedures was recognised by management and it was agreed that an annual report will be submitted to the Overview and Scrutiny Committee regarding breaches of the Code of Conduct for Employees.
- 3.29 The Code of Conduct for Members, in line with legislation, only requires that councillors complete a declaration of interests form within 28 days of election and then notify any subsequent changes within 28 days. Following the May 2011 elections, all newly elected members completed declarations within the required timescale and all other councillors had either submitted new forms or certified that there were no changes to their previous declarations, except that no response had been received at the time of the audit review from three of the re-elected members. Each of these members last submitted a notification to the register of interests in 2009, so any changes to their interests in the subsequent two years, for example appointments to outside bodies, have not been notified by them.
- 3.30 Council officers that undertake **election** duties receive paid time off work and an allowance from elections funding for these duties. We noted that the Council does not currently have a formal policy for the use of council staff to undertake election duties or the authorisation of paid time off work for such officers. It is acknowledged however that the Elections Manager obtains the approval of department managers before offering elections work to interested council employees.
- 3.31 Elections officers, including staff involved in administering elections, are in receipt of allowances defined by a schedule of election fees developed by the Elections Manager. The Returning Officer (Chief Executive) whom holds responsibility for all election expenditure has verbally but not formally approved the schedule of fees. A more formal documented method of approval would provide a clearer separation of duties between the development of the schedule and its approval prior to use. Such a separation of duties is designed to mitigate the risk of inappropriate payments and also to protect the staff involved in the system.
- 3.32 Our work around **information governance** established that the council did not have a formal information governance framework in place to effectively address its information risks. Therefore we could only provide

limited assurance over the information governance framework and management of information risks.

- 3.33 Despite this we found some elements of good practice and a good general understanding of the risks associated with information management, particularly within the ICT environment. Furthermore, through our discussions with senior management it was apparent that there is acceptance of the need to establish an effective information governance framework. Senior management support is essential to facilitate the necessary changes within the council.
- 3.34 The Local Government Data Handling Guidelines published by the Local Government Association identify the specific role of Senior Information Risk Officer (SIRO) as a key role within information governance and also advocate the creation of a Corporate Information Governance Group. The council has appointed the Director of Business as the SIRO and this has been approved by the Executive Management Team. The council currently has an IT Steering Committee which consists of the Director for Business, the Director of Customer and Communities, the Head of Customer Services and members of the ICT Team. In view of the limited resources available the council has expanded the role of the ICT Steering Committee to incorporate information governance within the remit of the existing Committee to avoid the creation of an additional group.
- 3.35 The Local Government Association's Data Handling Guidelines also provide advice on best practice and recognise that councils are best placed to assess their own risk. Our review established that the council has a risk management strategy which clearly identifies the roles and responsibilities of members and officers in addressing business risk but it does not specifically address information risk. A review of business plans established that, with the exception of some specific ICT risks, no information risks have been identified within these plans. As a result, the risk management strategy will now be updated by the SIRO and Section 151 Officer to include corporate information risks.
- 3.36 An ICT Security Policy has been developed but is currently under review and on completion will be presented to the Executive Management Team for approval. Whilst we recognise that the input of the ICT Team is essential it is also important that the policy fully reflects all of the operational needs of the council and is not produced in isolation by any one team or group. It is important that there is adequate and appropriate training available and effective channels of communication to ensure members and officers are aware of the ICT Security Policy. We understand that a training programme is currently under development by the SIRO and will be rolled out in due course.

### **Fraud/special investigations**

- 3.37 We have not been involved in the investigation of any frauds/ thefts and have not been made aware of any occurring.

### **National Fraud Initiative (NFI)**

- 3.38 The Internal Audit Service works closely with the council's current external auditor, the Audit Commission, to support its work wherever possible. We therefore support the Audit Commission's work proactively to identify potentially fraudulent transactions, known as the National Fraud Initiative (NFI).
- 3.39 The NFI is a data matching exercise, which began in 1996. It is designed to help participating bodies to detect fraudulent and erroneous payments. The testing relevant to Rossendale Borough Council is primarily directed towards reducing the level of housing benefit, but testing also addresses other areas including payroll, creditors, market trader licences and, taxi driver licences. During 2008 this exercise was extended to include insurance claims, personal licences to supply alcohol and concessionary travel passes.
- 3.40 Prior to 2008, the NFI exercise was carried out every two years. Since 2008 the exercise has been extended to include data matching between council tax data and the electoral roll within individual authorities. This new requirement has been dovetailed into the two year cycle so that there is now an exercise every year but with different data sets alternating between years.
- 3.41 The processing of data by the Audit Commission in a data matching exercise is carried out with statutory authority. It does not require the consent of the individuals concerned under the Data Protection Act 1998. However, we as a public body holding personal data have a duty to inform those individuals that their data will be used for data matching purposes.
- 3.42 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 the council in January 2011 and these were as follows:

Rossendale Borough Council 2010/11 NFI Exercise - Analysis of reports/ matches		
<u>Category of data</u>	<u>No. of match reports</u>	<u>No. of matches</u>
Housing Benefit	30	810
Payroll	3	7
Concessionary Travel Passes	2	563
Insurance Claimants	2	2
Creditors	4	19
Procurement	0	0
Market Trader licences	0	0
Taxi Driver licences	1	1
Personal Licences to Supply Alcohol	0	0
<b>Total</b>	<b>42</b>	<b>1,402</b>

3.43 The investigation of these matches has now been concluded. To date there have been no identified frauds or errors from this NFI exercise. The following table provides a brief update of progress as at May 2012:

Rossendale Borough Council 2010/11 NFI Exercise - Analysis of investigations						
Category of data	No. of matches	No of matches assessed to date	Resolved - no issue	Assessed matches that require further investigation	Frauds	Errors
Housing Benefit	810	808	808	2	0	0
Payroll	7	7	7	0	0	0
Concessionary Travel Passes	563	546	546	17	0	0
Insurance Claimants	2	0	0	2	0	0
Creditors	19	19	19	0	0	0
Taxi Driver Licences	1	1	1	0	0	0
<b>Total</b>	<b>1,402</b>	<b>1,381</b>	<b>30</b>	<b>21</b>	<b>0</b>	<b>0</b>

- 3.44 We confirmed that of the 1,402 matches, 1,381 have now been actioned including the majority of high priority matches. There are only 21 matches that have not been processed. This exercise is nearing completion and the final results are expected to be reported by the Audit Commission in June 2012.
- 3.45 Matches in respect of Taxi Driver Licences and Payroll have been checked and resolved without any issue. This is because either there was an error with the data or there was a valid reason for the data match.
- 3.46 Concessionary travel matches relate to valid bus passes that are in circulation and yet the person to whom it was issued has died. Internal checks are undertaken with council tax records and then the passes are cancelled.
- 3.47 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.
- 3.48 The data matches relating to the 2011/12 NFI exercise including progress with investigating these matches are noted in the table below:

Rossendale Borough Council						
2011/12 NFI Exercise - Analysis of reports/ matches						
Category of data	No. of matches	No of matches assessed to date	Resolved - no issue	Assessed matches that require further investigation	Frauds	Errors
Council tax	377	154	153	0	0	1
Rising 18s	65	65	65	0	0	0
Total	442	219	218	0	0	1

#### **4. Implications for the Annual Governance Statement**

- 4.1 In making its annual governance statement the council considers the head of internal audit's opinion in relation to its internal control environment, risk management processes and corporate governance. Within this report we have raised issues concerning the need to establish a formal information governance framework, and points relating to the availability of resources and existing structures surrounding health partnerships. Whilst management are taking action towards these resolving these matters, they should be referred to in the Council's Annual Governance Statement.

#### **5. Internal audit inputs and performance**

- 5.1 The outputs of our audit work have been reported in detail to the managers of individual service areas, and the key themes arising for them and for the council as a whole are set out above. However in fulfilling its duty to consider the performance of the council's internal audit service, the Audit and Accounts Committee will be interested, on behalf of the council, to understand the way that the Internal Audit Service has deployed its resources against the audit plan for the year.

##### **Internal audit plan 2011/12**

- 5.2 Work carried out during 2011/12 was in accordance with the audit plan presented and approved by Audit and Accounts Committee on 15 June 2011. Details of the assurance provided and key issues identified for each of the areas covered was provided to senior managers. A summary of our findings for key areas is to be found at section 6 of this report.
- 5.3 We have undertaken a total of 245 audit days against planned input of 260 days. The variance of 15 days relates to ongoing audit reviews as at 31 March 2012 which will be finalised and reported to the committee in due course.
- 5.4 This work has been undertaken with regular liaison with the council's external auditors to minimise any duplication.
- 5.5 Individual action plans have been agreed in respect of all the completed areas of work. These set out the management responses to each of our recommendations, and indicate that positive action has been, or will be taken. Implementation of these plans will be followed up as part of our 2012/13 work.

##### **Internal audit performance**

- 5.6 During the summer of 2011 the Audit Service used the CIPFA benchmarking service to undertake a client satisfaction survey and the results we received were pleasing. The results of the survey undertaken during 2011/12 showed that our clients again recognised real improvements in our service to them. There is evidence of a clearly measurable continuous improvement in our work that has been sustained over a number of years, supported by a healthy culture that encourages continual critical reassessment of the ways we work to serve our clients.

- 5.7 Like the previous year our overall score was 'good', and this is consistently supported within every section of the survey's detailed questions. Our overall scores on every area were 'good' or 'excellent' and with very few exceptions our average scores improved across every question in the survey. For the first time we achieved 'excellent' scores on two individual questions: the professionalism and positive attitude of our staff. This would be a real achievement at any time, but to have achieved this at such a challenging time for all the council's employees is particularly pleasing.
- 5.8 We have also recently updated our self assessment against the CIPFA Code of Practice for Internal Audit in Local Government in the UK to assess compliance with this Code. We continue to demonstrate a high degree of compliance and believe that no further significant actions are required at this point. However in accordance with good practice, the Audit Commission has been asked to review the Internal Audit Service and this work is currently ongoing.

## 6. Summary of key findings

- 6.1 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.
- 6.2 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.
- 6.3 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 2.
- 6.4 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.
- 6.5 **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.
- 6.6 **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		
<b>Controls over cross-cutting risks</b>					
Corporate Governance	20	20	0	<p><b>Substantial Assurance</b></p> <p>In our opinion the system of internal control over these areas has adequate controls to achieve its control objectives and the system controls are generally operating effectively.</p>	<p>The Bribery Act 2010 requires organisations to have adequate bribery prevention policies and procedures in place and be able to demonstrate that these procedures are effective. The Council is taking action to address these implications by developing an anti bribery policy and procedure, reviewing (and updating where necessary) existing relevant policies and procedures, and briefing staff on the main provisions of the Act.</p> <p>Only six current officers have registered interests and five of these declarations were registered more than two years ago. A message regarding the Bribery Act, posted on the council's intranet in June 2011, provided more guidance on the registration of officers' interests. It is intended that the declaration of interest form and an email reminder will be issued to officers on an annual basis to update their declarations. Our review noted the lack of arrangements for monitoring the operation of the Code of Conduct for Employees. Management team have since agreed that breaches of the code should be reported to Overview and Scrutiny Performance Committee by the People and Policy Team.</p> <p>Councillors are required to complete a declaration of interests form within 28 days of election and then notify any subsequent changes within 28 days. Following the May 2011 elections, all newly elected members with the exception of three, completed the declarations within the required timescale. Audit testing for a sample of five councillors found instances where declarations were not complete and up to date. It is intended that the requirements of the Code will be reiterated to members.</p>

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Internal Audit Service  
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Review area	Audit days			Assurance level	Key issues/Comments
	Planned	Actual	Variation		
<b>Controls over cross-cutting risks</b>					
Partnerships: Health	32	33	(1)	<p><b>Limited Assurance</b> Based on the council's position at the time of our review, we are only able to provide limited assurance in relation to the health partnership arrangements.</p>	<p>We confirmed that there is evidence of joint working although these arrangements were in the early stages and still needed further development. In addition, the lack of operational resource is affecting the council's ability to deliver on the health priorities and objectives.</p> <p>We acknowledge however that, since our review was completed, there has been progress with the proposals for Public Health Lancashire and that the responsibility for public health will sit with Lancashire County Council. Whilst some of the recommendations raised in this report will be within the remit of the Joint Health Unit there is still a responsibility on the Council to deliver against its health priorities jointly with the County Council.</p> <p>We will liaise with the Joint Health Unit to establish where responsibilities will sit and agree a way forward in respect of the recommendations raised in this report. Significant recommendations raised in the report are noted below.</p>
Partnerships: Communities				<p><b>Full Assurance</b> 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.</p>	<p>Whilst we are able to confirm that system controls are adequate and effective and these 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.</p>

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	Planned	Actual	Variation		
<b>Controls over cross-cutting risks</b>					
Information Governance	18	17	1	<p><b>Limited assurance</b></p> <p>In our opinion the system of internal control over this area needs to be developed further in order for the council's control objectives to be achieved</p>	<p>This review was completed in August 2011, and whilst various elements of good practice were evident, in developing its information governance arrangements it is considered important that the council:</p> <ul style="list-style-type: none"> <li>identifies its key areas of risk and implements arrangements that are proportionate with those risks and to the size of the council, and the resources available to achieve its objectives;</li> <li>identify a Senior Information Risk Owner (SIRO) as a key role within information governance, which the council has since done with the agreement of the Executive Management Team;</li> <li>formally records information asset owners and the systems involved;</li> <li>determines the corporate group that will be responsible for information governance;</li> <li>recognises and addresses information risk specifically within its overall risk management arrangements;</li> <li>documents the developing information governance framework, organisational structure and roles and responsibilities of key officers in monitoring and measuring the effective performance of information governance;</li> <li>develops further a culture which properly values, protects and uses information for the public good, which is essential for maintaining the efficient, effective, correct and secure use of the council's information assets.</li> </ul>

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	Planned	Actual	Variation		
<b>Service-specific controls</b>					
Elections	10	10	0	<p><b>Substantial assurance</b></p> <p>In our opinion the system of internal control over these areas has adequate controls to achieve its control objectives and the system controls are generally operating effectively.</p>	<p>Council officers that undertake election duties receive paid time off work and an allowance from elections funding for these duties. It is acknowledged that the Elections Manager obtains the approval of department managers before offering elections work to interested council employees. The Council does not currently have a formal policy for the use of Council staff to undertake election duties or the authorisation of paid time off work for such officers which would clarify these arrangements.</p> <p>Elections officers, including staff involved in administering elections are in receipt of allowances defined by a schedule of election fees developed by the Elections Manager. The Returning Officer (Chief Executive) whom holds responsibility for all election expenditure has verbally but not formally approved the schedule of fees. A more formal documented method of approval would provide a clearer separation of duties between the development of the schedule and its approval prior to use.</p>

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	Planned	Actual	Variation		
<b>Service-specific controls</b>					
Contract Management	15	15.5	(0.5)	<p><b>Substantial assurance</b></p> <p>In our opinion the system of internal control over this area has adequate and effective controls to achieve its control objectives.</p>	<p>Whilst there were adequate and effective systems and procedures in relation to the majority of areas our audit work identified a number of areas for minor improvement. In particular, the potential need to update contractual documentation to reflect the current governance and fraud arrangements. We also recommended a clarification in performance reports to the Strategic Governance Board (or Operational Board as appropriate) to reflect outcomes based on a sample of data checked, rather than the whole population, to ensure that the reported results are not misleading. Furthermore, a revision of the 2011/12 benefit performance targets to align with Department for Work and Pensions (DWP) benchmarking statistics should also be considered by management to encourage continued service improvement.</p>
<b>Corporate common controls</b>					
General Ledger and Budgetary Control	7	1	6	-	<p>Our review of this area was in progress at 31 March 2012 and a draft report will be issued for management consideration in due course. We will report the findings from this review to members once the report is finalised.</p>

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	Planned	Actual	Variation		
<b>Corporate common controls</b>					
Treasury Management	10	6	4	<p><b>Substantial assurance</b></p> <p>In our opinion the system of internal control over the operation of treasury management within the Authority has adequate controls to achieve its control objectives and is generally operating effectively in the areas reviewed.</p>	<p>There are no significant findings arising from our review of treasury management arrangements. We did however raise three low priority recommendations requiring action by management.</p> <p>We were unable to obtain documented authorisation for one of the three investments tested during our review although we acknowledge that there was email correspondence to indicate that this was discussed between officers.</p> <p>Prescribed limits should be agreed formally in respect of the amount borrowed or invested that the Head of Finance and Property can enter into, above which, approval should be sought through a scheme of delegation. In addition, the Treasury Management Practices document requires updating to reflect the list of authorised signatories able to sign cheques and authorise bank transactions. This list was approved by Cabinet in August 2011.</p>

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	Planned	Actual	Variation		
<b>Corporate common controls</b>					
Housing Benefits	5	7	(2)	<p><b>Substantial assurance</b></p> <p>In our opinion the system of internal control over the housing and council tax benefit system at the Council has adequate controls to achieve its control objectives</p>	<p>Following a reorganisation of staff roles and responsibilities a new Benefits Team Leader was appointed, and took over responsibilities, on 30 November 2011. We noted that performance monitoring and quality checking was performed by the former Benefits Team Leader up to around the middle of November 2011 and October 2011 respectively, and this has not been undertaken since the restructure. Whilst we acknowledge that the restructure and appointment of the new Benefits Team Leader has only recently been implemented and the individual has also been on leave, the performance monitoring and quality checking procedures should be re-initiated again as soon as feasibly possible, and brought up to date.</p>

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	Planned	Actual	Variation		
<b>Corporate common controls (contd)</b>					
Asset Management	5	6	(1)	-	<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, an agreement to lease part of Stubby Lee Hall, and the letting 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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	Planned	Actual	Variation		
<b>Corporate common controls (contd)</b>					
Council Tax	10	8	2	<p><b>Substantial assurance</b></p> <p>In our opinion the system of internal control has adequate controls to achieve its control objectives and the system controls are operating effectively.</p>	<p>There are no significant findings arising from our review of council tax. We did however raise two low priority recommendations for consideration by management.</p> <p>The Council undertakes appropriate checks on the award of each discount and any inconsistencies are appropriately investigated. In addition, the data matches identified as part of the bi-annual National Fraud Initiative (NFI) exercise are investigated and followed up by the Council. We recommended that management also consider the use of credit referencing agency data to identify false claims for discounts. The level of discounts is monitored on an ongoing basis and consideration will be given to this initiative bearing in mind existing checks and data matching exercises already performed.</p> <p>At the time of our review contingency arrangements for empty property inspections were in place with the back office administration staff undertaking inspections in the absence of the Inspection Officer. Whilst these revised arrangements were operating effectively there was no independent monitoring of completed inspections. The Inspection Officer has since returned to work although management are looking at partially retaining a rota system. In May 2012 the Service Assurance Team will report to Strategic Governance Board on compliance with the targeted inspection regime and subsequently the performance and safeguards in the regime.</p>

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	Planned	Actual	Variation		
<b>Corporate common controls (contd)</b>					
Accounts Payable	15	13	2	<p><b>Substantial assurance</b></p> <p>In our opinion the system of internal control has adequate controls to achieve its control objectives and the system controls are operating effectively.</p>	<p>We followed up a previous recommendation relating to duplicate payments which was agreed following the 2009/10 audit report, and reiterated in the subsequent 2010/11 report and noted that this is in progress and will be fully implemented in 2012/13. We confirmed that the facility to produce a duplicate payments report has been made available and that a report is to be produced on a monthly basis and manually reviewed to identify potential duplicate payments. There are, however, further refinements necessary to the existing report which management intend to develop and implement in 2012/13.</p> <p>We noted that the incidence of confirmation orders was slightly higher than expected ie orders raised after receipt of the relevant invoice, and we consequently suggested that guidance is issued to ordering officers regarding the type of expenditure where the raising of a confirmation order would be considered acceptable to minimise the risk that expenditure is incurred without proper authorisation.</p>

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	Planned	Actual	Variation		
<b>Corporate common controls (contd)</b>					
Accounts Receivable	15	11.5	3.5	<p><b>Substantial assurance</b></p> <p>In our opinion the system of internal control has adequate controls to achieve its control objectives and the system controls are operating effectively.</p>	<p>The previous internal audit review of the accounts receivable system (undertaken in August 2011) recommended revision of the Sundry Debt Management Policy to reflect existing practice surrounding the charging of interest on outstanding debts. Current wording in the policy requires interest to be charged on all outstanding debts although in practice this is only undertaken in specific cases. Whilst this action is still outstanding management intend to review and update the policy to ensure this is accurate and up to date to minimise the risk of non compliance with council procedures.</p>
Payroll	8	8	0	<p><b>Substantial assurance</b></p> <p>In our opinion the system of internal control over the council's payroll system has adequate controls to achieve its control objectives and the system controls are generally operating effectively in the areas covered by this review.</p>	<p>We confirmed that the recommendation made following the 2010/11 internal audit review of the payroll system, concerning the adequacy of password management controls, has been implemented and controls are operating effectively in this area.</p> <p>A minor weakness identified during the audit review concerns the completion of exit interview forms. We noted one instance where the exit interview form had not been completed and another case where the completed form had not been signed by either the departing employee or the line manager. This gives rise to the risk that Council assets may not be recovered resulting in potential financial. We acknowledge that it is the respective line manager's responsibility to ensure they are aware of council assets used by the employee and that these are returned on departure.</p>

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	Planned	Actual	Variation		
<b>Corporate common controls (contd)</b>					
NNDR	5	1	4	<p><b>Substantial assurance</b></p> <p>In our opinion the system of internal control over the NNDR system at the council has generally adequate controls to achieve its control objectives and these are operating effectively although there are areas where improvements could be made to the existing system.</p>	<p>We noted in our review of NNDR, that council staff from the legal services and elections teams have access to the NNDR system which enables modifications and changes to be made to NNDR records. As these teams are not involved in the processing and administration of NNDR their access should be restricted to 'view only'. We also noted that access has not been removed for one member of staff who has left employment with the council.</p> <p>During the course of our review we were made aware of a number of rate avoidance schemes. Whilst some action is being taken to identify the impact of such avoidance schemes, it is essential that a coordinated approach, involving the council's legal services team, is taken to counter the schemes in operation around Rossendale.</p> <p>All empty properties are visited as part of the bi-annual inspection programme and this includes properties where rates are being paid in full and instalments are up to date. We concur with management's intention to change the format and structure of the inspection visits which will involve focusing visits on properties which are approaching the end of the exemption period. We understand that the revised methodology is currently being drawn up.</p> <p>We noted that of the sample of three debt write offs over £5,000 reviewed, one was processed in July 2011 and authorised by Cabinet in March 2012 whilst another was processed in March 2012 and will be subject to approval by Cabinet in March 2013. In accordance with the current financial limits, debts should be authorised by Cabinet prior to write off, rather than after the event. Therefore, the current procedures do not fully comply with the council's policy as detailed above.</p>

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	Planned	Actual	Variation		
<b>Corporate common controls (contd)</b>					
Income collection and banking - markets	10	11.5	(1.5)	<p><b>Substantial assurance</b></p> <p>In our opinion the system of internal control has adequate controls to achieve its control objectives and the system controls are operating effectively</p>	<p>Our review of income collection and banking in respect of the Rossendale markets noted that as at the end of November 2011 the council was owed £8,000 for outstanding markets related debts and this had further increased to nearly £10,000 at February 2012. Whilst we acknowledge that management were aware of the debt position and action was being taken towards recovering the outstanding debts we thought it necessary that a more formal debt recovery process is put in place. We appreciate that an appropriate balance needs to be maintained in respect of debt recovery as a potential withdrawal of trading licences may have a knock-on effect on the business of other traders and market income overall.</p> <p>The weekly market income reconciliation performed by the Locality Manager only considers the total income for each week and does not include checking the accuracy of the income split by market. Our reconciliation noted a minor difference in split of income between markets. It is important that the split of income by market is accurate and therefore should be incorporated into the reconciliation process, otherwise there is a risk inaccurate records and subsequent reporting.</p> <p>We also noted that the reconciliation process did not consider the accuracy of income recorded in the ledger although at the time of our review a procedure had been adopted jointly by the Finance and Communities teams which involved the verification of income recorded in the ledger. Whilst this exercise is now performed on a weekly basis we noted an overall difference of £1,034.10 between the reconciled ledger balance and income records. This indicated that banked income exceeds the expected income as per Communities team records.</p>

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	Planned	Actual	Variation		
<b>Other areas</b>					
Counter Fraud (Including National Fraud Initiative)	15	15	0	-	<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, 1381 have now been actioned including the majority of high priority matches. There are only 21 matches that have not been processed. This exercise is nearing completion and the final results are expected to be reported by the Audit Commission in June 2012. To date there have been no identified frauds from this NFI exercise.</p> <p>In respect of the 2011/12 NFI exercise 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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	Planned	Actual	Variation			
<b>Other areas (continued)</b>						
Follow up reviews	15	12	3	The action plan has been fully implemented.-		<b>Licensing</b> – The four recommendations raised in our previous review have been implemented.
				-		<b>Waste and recycling</b> – Audit fieldwork in respect of this review is in progress.
				Reasonable progress has been made in implementing the action plan.		<b>CLAW financial controls</b> – There has been progress with each of the 14 recommendations raised in our previous review of this area.
				Reasonable progress has been made in implementing the action plan.		<b>IT service management</b> – Five of the seven recommendations have been implemented, one has since been rejected because of budget reductions and one is on hold due to ICT resource capacity constraints.
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	35	(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.
<b>2011/12 days</b>	<b>260</b>	<b>245</b>	<b>15</b>			

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	Planned	Actual	Variation		
<b>2010/11 audits in progress at 31 March 2011</b>					
Community Leisure Association of Whitworth (CLAW) Financial Controls	0	0.5	(0.5)	<p><b>Substantial assurance</b></p> <p>In our opinion there is a generally sound system of internal control, adequately designed to meet the objectives of CLAW, and controls are generally being consistently applied</p>	<p>We have however made recommendations relating to:</p> <ul style="list-style-type: none"> <li>• The pricing of special event and wedding packages;</li> <li>• Formal sign-off of timesheets;</li> <li>• Independent review of the bar auditor's report;</li> <li>• Documentary evidence of the insurance policy and documentation;</li> <li>• Repositioning of the existing CCTV camera in the bar area; and</li> <li>• Access restrictions to the Company Secretary's home PC and the use of memory sticks for transferring data between PCs.</li> </ul>
Waste and Recycling	0	2	(2)	<p><b>Substantial assurance</b></p>	<p>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.</p>
Cash Collection and Banking	0	1	(1)	<p><b>Substantial assurance</b></p>	<p>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.</p>

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	Planned	Actual	Variation		
<b>2010/11 audits in progress at 31 March 2011</b>					
Accounts Receivable	3.5	5	(1.5)	<p><b>Substantial assurance</b></p> <p>In our opinion the system of internal control over the council's accounts receivable system has adequate controls to achieve its control objectives and the system controls are generally operating effectively in the areas covered by this review</p>	<p>Two medium and two low priority recommendations were made following the last internal audit review of accounts receivable in April 2010. Two of these recommendations are now fully implemented and, whilst some progress has been made towards implementing the remaining two recommendations, further action is required relating to the Sundry Debt Management Policy sections on interest charges and accounting procedures for debts outstanding for over 180 days.</p> <p>The Exchequer Services team is currently performing a review of the instalment process which will involve identifying and documenting the stages of the instalment process with a view to ensuring that instalment debts are managed and recovered in the most efficient and effective manner. We appreciate that instalment debts are redirected to the standard recovery route and as part of this process have been actively chased and recovered</p>

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	Planned	Actual	Variation		
<b>2010/11 audits in progress at 31 March 2011</b>					
Accounts Payable	4	5	(1)	<p><b>Substantial assurance</b></p> <p>In our opinion the system of internal control over the council's accounts receivable system has adequate controls to achieve its control objectives and the system controls are generally operating effectively in the areas covered by this review</p>	<p>Adequate and effective systems and procedures have been formed and applied in the majority of areas, however, we noted that two of the recommendations made in the 2009/10 audit report have not been implemented. These recommendations are still applicable; consequently areas remain where improvements can be made to enhance the controls in place.</p> <p>In particular, current self authorisation limits for users within the Authority Financials purchasing module vary from £0 to £15,000. As invoices are now scanned to the creditor module and automatically matched to order and receipt details, there may be no segregation of duties within the accounts payable system prior to payment for purchases up to £15,000 in value. We acknowledge however, that the compensatory controls relating to prepayment report checks and authorisation of suppliers prior to set up on the system, reduce the inherent risks.</p> <p>The 2009/10 recommendation that a duplicate payments report is produced and reviewed on a regular basis so that potential duplicate transactions can be investigated has also not yet been implemented.</p>

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	Planned	Actual	Variation		
<b>2010/11 audits in progress at 31 March 2011</b>					
NNDR	10	9.5	0.5	<p><b>Substantial assurance</b></p> <p>In our opinion the system of internal control over the council's NNDR system has adequate controls to achieve its control objectives and the system controls are generally operating effectively in the areas covered by this review</p>	<p>At present all empty properties are visited by the inspector twice a year. This procedure was appropriate when the majority of empty properties were exempt from NNDR or as all ratepayers were given a relief (three and six months for commercial and industrial properties respectively) relating to their empty properties from 01 April 2011.</p> <p>We noted that most empty NNDR properties within Rossendale were below the 2010/11 exemption limit of £18,000; however this limit was reduced to £2,600 for the 2011/12 tax year, and only two of the 249 properties that were empty at the time of the audit visit fell below this limit. As the majority of empty NNDR properties are liable to pay the full amount and empty property reliefs will only apply to new declarations of properties being empty the inspector visiting only empty properties within their relief periods would be a better use of time and resources. As empty property NNDR reliefs are applicable from the point a property is declared empty by the liable party it is likely that with the current timetable of inspections some empty properties will not be visited by the inspector within the properties relief period, particularly for commercial properties that receive only a three month relief period.</p>

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	Planned	Actual	Variation		
<b>2010/11 audits in progress at 31 March 2011</b>					
Procurement	3	4.5	(1.5)	<p><b>Substantial assurance</b></p> <p>In our opinion, from information provided by managers and the testing carried out, the system of internal control over the procurement system is operating as intended, in the areas reviewed. Appropriate action has been taken with regard to each recommendation in the November 2010 report to address the issues raised.</p>	<p>Based on the audit work undertaken we are able to confirm that four of the five recommendations raised as part of our 2009/10 review of procurement have now been fully implemented. Progress has been made towards implementing the remaining recommendation.</p> <p>Testing identified one instance where the normal procurement rules were not fully complied with. In this instance, as the vehicle purchased was the only ex-demonstration model available in the country and represented a significant cash saving to the Council rather than buying the vehicle from new as originally planned. Though the reasoning behind the procurement of the vehicle from the particular supplier appears valid, this has not been documented in accordance with council procedures.</p>
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.
<b>2010/11 audit days brought forward</b>	<b>20.5</b>	<b>28.5</b>	<b>(8)</b>		
<b>Total days used</b>	<b>280.5</b>	<b>273.5</b>	<b>7</b>		

## **1. Scope, responsibilities and assurance**

### ***Approach***

- 1.1 In accordance with the CIPFA Code of Audit Practice, the scope of internal audit encompasses all of the council's operations, resources and services including where they are provided by other organisations on their behalf.

### ***Responsibilities of management and internal auditors***

- 1.2 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.
- 1.3 However, we have planned our work so that we have a reasonable expectation of detecting significant control weaknesses. We have reported all such weaknesses to you as they have become known to us, without undue delay, and have worked with you to develop proposals for remedial action.
- 1.4 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.
- 1.5 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 on a sample of transactions to ensure those controls were operating for the period under review.

### ***Basis of our assessment***

- 1.6 Our opinion on the adequacy of control arrangements is based upon the result of internal audit reviews undertaken and completed during the period in accordance with the plan approved by the Audit Committee. We have obtained sufficient, reliable and relevant evidence to support the recommendations that we have made.

### ***Limitations to the scope of our work***

- 1.7 There have been no limitations to the scope of our work.

***Limitations on the assurance that internal audit can provide***

- 1.8 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. Also 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 future.
- 1.9 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***

- 1.10 I have prepared this report solely for Rossendale Borough Council. As you are aware, this report 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 review.
- 1.11 I acknowledge that this report may be made available to other parties, such as the external auditors. I accept no responsibility to any third party who may receive this report for any reliance that they may place on it and, in particular, I expect the external auditors to determine for themselves the extent to which they choose to utilise our work.

## **Audit assurance levels and classification of audit recommendations**

### **Audit assurance**

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 adequately designed to meet the service objectives and is effective in that controls are being consistently applied.

**Substantial assurance:** there is a generally sound system of internal control, adequately 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/ has resulted in failure to achieve the service objectives.

### **Audit recommendations**

All recommendations 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 occurring: catastrophic loss of the county council's services, loss of life, significant environmental damage or huge 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 occurring: failure to achieve organisational objectives, disruption to the business, financial loss, fraud, 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:** Less critical, but 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:** Areas that individually have no major impact on achieving the service objectives or on the work programme, but where combined with others could give cause for concern. *Specific remedial action is desirable.*