RMBC Internal Audit

Annual Report 2012/13
## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Detail</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The Role and Scope of Internal Audit</td>
<td>3</td>
</tr>
<tr>
<td>2</td>
<td>Review of Work Carried Out in 2012/13</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>Summary Overview of Audit Coverage in 2012/13</td>
<td>5</td>
</tr>
<tr>
<td>4</td>
<td>Audit Opinions in Audit Reports</td>
<td>6</td>
</tr>
<tr>
<td>5</td>
<td>Internal Audit Staffing</td>
<td>8</td>
</tr>
<tr>
<td>6</td>
<td>Service Developments</td>
<td>8</td>
</tr>
<tr>
<td>7</td>
<td>Audit Reviews with Opinion 4 or 5</td>
<td>9</td>
</tr>
<tr>
<td>8</td>
<td>Unplanned Work</td>
<td>13</td>
</tr>
<tr>
<td>9</td>
<td>Contract Audit and Procurement</td>
<td>14</td>
</tr>
<tr>
<td>10</td>
<td>Counter Fraud</td>
<td>15</td>
</tr>
<tr>
<td>11</td>
<td>External Work</td>
<td>16</td>
</tr>
<tr>
<td>12</td>
<td>Audit Performance Indicators</td>
<td>16</td>
</tr>
<tr>
<td>13</td>
<td>Client Surveys</td>
<td>17</td>
</tr>
<tr>
<td>14</td>
<td>Liaison with External Audit</td>
<td>17</td>
</tr>
<tr>
<td>15</td>
<td>Review of Effectiveness of Internal Audit</td>
<td>18</td>
</tr>
<tr>
<td>16</td>
<td>Internal Audit Achievements for 2012/13</td>
<td>18</td>
</tr>
<tr>
<td>17</td>
<td>Opinion on Internal Control 2012/13</td>
<td>19</td>
</tr>
</tbody>
</table>

### Appendix

<table>
<thead>
<tr>
<th>Appendix</th>
<th>Detail</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Planned Audits during 2012/13 with an Opinion 3</td>
<td></td>
</tr>
</tbody>
</table>
1. The Role and Scope of Internal Audit

1.1 The Internal Audit function discharges the statutory responsibilities delegated to the Chief Finance Officer through Section 151 of the Local Government Act 1972 and the Accounts and Audit (England) Regulations 2011 to undertake an adequate and effective internal audit of the Authority’s accounting records and of its system of internal control. The overall aims of Internal Audit are to provide an independent and objective opinion to management on the Council’s control environment by:

- reviewing the adequacy of and identifying improvements in the Council’s systems;
- adding value by identifying improvements in the use of resources;
- helping embed a culture of appropriate risk management; and
- supporting corporate aims and objectives.

1.2 The risk based approach by Internal Audit is now well developed, taking account of the wider business risk, performance management and developments in risk management and corporate governance. Rochdale Council’s Internal Audit works in accordance with the Public Sector Internal Audit Standards 2013.

2 Review of Work Carried Out in 2012/13

2.1 Internal Audit prepares an annual audit plan of work to be carried out. This is based on a five year strategic plan, which is maintained using risk indices methodology and takes account of areas of high risk from the Corporate Risk Register (service risks) and the Wider Leadership Team (WLT) work plan (strategic risks). The draft plan is discussed with all Directors, their Service Management Teams (SMT) and WLT members. It is agreed by the Chief Finance Officer and in 2012/13 was presented to the Licensing and Regulatory Committee for approval, on the basis that this Committee had been charged with the overall responsibility for governance. The key components of the actual audit work undertaken in 2012/13, compared to the original audit plan and the actual audit work undertaken in 2011/12 are summarised below.

<table>
<thead>
<tr>
<th>Type of Audit Work undertaken</th>
<th>Actual 2011/12</th>
<th>Plan 2012/13</th>
<th>Actual 2012/13</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Days</td>
<td>%</td>
<td>Days</td>
</tr>
<tr>
<td>Governance and Strategic Framework</td>
<td>185</td>
<td>12</td>
<td>193</td>
</tr>
<tr>
<td>Material Systems</td>
<td>187</td>
<td>12</td>
<td>143</td>
</tr>
<tr>
<td>Major Contracts, Partnerships and Procurement</td>
<td>173</td>
<td>11</td>
<td>117</td>
</tr>
<tr>
<td>Computer Audit</td>
<td>105</td>
<td>7</td>
<td>106</td>
</tr>
<tr>
<td>Schools</td>
<td>130</td>
<td>9</td>
<td>93</td>
</tr>
<tr>
<td>Other Systems</td>
<td>355</td>
<td>23</td>
<td>630</td>
</tr>
<tr>
<td>Audit Planning and Consultation</td>
<td>29</td>
<td>2</td>
<td>27</td>
</tr>
<tr>
<td>External Organisations Work</td>
<td>23</td>
<td>1</td>
<td>25</td>
</tr>
<tr>
<td>Unplanned Work</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Fraud &amp; Irregularity</td>
<td>139</td>
<td>9</td>
<td>140</td>
</tr>
<tr>
<td>- Non – Fraud</td>
<td>221</td>
<td>14</td>
<td>140</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1547</td>
<td>100</td>
<td>1614</td>
</tr>
</tbody>
</table>
2.2 In order to respond to changes within Services, a number of adjustments were made to the audit plan during the year at the request of and in consultation with Services. In this regard certain audits were deferred until 2013/14 in order to accommodate other audits focusing on emerging risks which assumed greater priority in terms of providing assurance on the overall control environment. No audits that were deferred had any significant impact on providing this assurance.

2.3 The key points to note when comparing actual days to plan in 2012/13 and actual days in 2011/12 are:

- The increase in actual available audit days compared with the previous year was due largely to the long term sickness of an Auditor within the team for a period of around six months in 2011/12;

- The amount of time spent on areas relating to governance and the strategic framework continued to represent a core part of Internal Audit activity, reflecting the fact that more focus is directed towards high risk areas which have an impact right across the Authority;

- The demand from services for unplanned work, specifically within Finance and Procurement, Customers and Communities and Corporate Services, together with work relating to suspected fraud and irregularity was again at a reasonably high level. This included a number of referrals to Internal Audit under the Whistleblowing Policy during the year as well as support and liaison with the Police in respect of investigatory work. Any key issues arising during the year have been reported to the Licensing and Regulatory Committee and Overview and Scrutiny Committee;

- The amount of time spent reviewing material systems continues to reflect the significant focus now being directed towards more in depth audits of the key financial systems, with scope and coverage varying on a cyclical basis depending upon the issues found during the course of each year;

- The increase in time spent on major projects and procurement against plan reflects the increased risks associated with this area in the current challenging economic climate and the period of significant change. Particular focus is now being directed towards commissioning arrangements as new business models emerge within various Council Services;

- Time spent on computer audit areas was down on plan due largely to the deferral of certain audits which were not considered appropriate at this point in time either due to other emerging priorities or the fact that significant changes were occurring in the Services in which these systems operated. Going forward, more focus will continue to be directed towards IT strategy which assumes a much higher risk in relation to the impact likely from both the restructuring of Services and the demands placed upon IT through changes in delivering services and new ways of working;

- The reduction in audit work on other systems compared with plan largely reflects the deferral of lower risk work due to either changes within the Service areas or the focus on certain unplanned work which assumed a higher priority. The increase in work on other systems compared with 2011/12 was largely attributable to the fact that more focus was directed towards service based audits within both the Adult Care and Child Care services as they both continue to transform in terms of the nature and methods of their service provision;
• The time required on school audits was lower than in the previous year due to the cyclical nature of school audits. However actual time incurred did exceed plan due to requests for additional work from management at certain establishments;

• Work on external organisations comprised the internal audit work performed for Rochdale Boroughwide Cultural Trust; and

• The increase in unplanned non-fraud work reflected the number of requests for assurance, advice and support from RMBC management associated with service reorganisations or new and emerging areas of risk.

3 Summary Overview of Audit Coverage in 2012/13

3.1 The diagram below illustrates the audit coverage within each Service during 2012/13. Details of final reports issued have been reported on a quarterly basis during the year to the Licensing and Regulatory Committee and Overview and Scrutiny Committee as part of the governance framework.
4 Audit Opinions in Audit Reports

4.1 Audit reports, which embrace both financial and non-financial risks, include a formal audit opinion on internal controls. The 5 categories of opinion used are:

<table>
<thead>
<tr>
<th>Opinion</th>
<th>Description</th>
<th>Narrative</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Very Good</td>
<td>The client has identified all material risks and assessed them for their likelihood and impact. Comprehensive systems are in place to manage and control these risks.</td>
</tr>
<tr>
<td>2</td>
<td>Good</td>
<td>The client has identified most material risks and assessed them for their likelihood and impact. A few minor changes are necessary to systems in place which manage and control these risks.</td>
</tr>
<tr>
<td>3</td>
<td>Adequate</td>
<td>The client has identified some material risks and assessed them for their likelihood and impact. A number of changes are necessary to systems in place which manage and control these risks.</td>
</tr>
<tr>
<td>4</td>
<td>Marginal</td>
<td>The client has identified few material risks and assessed them for their likelihood and impact. Significant improvements are necessary to systems in place which manage and control these risks.</td>
</tr>
<tr>
<td>5</td>
<td>Unsatisfactory</td>
<td>The client has not identified most risks or assessed them for their likelihood and impact. Fundamental improvements are necessary to systems in place which manage and control these risks.</td>
</tr>
</tbody>
</table>
4.2 Set out in the table below is a summary of Audit Opinions issued in relation to reviews within Services during the year 2012/13.

<table>
<thead>
<tr>
<th>Service</th>
<th>Very Good</th>
<th>Good</th>
<th>Adequate</th>
<th>Marginal</th>
<th>Unsatisfactory</th>
<th>Total (2012/13)</th>
<th>Total (2011/12)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adult Social Care</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td></td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>CSF – Targeted Services</td>
<td>1</td>
<td>2</td>
<td></td>
<td>1</td>
<td></td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>CSF – Support for Learning</td>
<td>2</td>
<td>9</td>
<td>2</td>
<td></td>
<td></td>
<td>13</td>
<td>19</td>
</tr>
<tr>
<td>Corporate</td>
<td>1</td>
<td>6</td>
<td>5</td>
<td>1</td>
<td></td>
<td>13</td>
<td>9</td>
</tr>
<tr>
<td>Customers and Communities</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Finance and Procurement</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Operational Services</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td></td>
<td></td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Planning and Regulation</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total (2012/13)</strong></td>
<td><strong>12</strong></td>
<td><strong>22</strong></td>
<td><strong>12</strong></td>
<td><strong>2</strong></td>
<td><strong>1</strong></td>
<td><strong>49</strong></td>
<td><strong>55</strong></td>
</tr>
<tr>
<td><strong>Total (2011/12)</strong></td>
<td><strong>12</strong></td>
<td><strong>26</strong></td>
<td><strong>14</strong></td>
<td><strong>3</strong></td>
<td><strong>0</strong></td>
<td><strong>55</strong></td>
<td></td>
</tr>
</tbody>
</table>

4.3 The figures in the table above do not represent the full value of work undertaken within the Authority’s Services. Unplanned work (including fraud and irregularity), grant certifications and advice and support do not generally result in an audit opinion and are not therefore represented in the above figures. Also, audit reports issued in relation to Rochdale Boroughwide Cultural Trust have been excluded as this is external work. The reduction in reports issued with an opinion is due to a reduction in the number of school audits due to the cyclical nature of this work, countered by an increase in the number of opinions given on non-schools audits.

4.4 The use of formal audit opinions on internal controls in audit reports continues to be well received by Services as a concise way of summarising the audit outcome. Overall, 69% of the opinions issued were “very good” or “good” (69% in 2011/12) and 24% were “adequate” (25% in 2011/12).
4.5 A summary of the issues and actions arising from audits receiving Audit Opinion 4 – Marginal or 5 - Unsatisfactory is included in section 7 below. All such reports have been discussed with Members of the Licencing and Regulatory Committee and Overview and Scrutiny Committee during the course of the year and any subsequent follow up work on audit reports is also reflected in the summary of follow up audits included within each quarterly Internal Audit report.

4.6 A summary of the findings from all audit reports during the year with an Opinion 3 - Adequate, excluding schools, is presented in Appendix A.

5 Internal Audit Staffing

5.1 The structure of the Internal Audit team throughout 2012/13 is as set out below:

![Diagram of Internal Audit Staffing]

6 Service Developments

6.1 The Audit Planning and Control Environment system (APACE) has continued to be used to provide various time monitoring and performance information and the development of the system's capabilities continues to be considered and challenged on an ongoing basis. Further development of audit processes will be considered following the move to Number One Riverside in April 2013 and aligned with developments in the Electronic Document Records Management Systems.

6.2 The focus and coverage of Internal Audit is continuing to respond to the significant changes occurring across all areas of the Council. In this regard, the Audit Strategic Plan will be subject to ongoing change to ensure it reflects current structures and processes as and when these are confirmed.

7 Audit Reviews with Opinion 4 or 5

7.1 A number of audits have identified significant issues or control weaknesses during the course of the year. All such reports are considered and discussed by Members during the course of the year to ensure appropriate actions are taken to resolve these issues in a timely manner. This includes follow up audits to confirm the implementation of actions arising from significant weaknesses highlighted in previous periods. The key issues arising...
which have been taken account of in terms of deriving an overall opinion on the effectiveness of the control environment are set out below.

7.2 Integrated Community Equipment Stores (Opinion 4 – Marginal)  
(Adult Services – Colin Foster)

The Integrated Community Equipment Stores (ICES) is a central warehouse/ storage facility which is shared between RMBC and the Primary Care Trust. The staff based at the warehouse are responsible for issuing small pieces of equipment (e.g. cutlery, for people with dexterity problems) through to larger items such as hospital beds with specialist mattresses. This equipment is issued to people either in the community or in care homes who, through lack of mobility and/or disability problems need access to specialist items. Warehouse staff also collect items no longer required by service users and ensure they are cleaned before being made available again for reissue.

Internal Audit was initially requested to undertake the year end stock take relating to the items purchased by Adult Social Care. However this was extended to review the current procedures in place in both the warehouse and the administration office in order to highlight any inefficiency, duplications of work or identify any gaps in the process, ultimately to improve the value for money offered by the service.

The overall conclusion of an Opinion 4 – Marginal reflected the fact that there were many aspects of work that need to be introduced and/or improved in order to bring the ICES warehouse up to a satisfactory standard. Due to the inadequate controls in place RMBC was exposed to risk in a number of areas including:
- Stock being misappropriated;
- Stock being lost;
- Stock not being available for service users when required;
- Service users receiving unwanted duplicate equipment;
- Equipment not being promptly returned; and
- Money being spent unnecessarily on stock.

Whilst we have no evidence that the above issues had occurred, enhancements to processes and controls were clearly required to mitigate these risks.

Management agreed 9 high priority and 14 medium priority recommendations for implementation by 31 October 2012. A follow audit to confirm implementation of these recommendations has since been performed which confirmed that all actions had since been implemented. Internal Audit also now understands that following a review within Adult Services, a decision has been made to outsource the equipment store with effect from 1 July 2013.

7.3 Commissioning (Opinion 5 - Unsatisfactory)  
(Children’s Services – Gladys Rhodes White)

Children’s Services commission residential placements for looked after children. RMBC is part of the Greater Manchester Framework for the commissioning of residential services for children in order to enhance overall value for money. If this framework cannot be used to support the needs of the children, spot purchases may be commissioned through Placements North West. For particularly complex care needs, there may be a requirement for RMBC to commission services from providers throughout the UK.

Internal Audit performed an audit on the commissioning process, initially focused on two high cost placements. Subsequently, at the request of the Director of Children’s Services,
an audit on a further sample of twelve high cost placements was undertaken. The focus of the audits included an evaluation of:

- The role of the Placement Panel;
- The External Placement Request process and the role of the Contract and Commissioning Officer;
- Arrangements for ensuring that best value is obtained and that resources are used efficiently and effectively;
- Arrangements for monitoring contract delivery; and
- Compliance with Contract Procedure Rules.

The score 5 audit opinion (unsatisfactory) reflects Internal Audit’s conclusion that there were significant weaknesses within the Service’s commissioning and contract management practices. Specific issues included:

- Support being provided for children without contractual agreements being established;
- Care arrangements not being formally reviewed on a regular basis to ensure care required aligns with needs or costs being incurred;
- Individual Placement Agreements are not being effectively managed or monitored to ensure they remain appropriate;
- Costs not being closely monitored or challenged to ensure value for money is being achieved;
- Quality checks not always carried out on establishments used by care providers;
- Decision making processes not always being formally documented; and
- Duplicate charges were identified for some placements and some discounts available on longer term placements were not being recovered, resulting in un-necessary costs being incurred.

In overall terms, the issues arising leave RMBC potentially exposed to significant legal and financial risks in the event of issues arising with a child in care or service provider, inappropriate care packages being provided to children in care, and also exposure to incurring un-necessary or excessive cost. Whilst the potential for excess costs having being incurred may not be of a material amount in the context of RMBC’s financial accounts as a whole, it could amount to a significant cost in the context of the Children’s Services budget and actions to recover certain costs incurred do arise from the audit recommendations. Twenty nine high priority recommendations were agreed with management as a result of the two audits.

Internal Audit recognises that management have been working to improve procedures over recent months and have introduced a consolidated placement panel to scrutinise placements and to agree the period of time which funding is agreed and how the placement is to be funded. In our opinion the new panel is working effectively and ensures that senior management now have a full awareness of all placements, with evidence now being provided to support decision making on funding, both now and on an ongoing basis. Senior management is also currently working to ensure that all relevant parties have representation on the panel. A review of recent placements confirmed that progress has been made to manage arrangements more effectively, although there clearly remain areas around contracting and contract management where significant improvements still need to be made. In this regard we note that a Senior Auditor from Internal Audit has recently been seconded to the Service on a short term basis as an Interim Commissioning Manager. Her role is to address many of these remaining concerns as well as directing efforts to recovering any amounts overcharged to the Service or to recover discounts that are available on costing arrangements previously agreed. An action plan has also been established to support the implementation of all the audit recommendations.
Internal Audit plan to follow up on the implementation of the agreed actions in quarter 3 of 2013/14 and will report the findings to Audit and Safeguarding Committee once this has been completed.

7.4 Payment Card Industry Data Security Standard (PCIDSS) (Opinion 4 – Marginal)

(Corporate – Linda Fisher)

The PCIDSS was developed by card providers such as Visa and MasterCard in conjunction with the PCI Security Standards Council to help facilitate the broad adoption of consistent data security measures on a global basis. As such, whilst it is not a statutory requirement, it does provide a comprehensive set of international security requirements for protecting cardholder data. Any business must therefore adhere to the standard in order to accept payment cards, and to store, process and/or transmit cardholder data. By complying with the PCIDSS, organisations can protect their business and their customers whilst building a culture of security that benefits all parties in the payments systems.

Proving compliance to PCIDSS requires the completion of a self-assessment questionnaire, undergoing a quarterly network scan by an approved scanning vendor as well as completing an attestation of compliance form. Such compliance will provide further support to efforts to implement information security good practice throughout the Council. It will also make Council systems and processes more resilient, minimising the risk of customer card details being compromised. This is even more important at this time when the Council is increasingly seeking to transact with its customers more through online routes.

Risks associated with not achieving PCIDSS compliance include:

- The Council being suspended from taking card payments by card providers;
- Distress/inconvenience and/or financial loss to customers in the event of card details being compromised and potentially being used in a fraudulent manner;
- Lack of confidence by customers in terms of the ability to pay in a secure manner;
- Potential fines from card providers or the Information Commissioner should a security breach occur; and
- Poor reputation.

In view of the significance of the above, Internal Audit conducted an evaluation of the Council’s arrangements for ensuring compliance with PCIDSS. This review did not include any detailed technical assessments which fall within the remit of qualified assessors. Focus was specifically directed towards compliance with the twelve key requirements within the PCIDSS.

The score 4 audit opinion (marginal) reflects Internal Audit’s conclusion that significant improvements are required to the Council’s arrangements and processes to ensure that compliance with PCIDSS can be assured going forward. The key areas that need to be addressed in this regard include the following:

- Clear ownership for delivery of PCIDSS compliance needs to be assigned to provide greater focus;
- A multi-disciplinary project team needs to be established to ensure all key aspects of compliance are covered;
- A cohesive approach needs to be developed rather than the current approach which appears somewhat disjointed; this will then allow more focus to be given to compliance through various developments currently in progress;
- Consideration should be given to seeking expert advice from an external PCIDSS Qualified Security Assessor;
• Relevant staff should be provided with further training and awareness sessions to fully understand all the requirements and associated risks; and
• A full risk assessment should be undertaken to ensure workloads are appropriately scoped.

Eight high priority and five medium priority recommendations were agreed by management to address all the concerns raised. Management also recognised that compliance with PCI DSS also linked with other areas of compliance associated with the Public Service Network and has agreed to put these recommendations on the ICT Security and Risk Register. This will then allow management to assess the actions required in relation to other requirements on the register and address them via specific tasks through the creation of an overarching project which may require either internal or external specialist resource and cross Council input.

Internal Audit plan to follow up on the implementation of the agreed actions in quarter 3 of 2013/14 and will report the findings to Audit and Safeguarding Committee once this has been completed.

7.5 Procurement of Goods and Services Follow Up (Opinion 4 – Marginal)
(Operational Services – Mark Widdup)

The objective of the audit completed in 2011/12 was to examine and evaluate the controls and processes in place in relation to procurement arrangements undertaken by Environmental Management and to check compliance with RMBC Contract Procedure Rules (CPRs).

An Opinion 4 – Marginal reflected the fact that significant weaknesses were identified within procurement processes which needed to be addressed to ensure all associated risks to RMBC were appropriately managed. Specific issues included:
• A general lack of application of and compliance with CPRs;
• Lack of evidence of quotations or tenders for commitments which exceeded certain financial limits within the CPRs which will impair any evaluation of value for money achieved;
• Over reliance on the use of specific suppliers;
• Non-compliance with EU procurement regulations which could result in financial penalties;
• Ineffective use of the CHEST procurement system which manages and controls the procurement process; and
• Use of framework arrangements without the support of formal supplier contracts where significant purchases have been made.

Five high priority and two medium priority recommendations were agreed with a proposed implementation date of 31 March 2012. A formal follow up audit has since been completed and confirmed that all key actions have been implemented to ensure that all relevant procedures now comply with relevant regulations and best practice.

7.6 Defaulted Client Contributions Follow Up (Opinion 4 – Marginal)
(Adult Social Care – Colin Foster)

A resident placed by RMBC in an independent home is financially assessed by RMBC to determine the amount that the resident must contribute for their residential care. RMBC pays the home its residential care fees net of this client contribution, with the expectation that the resident then pays their contribution direct to the home. If a resident fails to pay this contribution to the home, RMBC remains responsible for the full amount in accordance
with the National Assistance Act 1948 but would seek to recover from the resident any such amounts paid. As part of a review of defaulted client contributions being undertaken by the Adult Care Income Management Group, Internal Audit reviewed a number of cases in 2011/12 to evaluate controls over notification by homes, payments to homes and debt recovery.

An Opinion 4 – Marginal reflected the fact that significant improvements were required in terms of processes supporting the management and recovery of debts in this area. Specifically:

- Liaison with homes in terms of timely notification of arrears needed to be significantly enhanced to ensure agreed processes are complied with and any debts arising remain recoverable. In this regard significant delays in notification had been identified which increased the risk of debts not being recoverable;
- There was evidence that payments to homes by RMBC to settle arrears were not always made promptly. In addition, where such cases were identified, liaison with the homes in terms of further arrears accruing was also not always effective and required a far more proactive approach to facilitate recovery;
- Processes to support debt recovery associated with arrears were not effective leading to unnecessary financial loss in certain cases; and
- A more robust process was required to manage financial assessments to ensure that interim assessments are upgraded to final assessments as soon as is practicable. This would ensure actual client liabilities are confirmed at a much earlier stage allowing recovery to be effected on a more timely basis.

Five high priority and six medium priority recommendations were agreed with a proposed implementation date of 31 July 2012. A follow up audit completed in 2012/13 confirmed that all key actions had since been implemented.

8 Unplanned Work

8.1 Unplanned work includes investigations into suspected and actual irregularities, special assignments, audits not included within the agreed Audit Plan, and general advice and support. Unplanned work accounted for 21% (2011/12 - 24%) of all productive time with suspected fraud and irregularity investigations comprising approximately 29% (2011/12 - 39%) of this. A summary of the significant unplanned work completed (i.e. resulted in a report to management and where any related disciplinary or Police related issues have been formally concluded) during 2011/12 is set out in the following paragraphs. Again, these have already been reported by Internal Audit to the Overview and Scrutiny Committee as part of quarterly monitoring.

8.2 Significant Unplanned Work (Suspected Fraud and Irregularity)

A number of preliminary investigations were undertaken during the year as a result of allegations made either by individuals or on an anonymous basis in conjunction with the Whistleblowing Policy. These investigations resulted in a variety of outcomes including:

- No evidence could be found to support the allegations and, where the allegations were made by a known individual, direct communication was made with that individual;
- No evidence to support the allegations but enhancements to existing processes and controls were made to mitigate certain areas of risk in the future as identified during the investigation; and
- Certain issues were already being addressed by management so no further action was necessary.
8.3 Misappropriation of Petty Cash

Internal Audit was involved in liaising with the Police with regard to the criminal prosecution of an officer who misappropriated petty cash monies belonging to the Council. The officer was dismissed from their job. Internal Audit has been involved in the gathering of evidence to assist with the police investigation.

8.4 Significant Unplanned Work (Non Fraud)

Other significant audit work not included in the original Audit Plan included the following reviews:

<table>
<thead>
<tr>
<th>Audit</th>
<th>Service</th>
<th>Reported to Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service based contract review</td>
<td>Corporate</td>
<td>20 September 2012</td>
</tr>
<tr>
<td>Free school meals</td>
<td>Children’s Services</td>
<td>20 September 2012</td>
</tr>
<tr>
<td>Highways maintenance capital grant certification</td>
<td>Finance</td>
<td>19 November 2012</td>
</tr>
<tr>
<td>Rochdale Town Centre Management Company</td>
<td>Customers and Communities</td>
<td>19 November 2012</td>
</tr>
<tr>
<td>Support for various savings proposals</td>
<td>Various Services</td>
<td>28 March 2013/24 June 2013</td>
</tr>
<tr>
<td>Stronger Families grant – payments by results claim</td>
<td>Children’s Services</td>
<td>28 March 2013</td>
</tr>
<tr>
<td>Self-billing invoices</td>
<td>Finance</td>
<td>28 March 2013</td>
</tr>
<tr>
<td>Music Service</td>
<td>Children’s Services</td>
<td>24 June 2013</td>
</tr>
</tbody>
</table>

9 Contract Audit and Procurement

9.1 The role of contract audit continues to develop as local authorities change methods of service delivery. In this regard, key audit activity completed in 2012/13 included:
- reviewing various commissioning arrangements within Adult Services;
- reviewing commissioning, placement contracts and contract management within Children’s Services;
- contract monitoring relating to Commercial and Industrial Estates;
- reviewing processes and controls supporting management of energy consumption and costs;
- reviewing processes and control supporting a sample of tenders to ensure compliance with Contract Procedure rules and other relevant regulations;
- an evaluation of the processes and controls supporting the production of the Final Account for the main contract relating to the construction of No. 1 Riverside; and
- compliance reviews relating to various Service based contractual arrangements.

9.2 In 2012/13 members of Internal Audit continued to attend and provide input to the AGMA Contract Audit Group, which is a sub group of the Greater Manchester Chief Internal Auditors Group. The group continues to be a valuable solution-sharing forum for Auditors in the field of Procurement and Commissioning across the Greater Manchester area.

10 Counter Fraud
10.1 During the year Internal Audit has continued to develop and support a fraud awareness programme as part of an ongoing commitment to promote a more pro-active and cohesive approach to the prevention and detection of fraud across the Authority. More detail is included within the Internal Audit Annual Fraud Report 2012/13 presented to the Audit and Safeguarding Committee on 24 June 2013. However specific areas covered in 2012/13 include:

- Further promotion and awareness of RMBC’s Anti-Bribery Policy in response to the requirements of the Bribery Act 2010 which came into force on 1 July 2011;
- Development of an e-learning fraud awareness tool which is designed to raise the awareness and understanding of all staff to the risk of fraud, and which is due to be rolled out across the Authority in 2013;
- Co-ordination of a response by RMBC to the local government initiative Fighting Fraud Locally. This report included a checklist which challenges organisations to consider whether they have sound governance and counter-fraud arrangements that are working as intended;
- Update of the Anti-Money Laundering Policy which forms part of the Anti-Fraud and Corruption Strategy (AFACS);
- Further update and promotion of the Whistleblowing Policy which forms part of the AFACS;
- Update of the AFACS in general terms to ensure it remains relevant in the context of changes in legislation and changes within the Authority;
- Update of the induction process to ensure reference is made to the AFACS;
- Co-ordination of a response to the annual Audit Commission Fraud and Corruption Survey; and
- Maintaining the close links established with the Benefits Fraud Team to ensure a co-ordinated approach to fraud is adopted.

10.2 Counter fraud work covers many areas including culture, deterrence, prevention, detection, investigation, sanction and redress. Working on the premise that “prevention is better than cure”, Internal Audit adopt the approach that it is important to be as proactive as possible in terms of attempting to stop fraud before it occurs or to detect fraud as soon as possible. Being proactive and minimising fraud will assist in more optimal use of available resources either through reducing financial losses or more effective use of time.

10.3 CIPFA issued some best practice guidance on anti-fraud measures entitled Managing the Risk of Fraud, known as the Red Book. Within criteria 4.20 of the Red Book, a challenge is made as to whether proactive exercises are undertaken in key areas of fraud risk or known systems weaknesses. Within the response of RMBC to the Red Book which was previously presented to the Audit Committee, RMBC confirmed compliance to this criteria in the following ways:

- Known system weaknesses are reviewed depending on the view of the associated risk and materiality; this is factored into the Audit planning process. The risk of fraud is also a consideration when assessing the overall risk in the audit masterfile which drives the audit planning process;
- Other pro-active work includes Internal Audit performing analytical review and also an external company being employed to identify potential duplicate payments;
- The Benefit Fraud Team engage in various proactive anti-fraud exercises; and
- RMBC actively participates in the National Fraud Initiative (NFI), now managed and co-ordinated by Internal Audit, with appropriate follow up procedures in place.

10.4 The action point from the above response was for further efforts to be made to proactively identify workplace fraud, possibly through the use of data interrogations via relevant IT software. In order to facilitate this, Internal Audit has made use of general IT facilities
within Microsoft Office and also a specialised audit software package called Audit Command Language (ACL). Alongside this, Internal Audit continues to evaluate the risks associated with the significant operational and financial systems to determine which areas may be more vulnerable to fraud. This evaluation takes into account local knowledge and experience and also guidance produced by the Audit Commission through their report Protecting the Public Purse. Input was also provided by the Benefit Fraud Team. This assessment identified the following areas in which counter fraud work was completed during 2012/13:

- Matching of employee database with housing benefit and council tax benefit claimants to ensure salary has been appropriately declared – all anomalies were satisfactorily explained and no frauds were identified;
- Various tests on the integrity of key corporate datasets such as payroll – whilst no specific fraud issues were identified, actions were identified to improve the quality of data within the systems; and
- Various tests on the supplier database – again, all anomalies were resolved but some improvements to data quality did result from this exercise.

10.5 Following on from the above, further extended use of ACL software will be made by Internal Audit in 2013/14 both in terms of planned audit work and also in terms of proactive fraud identification work.

10.6 In 2012/13 members of Internal Audit continued to attend and provide input to the AGMA Fraud Group, which is a sub group of the Greater Manchester Chief Internal Auditors Group. The group continues to be a valuable awareness and solution-sharing forum for Auditors in the field of fraud across the Greater Manchester area.

11 External Work

11.1 Internal Audit is engaged to provide internal audit services to the Rochdale Boroughwide Cultural Trust and receives external income as a result of this work. An agreed programme of work covers fundamental systems, establishments and other operational areas.

11.2 Internal Audit has also completed a number of audits on School Fund accounts which are external to Council funding arrangements. This also generates some external income for the Service.

12 Audit Performance Indicators

12.1 The following targets were set as part of the continuous improvement process. The table below compares actuals for 2012/13 against the targets for 2012/13 and the actuals for 2011/12.

<table>
<thead>
<tr>
<th>Performance Indicator</th>
<th>2011/12 Actual</th>
<th>2012/13 Target</th>
<th>Improved?</th>
<th>Target achieved?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economy</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Cost per Audit Day (£)</td>
<td>242</td>
<td>228</td>
<td>226</td>
<td>YES</td>
</tr>
<tr>
<td><strong>Efficiency</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Chargeable days per auditor</td>
<td>181</td>
<td>181</td>
<td>185</td>
<td>YES</td>
</tr>
<tr>
<td>3. Percentage of audit plan completed</td>
<td>95</td>
<td>95</td>
<td>97</td>
<td>YES</td>
</tr>
<tr>
<td>4. Percentage of draft audit reports issued within 14 days of completion of the audit</td>
<td>100</td>
<td>98</td>
<td>100</td>
<td>YES</td>
</tr>
<tr>
<td>Performance Indicator</td>
<td>2011/12</td>
<td>2012/13</td>
<td>Improved?</td>
<td>Target achieved?</td>
</tr>
<tr>
<td>-----------------------</td>
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<td>-----------</td>
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</tr>
<tr>
<td>5. Sickness as % of available time</td>
<td>Actual 8.1</td>
<td>Target 1.9</td>
<td>Actual 3.7</td>
<td>YES</td>
</tr>
<tr>
<td>Effectiveness</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Percentage of recommendations accepted</td>
<td>100</td>
<td>98</td>
<td>100</td>
<td>YES</td>
</tr>
<tr>
<td>7. Results of client surveys - % of marks in the top two categories (i.e. very good &amp; good)</td>
<td>100</td>
<td>97</td>
<td>100</td>
<td>YES</td>
</tr>
</tbody>
</table>

12.2 Sickness as a percentage of available time fell slightly behind target for the year due to the long term sickness of an officer. However that officer returned to work in January 2013. This did not impact on the overall audit resource available due to the fact that a reduction in non-productive days was achieved. As a consequence of this, chargeable days per auditor exceeded target for the year.

12.3 All the other performance indicators either achieved or were ahead of target for the year.

12.4 In all areas, audit management and staff are mindful of methods to maintain and, where necessary, improve upon performance on an ongoing basis.

13 Client Surveys

13.1 Client survey questionnaires are issued at the conclusion of each audit as part of Internal Audit’s quality control procedures. An analysis of returns showed that overall 100% of the marks were in the good or very good category compared to 100% in 2011/12. This high level reflects the continuing efforts made by Internal Audit to consult with client managers on audit coverage, to feedback findings during the audit and to seek to continually add value and improve the quality and presentation of audit reports.

14 Liaison with External Audit

14.1 A protocol has been established that formalises the arrangements between external audit (now Grant Thornton) and Internal Audit to ensure proper co-ordination and liaison in respect of audit activities. Regular meetings are held between Internal Audit and the Grant Thornton to review progress in areas covered by the protocol and to exchange information on any key local issues with audit implications. The relationship between Internal Audit and external audit is now established and works very well.

14.2 In 2009/10 the Audit Commission completed a review of Internal Audit and their report was issued in February 2010. Their overall conclusion was that “Internal Audit continues to meet the standards in the CIPFA Code of Practice” and no actions were considered necessary following this review. The Audit Commission report also confirmed that they were “satisfied that:

- Internal Audit makes an effective contribution to the control environment of the Council; and
- We can continue to seek reliance on specific pieces of work undertaken by Internal Audit that are relevant to our Code of Audit Practice objectives”.

15 Review of Effectiveness of Internal Audit
15.1 In order to comply with the Accounts and Audit (England) Regulations 2011, the Council must, at least once a year, conduct a review of the effectiveness of its internal audit.

15.2 This Annual Report provides an overview of the work and performance of Internal Audit throughout 2012/13 and, along with further independent reviews by the external auditors, provides an assurance of the effectiveness of the Internal Audit service during the year.

15.3 Details of work performed by Internal Audit during the year have been summarised in quarterly reports to the Licensing and Regulatory Committee and the Overview and Scrutiny Committee (and, with effect from 24 June 2013, the Audit and Safeguarding Committee), thereby providing an ongoing view of the effectiveness of the overall internal control environment and also providing the Members with an opportunity to challenge both the audit process and relevant officers in relation to specific issues identified within each service area.

15.4 Internal Audit has also completed a self-assessment against the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. This confirmed a compliance rate of 98% (with a further 1% of partial compliance) against the Code, which compares favourably with the average of AGMA authorities of 96%. This self assessment was verified and signed off by the Chief Finance Officer.

15.5 This also supports the very positive opinion expressed by the Audit Commission in their independent review of Internal Audit which was last completed in February 2010 and referred to in paragraph 14.2 above, as a result of which no recommendations were made.

15.6 The positive feedback received from client surveys as referred to in paragraph 13.1 also demonstrates the effectiveness of Internal Audit in supporting audit clients across the Authority and providing them with appropriate levels of assurance.

15.7 The fact that 97% of the Audit Plan was completed during the year also supports the ability of Internal Audit to confirm the robustness of the overall control environment in managing areas of significant risk to the Authority.

16 Internal Audit Achievements for 2012/13

16.1 During the year Internal Audit:

- continued to implement the methodology to expand the scope of reviews to embrace wider and higher level business risks;
- continued to respond to requests from clients for unplanned work;
- demonstrated a strong performance in all of the team’s performance measures;
- developed and supported a fraud awareness programme as part of an ongoing commitment to promote a more pro-active and cohesive approach to the prevention and detection of fraud across the Authority;
- updated various policies within the Anti-Fraud and Corruption Strategy to ensure they align with current best practice and also with changes occurring throughout the Authority;
- supported and provided challenge to significant capital and procurement projects;
- supported and provided challenge to ongoing process developments, particularly those associated with legislative changes and new service models within both adult and children’s services;
- provided training, guidance and support to Members;
- demonstrated a high level of compliance with the CIPFA Code of Practice for Internal Audit 2006; and
• maintained a strong professional relationship with the Rochdale Boroughwide Cultural Trust.

17 Opinion on Internal Control 2012/13

17.1 The Internal Audit Plan for 2012/13 comprised a range of assignments including reviews of all material financial systems as part of our managed audit arrangements with external audit and a range of risk and compliance based audits to provide assurance on the overall control environment.

17.2 The planned audit coverage for the year was based on an assessment of risks. Of the planned audit work completed during 2012/13 (i.e. final report issued), audit opinions issued on the adequacy of the internal controls were recorded as 'adequate' or better in 93.9% of cases (94.5% in 2011/12). Three pieces of work were awarded opinions below the 'adequate' opinion, of which two were scored with opinion 4 'marginal' (three in 2011/12) and one was scored with opinion 5 'unsatisfactory' (none in 2011/12). The details of these pieces of audit work and any follow-up activity has previously been reported to Members in the Internal Audit quarterly reports.

17.3 The two 'marginal' opinions and one 'unsatisfactory' opinion are not considered to be significant in the wider context of the overall system of internal control. None of the audit reviews which attracted the 'marginal' and 'unsatisfactory' opinions related to the programme of material system audit reviews. However the control weaknesses identified did expose the Authority to higher levels of legal and financial risks which needed to be addressed. In all cases, an action plan has been agreed to remedy the weaknesses and follow up work by Internal Audit is ongoing in order to monitor progress in implementing the recommendations made, the outcomes of which will be reported to the Audit and Safeguarding Committee through quarterly reports. Therefore, within the limitations of the audit work carried out, it is concluded that the Council's overall control framework remains adequate, and generally being complied with.

For further Information and Background papers: For further information about this report or access to any background papers please contact Ian Corbridge, Head of Audit and Risk Management, Floor 2, Number One Riverside, Smith Street, Rochdale, OL16 1XU. Tel (01706) 925452. External email: ian.corbridge@rochdale.gov.uk.
### Appendix A

#### Planned audits during 2012/13 with an Opinion 3 (excluding schools)

<table>
<thead>
<tr>
<th>Service</th>
<th>Audit Area</th>
<th>Scope of Audit and Key Areas for Improvement</th>
<th>Audit Opinion and recommendation priorities</th>
</tr>
</thead>
</table>
| Adult Social Care        | Commission  | Adult Care commission with a number of providers to deliver residential and nursing care to residents within the Borough. Care managers assess and place clients based on their needs. The focus of this audit was to provide assurance that contract management arrangements with commissioned service providers are operating effectively and to evaluate the nature, content and structure of the existing standard contract to ensure that it remains fit for purpose. The audit also included following up on the actions agreed in the previous audit report from June 2011. The audit confirmed that, since the previous review, improvements have been made within this area with signed contracts now in place and a set pricing structure established. The contract management arrangements which are in place are effective and the standard contract is fit for purpose for permanent residential placements. However, there remain some areas where improvements can be made within the arrangements for the commissioning of residential services to ensure risks are mitigated to an acceptable level for the Authority and the users for whom services are commissioned. In this regard, actions were agreed to ensure that:  
  - Interim assessments are developed into full assessments as soon as possible to ensure that payments made to homes are accurate;  
  - Information received from homes on changes to the status of users is actioned as soon as possible to ensure that payments are appropriate;  
  - More focus is directed towards electronic means of communication with homes to expedite the flow of information; and  
  - All debtor invoices to recover outstanding contributions or reclaim monies paid to homes should be raised on a more timely basis. | 3 (M – 6)                                                                  |
<table>
<thead>
<tr>
<th>Service</th>
<th>Audit Area</th>
<th>Scope of Audit and Key Areas for Improvement</th>
<th>Audit Opinion and recommendation priorities (H, M, L)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adult Social Care</td>
<td>Community Restart Team</td>
<td>The Community Restart Team provides housing support services to adults with mental illness and/or significant mental health problems with a variety of officer supported schemes located throughout the Borough. The objective of the audit was to evaluate the operational and financial systems in place within the Team. Internal Audit concluded that financial arrangements were generally sound but certain management arrangements were not being carried out in accordance with established practices, policies and procedures. Whilst no high priority recommendations were made, a number of areas for improvement were identified including the need to ensure consistency across the team in relation to the recording of leave, completion of staff appraisals and preventing temporary staff from exceeding the maximum working week directive.</td>
<td>3 (M – 7 L – 3)</td>
</tr>
</tbody>
</table>
Regulation requires Local Authorities to appoint Independent Reviewing Officers (IROs) to participate in the review of children’s cases, ensuring that all children who are in the care of the local authority have plans made for their care. IROs act independently of social workers. This audit focused on evaluating the effectiveness of the review process, ensuring timescales were adhered to and regulations were complied with, and also evaluating the effectiveness of administrative support available.

Internal Audit’s evaluation of the processes adopted by IROs concluded that they are adequate to fulfil their role in providing quality assurance over care planning and undertaking reviews. However a series of actions were agreed to address some key challenges highlighted by the audit to ensure that:

- Full compliance is achieved with the IRO handbook which documents all key processes;
- All reviews are completed within statutory timescales;
- All information supporting case reviews is updated and circulated on a timely basis to enable real time access to the most current information on any one case;
- More effective use is made of the ICS system which supports the overall processes; and
- A more consistent approach is adopted by all IROs.

Given the significance of the IRO role in safeguarding children, management recognised that it is essential that all these areas are addressed promptly in order to ensure that children’s interests are protected, specifically through ensuring all appropriate information is available and accessible on a timely basis. Accordingly, the recommendations should be implemented in 2013 through the development of protocols and a business process review and a further follow up audit will be undertaken in 2013/14 to confirm this.

<table>
<thead>
<tr>
<th>Service</th>
<th>Audit Area</th>
<th>Scope of Audit and Key Areas for Improvement</th>
<th>Audit Opinion and recommendation priorities (H, M, L)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Children’s, Schools and Families – Targeted Services</td>
<td>Role of the Independent Reviewing Officer</td>
<td>Regulation requires Local Authorities to appoint Independent Reviewing Officers (IROs) to participate in the review of children’s cases, ensuring that all children who are in the care of the local authority have plans made for their care. IROs act independently of social workers. This audit focused on evaluating the effectiveness of the review process, ensuring timescales were adhered to and regulations were complied with, and also evaluating the effectiveness of administrative support available.</td>
<td>3 (H – 2 M – 6 L – 1)</td>
</tr>
<tr>
<td>Service</td>
<td>Audit Area</td>
<td>Scope of Audit and Key Areas for Improvement</td>
<td>Audit Opinion and recommendation priorities</td>
</tr>
<tr>
<td>----------------------------------------------</td>
<td>-----------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>----------------------------------------------</td>
</tr>
</tbody>
</table>
| Children’s, Schools and Families – Targeted Services | Payments to Foster Carers         | Where the Council places a child directly with foster carers, it pays the foster carer an allowance to cover the costs of caring for the child with additional payments made for such as holidays, birthdays and equipment. Annual payments to foster carers amount to around £2.5 million and are processed through the SoftBox system. The objective of the audit was to evaluate the systems, processes and controls over payments to foster carers, ensuring they are appropriate, consistently applied and fully supported. Whilst controls overall appeared adequate, Internal Audit did identify processing errors which led to the overpayment of allowances due to payment stops not being actioned in a timely manner. Whilst controls were in place to prevent this issue arising, management have since taken action to ensure the appropriate data checks are now more frequent and rigorous to further reduce the associated risk. Consideration is also being given to how the overpayments can be recovered. Further recommendations were also made to resolve other control weaknesses identified, including:  
  • Certain ad hoc payments being duplicated;  
  • Approvals not being obtained to support high mileage claims associated with a particular child’s care; and  
  • The need for more robust challenges to mileage claims to ensure they are appropriate. | 3 (H – 1 M – 5) |
<table>
<thead>
<tr>
<th>Service</th>
<th>Audit Area</th>
<th>Scope of Audit and Key Areas for Improvement</th>
<th>Audit Opinion and recommendation priorities (H, M, L)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate</td>
<td>Internet Security – Acceptable Usage</td>
<td>Further to other audits carried out in relation to the ICT environment, Internal Audit carried out a review of internet security and usage to evaluate compliance with the Acceptable Usage Policy (AUP), to evaluate processes established to monitor compliance and to assess the software and other processes to restrict access to the internet where considered appropriate. Controls overall were evaluated as being adequate in that there were certain restrictions imposed on internet access, an AUP was in place and internet usage reports are produced for monitoring purposes. However it was identified that the distribution of these usage reports was not always consistent and the information available within the reports was not user friendly, potentially impairing any effective assessment of any abuse of the internet. As a consequence, management have agreed to redefine the requirements in this area and then work towards developing a more effective solution. Ultimately this should contribute towards ensuring that staff resources are being used in the most effective way and risks associated with internet use are mitigated as far as possible. A follow up review will be undertaken in quarter four by Internal Audit to review progress in this area.</td>
<td>3 (H – 1, L – 2)</td>
</tr>
</tbody>
</table>
## Corporate Network Penetration Testing

Network penetration testing is an information security activity that organisations can engage in to check whether their internal or external networks are at risk from a security breach. Testing usually involves a specialist company and is an important means of demonstrating a proactive approach to the management of risks, especially given the demands imposed through links with central government systems and the overall reliance placed on information systems to support key organisation needs. The audit focused on the nature, scope, frequency and overall management of such tests to ensure risks were being managed effectively.

The audit concluded that whilst the Council does commission internal and external network penetration testing from competent organisations, overall control in this area is only adequate and there are some high priority actions that need to be implemented. The key issues highlighted were:

- The frequency of network penetration testing needs to be re-instated to at least an annual basis to ensure national requirements are complied with and risks are managed to an acceptable level;
- Management should seek assurances that the outcomes of an external evaluation in September 2010 have been fully actioned, as this was not clear at the time of the audit; and
- A more formal framework for managing the implementation of recommendations from external assessments should be developed to ensure actions are addressed on a timely basis.

Management have confirmed that they are working towards implementation of these recommendations and an Internal Audit follow up review will be performed in quarter three to confirm progress.
<table>
<thead>
<tr>
<th>Service</th>
<th>Audit Area</th>
<th>Scope of Audit and Key Areas for Improvement</th>
<th>Audit Opinion and recommendation priorities (H, M, L)</th>
</tr>
</thead>
</table>
| Corporate | IT Access Controls  | The focus of this audit was directed towards evaluating the effectiveness of all those controls relating to managing access to and within the IT systems, including ongoing monitoring, changes to access, temporary staff and remote access. Whilst controls overall were assessed as being adequate, Internal Audit did highlight a significant number of actions that are required to ensure a much stronger control framework is established to mitigate all key risks going forward. In this regard, two high priority actions were agreed to:  
• Ensure that a more robust process for removal of access permissions no longer required, specifically in terms of leavers, is established; and  
• Ensure clear ownership of shared network folders is established to ensure control over access continues to be appropriate. Further actions were also agreed to:  
• Ensure the database of network log-ins was cleaned up significantly to ensure it aligns with current needs and requirements;  
• Ensure managers across the Council are aware of their responsibilities in ensuring appropriate access to systems is maintained;  
• Enhance controls over the approval of new access requests; and  
• Ensure all available functionality within the systems to manage and control access is utilised to improve overall efficiency. | 3 (H – 2  
M – 12  
L – 1) |
<table>
<thead>
<tr>
<th>Service</th>
<th>Audit Area</th>
<th>Scope of Audit and Key Areas for Improvement</th>
<th>Audit Opinion and recommendation priorities</th>
</tr>
</thead>
</table>
| Corporate | Energy Management | The function of energy management for RMBC is to provide a leading role in ensuring fuel is being consumed as efficiently and economically as possible, alongside promoting ways of reducing energy consumption and carbon emissions, thus saving on energy costs. The function manages software which incorporates a database of all properties for each energy service provider to help control costs and usage as a means of targeting poorly performing buildings and to liaise with Corporate Procurement to obtain best value through the bulk purchase of energy supplies. The team also promote an understanding of the Energy Management Policy to encourage all officers and partners to use less energy through greater awareness. The objectives of this audit were to evaluate the management of risk in all key areas of energy management, albeit with a focus on gas, electric and water, including compliance with both statute and operational policies and guidelines. Internal Audit concluded that the Authority’s energy management arrangements have improved since the previous audit in 2008 when they were assessed as being only “Marginal”. However, whilst current processes ensure that statutory obligations are being met, a number of both high and medium priority recommendations have been made to ensure that overall efficiency and effectiveness continue to improve. The high priority recommendations require:  
- The development of an Energy Management Policy to establish clear aims, objectives and priorities which align with RMBC’s corporate strategies;  
- A review of the role, responsibilities and duties of the Energy Manager to align with the development of the Energy Management Policy to ensure that a clear work programme is established; and  
- The development of software to enable more proactive targeting and monitoring of premises to evaluate performance in terms of energy management. This should enable easier identification of areas of concern and ultimately lead to the potential for greater financial savings to be achieved.  
In addition to the above further consideration will be given to developing much stronger links between the energy and sustainability teams and more pro-active awareness campaigns associated with opportunities to reduce energy consumption. Furthermore, the requirement for automated meter reading equipment to improve overall control over usage as well as ensuring costs are not incurred for properties which are either vacant or disposed of is also being reconsidered. Internal Audit will perform a follow up audit early in 2013/14 to evaluate the progress made in all these areas of concern. | 3  
(H – 3  
M – 5  
L – 1) |
<table>
<thead>
<tr>
<th>Service</th>
<th>Audit Area</th>
<th>Scope of Audit and Key Areas for Improvement</th>
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| Corporate | Government Connect (GCSX/GCF) | GCSX/ GCF is an IT infrastructure facility that allows for confidential/ sensitive information to be transferred securely between local government and central government. All organisations using these facilities must conform on an annual basis to an information security set of criteria known as the Code of Connection (CoCo). This is a self-assessment exercise which is sent off to external assessors for verification in order to establish whether the Council achieves the required standard or not. RMBC has had all of its previous submissions approved and submitted the latest CoCo in September 2012. Serious financial and operational penalties may result from non-compliance with all relevant regulations. The audit approach agreed with management was to evaluate the adequacy of evidence supporting the CoCo Statement submitted in September 2012 as well as following up on the outcomes of the previous audit completed in June 2010. Whilst the audit concluded that some improvements had taken place since June 2010 and that controls and procedures overall were adequate, it was evident that there remained scope for further enhancement in three core areas:  
- Since input into the assessment is required from various different parts of the Council, project management needs to be robust to bring all the relevant information together within the required timescales. However, it is apparent that much of the effort is focused in the few weeks leading up to the deadline which increases the risk that the quality of the submission is compromised. In this regard management has confirmed the establishment of a Security, Risk and Audit (SRA) Group to monitor this work programme alongside others to ensure it is progressed on an ongoing basis and not just within a concentrated period of time;  
- It was not clearly evident that the requirements of GCSX/ GCF were considered on an ongoing basis throughout the year and there was an opportunity to ensure that it becomes part of business as usual and taken into account as part of any new IT projects that are undertaken or any relevant changes made to existing systems or infrastructure. Again, management confirmed that the establishment of the SRA Group should ensure this objective is achieved, especially with their presence on the Change Advisory Board; and  
- The evidence supporting RMBC’s CoCo Statement needs to be more robust or more easily available to substantiate the points made and to ensure it stands up to scrutiny where required. Internal Audit considered that the CoCo Statement did present an honest assessment of RMBCs current situation which is sufficient to ensure that access to GSCSX/ GCF is extended for a further 12 months. However improvements need to be made to ensure the more stringent regime of the Public Service Network (replacing GCF) is complied with. | 3  
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Operational Services maintain a fleet of vehicles including refuse collection and street service vehicles. Other Services also utilise vehicles for business purposes. Fuel is available for these vehicles either through the use of cards which can be used at specified outlets or through access to a bunkered fuel store at the Green Lane depot. A risk based audit of the operation and management of fuel management systems was undertaken focusing on the existence of appropriate policies and procedures, controls over the use of cards, an evaluation of the transition from cards to bunkered fuel, and the availability and use of management information.

Controls over fuel management were assessed as adequate. However there were a number of areas in which controls needed to be enhanced to further mitigate risks, including:

- The need to develop and establish a formal policy or plan in relation to fuel management;
- Ensuring all officers using fuel management systems have formally signed relevant terms and conditions;
- Ensuring all fuel cards in issue are appropriate and relate to current officers; and
- The need for more effective use to be made of available management information.

Actions were agreed with management to address the above issues and a follow up review will be conducted by Internal Audit in quarter four to confirm implementation.