

Report to	-	Audit and Standards Committee
Date	-	27 September 2017
Report of the	-	Executive Director of Resources
Subject	-	Internal Audit Report to 30 June 2017

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**Recommendation:** It be **RESOLVED:** That the Internal Audit report to 30 June 2017 be noted.

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**Audit Manager: Gary Angell**

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## **Introduction**

1. The Council is required to ensure that it has reliable and effective internal control systems in place. The adequacy of these systems is tested by both Internal and External Audit.
2. The Council's Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards. It is a requirement of these Standards that we report to the Audit and Standards Committee on audit matters and any emerging issues not only in relation to audit but also to risk management and corporate governance.

## **Summary of Activity to 30 June 2017**

3. Four audit reports were issued in the quarter. All of these gave good or substantial assurance on the governance arrangements. The executive summaries for each of these audits, which show the main findings of each report, is provided in Appendix A.
4. In addition to audit assurance work, the service has also engaged in various consulting activities during the quarter and continues to work with the Revenues & Benefits Section regarding the investigation of cases identified as a result of the latest National Fraud Initiative (NFI) data matching exercise.

## **Implementation of Audit Recommendations**

5. Each quarter, Members are updated on the progress made on implementing the audit recommendations reported at previous meetings. Appendix B shows a summary of the current position.
6. Overall, good progress continues to be made regarding the audit recommendations made in 2016/17 and only four items now remain outstanding from previous years, all of which are also being progressed.

7. The older recommendations still include one high risk recommendation in respect of Asset Management. However, it has previously been acknowledged that the work required to address this issue will take time to complete and it was agreed at the September 2016 meeting (Minute A16/15) that no further updates would be reported until December 2017.
8. The high risk recommendation made at the Data Protection audit in July 2013 has now been downgraded to medium risk as a result of progress made. The intention is that this long standing issue will shortly be resolved once and for all as a result of ongoing work by the IT Infrastructure Team to further strengthen the security of the corporate email system.

Malcolm Johnston  
Executive Director of Resources

**Risk Assessment Statement**

A strong, independent and well supported Internal Audit function ensures that the Council does not suffer from poor internal control systems.

**ELECTION PAYMENTS AUDIT****ROTHER DISTRICT COUNCIL**

Service Manager: John Collins

Officer(s) Responsible for Implementing Recommendations: Richard Adams

Overall Level of Assurance: **GOOD****Purpose & Objectives**

The purpose of the audit is to provide organisational and departmental management with an assurance as to the adequacy of the control systems based on compliance with the control objectives set out in the table below.

These objectives are designed to assess the extent to which the organisation meets its legal requirements, its own needs and those of its stakeholders and how the control systems in place contribute to the overall governance arrangements and securing value for money from the Council's services and operations.

**Control Objectives**

The audit opinion is based on the extent of compliance with the objectives (below), which have either been met in full (**M**), partially met (**P**) or not met (**N**).

Polling and Count staff are paid in accordance with agreed rates; any expenses claims are valid and authorised for payment; payments to the Returning Officer and Elections staff are paid in accordance with the official scale of fees.	<b>M</b>
Income Tax, National Insurance and any Superannuation contributions are correctly deducted and paid over.	<b>M</b>
Other election payments (e.g. hall hire, printing and stationery) are checked and authorised prior to payment.	<b>M</b>
Any election expenses due to be collected from other bodies have been correctly calculated and received.	<b>M</b>
Election budgets are effectively monitored by staff throughout the financial year.	<b>M</b>

**Level of Assurance**

Based on the findings from the audit we have determined that good assurance can be given on the governance arrangements. However, the audit did highlight two minor areas for improvement, namely:

- Evidence should be retained that the fees paid to Polling and Count staff and other employees involved in elections have been agreed by management.
- Claims for the reimbursement of election costs should be fully reconciled to both the Payroll and Main Accounting systems before they are submitted.

**Executive Summary**

Overall, the control objectives are considered to have largely been met but we have made one low risk recommendation to management to further enhance the governance arrangements.

Internal Audit Service  
April 2017

**INTERNET AND EMAIL CONTROLS AUDIT****ROTHER DISTRICT COUNCIL**

Service Manager: Kim Hodgson

Officer(s) Responsible for Implementing Recommendations: Graham McCallum

Overall Level of Assurance: **SUBSTANTIAL****Purpose & Objectives**

The purpose of the audit is to provide organisational and departmental management with an assurance as to the adequacy of the control systems based on compliance with the control objectives set out in the table below.

These objectives are designed to assess the extent to which the organisation meets its legal requirements, its own needs and those of its stakeholders and how the control systems in place contribute to the overall governance arrangements and securing value for money from the Council's services and operations.

**Control Objectives**

The audit opinion is based on the extent of compliance with the objectives (below), which have either been met in full (**M**), partially met (**P**) or not met (**N**).

<b>Internet</b> – Access to and use of the Internet for information searching is well defined and managed to minimise inappropriate, inefficient and insecure activities.	<b>P</b>
<b>Email</b> – The use of email facilities is well defined and managed to minimise inappropriate, inefficient and insecure activities.	<b>P</b>

**Level of Assurance**

Based on the findings from the audit we have determined that substantial assurance can be given on the governance arrangements.

It was found that whilst the systems in place for blocking harmful or inappropriate content viewed on the Internet or received via unsolicited email are generally quite good, control over all other usage is largely down to management supervision. Reports highlighting excessive Internet or email usage can be generated to assist managers in this task but these reports are not currently produced on a regular basis as the information they contain is not provided in a readily understandable format. A full record of all Internet or email activity is always however available upon request should there be any concerns about possible misuse by a particular member of staff.

Reports showing the top users of Internet and email facilities were reviewed at the audit and potential issues were identified with a handful of users. (NB – These cases have been passed to the Executive Director of Resources for further investigation). The sort of issues found at the audit does however demonstrate that the regular production of Internet and email monitoring reports could be a useful management tool if their content can be improved.

**Executive Summary**

Overall, the control objectives are considered to have largely been met but we have made two medium and one low risk recommendations to management to further enhance the governance arrangements.

Internal Audit Service  
May 2017

## ROTHER DISTRICT COUNCIL

**GROUND'S MAINTENANCE CONTRACT (CLIENT CONTROL) AUDIT**

Service Manager: Brenda Mason

Officer(s) Responsible for Implementing Recommendations: Brenda Mason, Scott Lavocah and Venus Blunden

Overall Level of Assurance: **SUBSTANTIAL**

**Purpose & Objectives**

The purpose of the audit is to provide organisational and departmental management with an assurance as to the adequacy of the control systems based on compliance with the control objectives set out in the table below.

These objectives are designed to assess the extent to which the organisation meets its legal requirements, its own needs and those of its stakeholders and how the control systems in place contribute to the overall governance arrangements and securing value for money from the Council's services and operations.

**Control Objectives**

The audit opinion is based on the extent of compliance with the objectives (below), which have either been met in full (**M**), partially met (**P**) or not met (**N**).

<b>Contract</b> – The contract is properly authorised and the contract documentation complete.	<b>P</b>
<b>Monitoring Performance</b> – The performance of the Contractor is adequately monitored to ensure compliance with the terms of the contracts.	<b>P</b>
<b>Payments</b> – All contract payments are correct and within the authorised budget.	<b>M</b>
<b>Budget</b> – The budget is monitored and controlled.	<b>M</b>

**Level of Assurance**

Based on the findings from the audit we have determined that substantial assurance can be given on the governance arrangements.

The main issues found relate to:

- **Added Value Work** – There is need to ensure that additional work to the value of £10,000 per annum is entered on the DTE system to ensure that savings previously set aside for “added value” work are fully utilised.
- **Correction Notices** – The Contractor is sometimes given several opportunities to correct work that has either been missed or not completed to a satisfactory standard. It is therefore recommended that the Contractor should be issued with a formal correction notice if it fails to carry out remedial action when first instructed.

**Executive Summary**

Overall, the control objectives are considered to have largely been met but we have made two medium and one low risk recommendations to management to further enhance the governance arrangements and improve value for money.

Internal Audit Service  
May 2017

**ESTATES INCOME AUDIT****ROTHER DISTRICT COUNCIL**

Service Manager: Brenda Mason

Officer(s) Responsible for Implementing Recommendations: Neo Georghiou

Overall Level of Assurance: **SUBSTANTIAL****Purpose & Objectives**

The purpose of the audit is to provide organisational and departmental management with an assurance as to the adequacy of the control systems based on compliance with the control objectives set out in the table below.

These objectives are designed to assess the extent to which the organisation meets its legal requirements, its own needs and those of its stakeholders and how the control systems in place contribute to the overall governance arrangements and securing value for money from the Council's services and operations.

**Control Objectives**

The audit opinion is based on the extent of compliance with the objectives (below), which have either been met in full (**M**), partially met (**P**) or not met (**N**).

<b>Rent/Licence Income</b> – The correct rent/licence fees are received in respect of all non-operational investment properties.	<b>P</b>
<b>Business Rates</b> – The NNDR liability for all non-operational investment properties is correctly set up.	<b>P</b>

**Level of Assurance**

Based on the findings from the audit we have determined that substantial assurance can be given on the governance arrangements.

The main issues found relate to:

- **Record Keeping** – Several errors were identified on the Estates spreadsheets used to record tenancies, rents, rent review dates and tenancy expiry dates (although none of these resulted in any significant billing errors).
- **Business Rates** – Two cases were identified at Elva Business Centre where the Council had been set up as the liable party to pay business rates when in fact the terms of the lease state that it is the tenant's responsibility.

**Executive Summary**

Overall, the control objectives are considered to have largely been met but we have made two medium and three low risk recommendations to management to further enhance the governance arrangements.

Internal Audit Service  
June 2017

## Summary of Progress on Recommendations Made up to 31 March 2017

### Audit Recommendations 2012/13 to 2015/16

Previous quarter's performance shown in brackets

	Issued	Implemented		Work-In-Progress		Not Started	
High	22*	21	(21)	1	(2)	0	(0)
Medium	215*	213	(213)	2	(1)	0	(0)
Low	156	155	(155)	1	(1)	0	(0)
<b>Total</b>	<b>393</b>	<b>389</b>	<b>(389)</b>	<b>4</b>	<b>(4)</b>	<b>0</b>	<b>(0)</b>
		<b>99.0%</b>	<b>(99.0 %)</b>	<b>1.0%</b>	<b>(1.0%)</b>	<b>0.0%</b>	<b>(0.0%)</b>

\* Figures adjusted to reflect subsequent downgrading of one high risk recommendation to medium

Breakdown of outstanding audit recommendations for 2012/13 to 2015/16 by Service Manager:

#### Brenda Mason (Community and Economy)

- Asset Management – issued 28/09/12 (1 High)

#### John Collins (Corporate and Human Resources)

- Data Protection – issued 09/07/13 (1 Medium) – downgraded from High

#### Robin Vennard (Finance and Welfare)

- Procurement – issued 07/08/15 (1 Medium)
- Credit Management (Debt Recovery) – issued 22/09/15 (1 Low)

### Audit Recommendations 2016/17 (up to 31 March 2017)

Previous quarter's performance shown in brackets

	Issued		Implemented		Work-In-Progress		Not Started	
High	1	(1)	1	(1)	0	(0)	0	(0)
Medium	44	(27)	33	(21)	8	(4)	3	(2)
Low	36	(16)	31	(16)	2	(0)	3	(0)
<b>Total</b>	<b>81</b>	<b>(44)</b>	<b>65</b>	<b>(38)</b>	<b>10</b>	<b>(4)</b>	<b>6</b>	<b>(2)</b>
			<b>80.2%</b>	<b>(86.4%)</b>	<b>12.4%</b>	<b>(9.1%)</b>	<b>7.4%</b>	<b>(4.5%)</b>