

Report to	-	Audit and Standards Committee
Date	-	26 March 2018
Report of the	-	Executive Director of Resources
Subject	-	Internal Audit Report to 31 December 2017

Recommendation: It be **RESOLVED:** That the Internal Audit report to 31 December 2017 (including the Audit Manager's draft overall assessment of the Council's internal control systems and draft opinion on the control environment) be noted.

Audit Manager: Gary Angell

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.
3. Owing to the deadline for the completion of the 2017/18 statement of accounts being much earlier than in previous years, it is now necessary for the Audit Manager to make a provisional assessment of the Council's control environment before the end of the financial year so that his comments may still be included in the Annual Governance Statement. Seeing as this opinion is based solely on the first ten months of the financial year 2017/18, only a draft assessment and opinion (shown elsewhere in this report) can be given at this stage. The Audit Manager will therefore review these statements again at the end of the financial year to check that nothing has changed, and will confirm his final opinion on 2017/18 at the June 2018 meeting.

Current Position

4. Internal Audit is still on target to complete the majority of the work planned for 2017/18 by 31 March 2018.
5. In addition to audit assurance work, the Audit Manager continues to be heavily involved in implementation of the new Enterprise Resource Planning (ERP) system, Phase I of which is due to replace the existing Agresso finance system in April 2018. The Internal Audit team has also recently been giving advice on various Finance and Housing Needs matters, and co-ordinating and reviewing the results of the latest NFI (National Fraud Initiative) data matching exercise. It also continues to identify potential revenue savings as part of its own counter fraud work.

Summary of Activity to 31 December 2017

6. Nine audit reports were issued in the quarter. All but one of these gave good or substantial assurance on the overall governance arrangements. The one exception was the Homelessness Prevention Grants and Loans Audit for which only minimal assurance could be given owing to the major control weaknesses found and the discovery of a £12,250 fraud. An outline of this fraud was reported to Members at the last meeting however, no further comment can be made at this time since the case is still the subject of an ongoing Police investigation.
7. An overview of the findings arising from all nine audits is given in Appendix A. This includes confirmation from the Service Manager – Finance and Welfare that the two high risk recommendations made in the Homelessness Prevention Grants and Loans Audit have now been implemented.

Implementation of Audit Recommendations

8. 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.
9. From this it can be seen that progress continues to be made in both the current and previous years, although some of the older recommendations are still not being implemented as fast as might be expected. This situation is kept under review by the Audit Manager, and those cases where there is no obvious reason for the delay have now been escalated to the Executive Directors for further investigation.
10. The longstanding Asset Management recommendation regarding the implementation of a single source asset register has now been closed. The Audit Manager has taken this action following assurances received from the Service Manager – Community and Economy that data entry is now substantially complete and the new property management system (ePIMS) is due to go-live in mid-April 2018. The adequacy of the information recorded on the new system will, however be reviewed by Internal Audit in 2018/19.

Draft Overall Assessment of the Council's Internal Control Systems

11. Under the Accounts and Audit Regulations 2015, ultimate responsibility for maintaining a sound system of internal control rests with the Council but this has been delegated to the Service Manager – Finance and Welfare (s.151 Officer). The assessment of the control environment is made in two ways, by reviewing the recommendations made in Internal Audit reports and by the production of the Annual Governance Statement. The Annual Governance Statement will be considered by the Committee later on this agenda.
12. The following area has been identified for inclusion in the Annual Governance Statement because the internal control environment is not satisfactory:
 - **Housing Needs Grants and Loans** – as reported elsewhere, only minimal assurance could be given to this area because the whole system for providing financial assistance to residents at risk of homelessness was found to be poorly controlled and in need of urgent

improvement. A follow-up audit review of this area is therefore planned in 2018/19.

13. Other issues that may impact on the Council include:

- **Joint Waste Contract** – this continues to be an area of significant change following a mutually agreed decision to terminate the existing contract with effect from 28 June 2019. The Council is currently managing the performance of the outgoing contractor while simultaneously concluding a major retendering exercise for the new contract. A Deputy Project Manager has been appointed to assist with the latter.
- **General Data Protection Regulation (GDPR)** – the GDPR will replace the Data Protection Act 1998 with effect from 25 May 2018. There is a risk that the Council will not have the necessary procedures in place to meet the new legal requirements. A working group has been convened to address this issue and the Council's approach is being coordinated by a new, dedicated Data Protection Officer who we share with Wealden District Council.
- **New Computer Systems** – the Council has a number of projects for major new computer systems running concurrently. Some of these projects are now nearing completion, as the systems concerned have recently gone live, but others (notably the Agresso upgrade/replacement, ERP) are still ongoing and will continue to require significant effort to ensure their successful conclusion. A lack of dedicated staff resources, combined with challenging implementation timescales, mean that there is a real risk that not all of these projects will be delivered on time and within budget.

14. Areas of emerging risk include:

- **Property Investment** – the Council plans to acquire property within the district with a view to stimulating economic activity and generating rental income to support the revenue budget. Most of this property investment will be funded by borrowing and this is expected to peak at approximately £35 million by 2021. Whilst the potential gains from such an approach can be very attractive, there can also be significant financial risks if the Council does not invest wisely or fails to secure the expected rental income. The Council will therefore need to carefully consider all property investment opportunities and seek professional advice before making acquisitions.
- **Colonnade Café/Restaurant** – the Council has made the decision to establish and run a new catering operation at the Colonnade on the Bexhill promenade. In doing so, it will be taking on all of the commercial risk for this venture but may benefit from potential financial surpluses should the business prove to be a success. The main challenge facing the Council will be its limited knowledge of this type of operation, since it has not run an in-house catering service for many years. However, it plans to overcome this by using a consultant to oversee the set-up of the café/restaurant, and it is looking to employ an experienced catering manager to run it. Internal Audit also plans to

give advice at an early stage and to review the adequacy of controls once the new catering operation is properly established.

Draft Opinion on the Control Environment

15. All audit reports are given an assurance rating based on the following criteria:

Rating	Description
Good	Strong controls are in place and are complied with.
Substantial	Controls are in place but improvements would be beneficial.
Limited	Improvements in controls or in the application of controls are required.
Minimal	Urgent improvements in controls or in the application of controls are required.

16. Limited/minimal assurance ratings are triggered by the presence of either high risk recommendations or five or more medium risk recommendations – which refer to likelihood and impact of a negative outcome occurring if the expected controls are not in place.
17. In forming an overall opinion, Internal Audit findings need to be set in context and viewed corporately. The summary of the 2017/18 audit reports completed as at 31 January 2018 (Appendix C) shows that just one audit report (5%) was given a “minimal” assurance rating and only one of the 88 control objectives examined during the period was not “met” at least in part. Moreover, the final result for 2017/18 may be even better than this since there are still four audits currently in progress and the initial findings would appear to indicate that most (if not all) of these are likely to receive a good/substantial assurance rating.
18. The quarterly Internal Audit activity reports submitted to this Committee have also shown that the vast majority of the expected controls are in place although it has been necessary to make a number of recommendations during the year where areas were identified for improvement.
19. Taking all of the factors highlighted in this and the quarterly reports into account, the draft Internal Audit assessment of the Council’s framework of governance, risk management and control is that it is adequate and effective.

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.

LEISURE CENTRE CONTRACTS AUDIT**ROTHER DISTRICT COUNCIL**

Service Manager: Brenda Mason
 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**).

Contract – The contracts for the Leisure Centres are properly authorised and all contract documentation is complete.	M
Contract Compliance – The performance of the Contractor is adequately monitored to confirm compliance with the terms of the contract.	M
Contractor Excess Income – A check is carried out to calculate any Contractor Excess Income due to the Council.	M

Level of Assurance

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

Only one minor issue was found in respect of the checking of inventory records, and the Contracts Manager has already made arrangements to address this at future site inspections.

Executive Summary

Overall, the control objective is considered to have been met and it was not necessary to make any formal recommendations to management as a result of this audit.

Internal Audit Service
 October 2017

EMERGENCY PLANNING AUDIT**ROTHER DISTRICT COUNCIL**

Service Manager: Nigel Ray

Officer(s) Responsible for Implementing Recommendations: Nigel Ray

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**).

Compliance with Legislation – The Council has developed an Emergency Plan to comply with the Civil Contingencies Act 2004.	M
Risk Analysis – Emergency Planning risks have been effectively identified and evaluated.	P
Risk Mitigation – Plans have been produced to reduce the impact of identified risks, and to help the Council recover following a major incident.	M
Staff Awareness – Key personnel are aware of the existence of the Emergency Plan and of their own responsibilities within it.	M
Testing and Review – Plans are periodically tested to establish if they are likely to work in practice.	M

Level of Assurance

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

The only issues found relate to the need for the Council to (a) complete the review of its risk register, and (b) produce a document to supplement the Sussex Resilience Forum's Recovery Plan.

Executive Summary

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

Internal Audit Service
October 2017

ROTHER DISTRICT COUNCIL

JOINT WASTE CONTRACT – CENTRAL ADMIN AUDIT

Service Manager: Madeleine Gorman

Officer(s) Responsible for Implementing Recommendations: Madeleine Gorman and Sue Oliver

Overall Level of Assurance: **GOOD**

Introduction

A Joint Waste and Beach and Street Cleaning Service has been procured by Eastbourne, Hastings, Rother and Wealden Councils and the contract was awarded to Kier Services Limited in October 2012. The contract commenced at Eastbourne and Wealden on 1 April 2013, Hastings on 2 July 2013, and Rother on 1 April 2014.

Rother District Council was approved as the Administering Authority in May 2012 and the Joint Waste Team (also known as the Partnership Client Unit) are employed to fulfil this role. The Joint Waste Team provides the principal point of contact for the Partnership and handles all invoices, communications, documentation, notices and materials relating to the Contract.

This is the fourth Internal Audit review of the Joint Waste Team's work.

Purpose & Objectives

The purpose of the audit is to review the work carried out by Rother in its role as the Administering Authority and to provide assurance to the whole Partnership on the adequacy of its control systems based on compliance with the control objectives set out in the table overleaf.

These objectives are designed to assess the extent to which the Joint Waste Team meets both its own needs and those of its partner authorities and how the control systems in place contribute to the overall governance arrangements and secure value for money from the Council's services and operations.

The control objectives, key risks and expected controls in the report were devised by Rother but all have been shared with the partner authorities and their Internal Audit teams given an opportunity to comment on and influence the scope of the review.

Limitations on Audit Coverage

The audit solely focuses on the Joint Waste Team and the adequacy of its procedures. The report is not intended to provide any assurance on the day-to-day operational management of the contract at any of the partner authorities. It is the responsibility of the Internal Audit team at each authority to review the adequacy of its own Contract Compliance Team.

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**).

Contract – The contract has been formally agreed by all partner authorities and the contract documentation is complete.	M
Payment to Contractor – The Administering Authority ensures that all contract payments are correct and within the authorised budget.	M
Financial Contributions from Partner Authorities – All partner authorities promptly pay the Administering Authority for their share of the contract costs plus all additional expenditure directly attributable to them.	M
Performance Monitoring – The Administering Authority monitors the operational and financial performance of the whole contract and regularly updates the partner authorities and the Joint Waste Committee on how well it is operating.	M

Level of Assurance

Based on the findings from the audit, we have determined that good assurance can be given on the overall governance arrangements. This means that strong controls are in place and are complied with.

Only two issues were found (1) concerning the need for a minor correction to the cost sharing calculation and (2) an observation that the Joint Waste Team would benefit from greater input from the Accountancy Team when reconciling partnership expenditure.

Executive Summary

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

Internal Audit Service
October 2017

GARDEN WASTE INCOME AUDIT**ROTHER DISTRICT COUNCIL**

Service Manager: Robin Vennard

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**).

Registration and Billing – All customers registered for the Garden Waste scheme have been billed correctly.	M
Payment – All income due for the Garden Waste service has been collected and is correctly accounted for.	M
Customer Records – Records are maintained of any changes to the list of residents who participate in the scheme so that accurate billing details are held at each annual renewal.	M
Refunds – Refunds are only issued in exceptional circumstances (i.e. when payment has been made in error) and are properly authorised.	M

Level of Assurance

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

The only issues found relate to minor delays in the reconciliation of the Garden Waste income and closure of unpaid accounts. Both of these issues have been caused by one particular bank rejecting a number of direct debits for the annual renewal fee and the need for the Garden Waste Officer to prioritise his efforts to correct this issue. Independent checks carried out at the audit did, however, confirm that the total Garden Waste income received in 2017/18 was broadly in line with what was expected.

Executive Summary

Overall, the control objective is considered to have been met and it was not necessary to make any formal recommendations to management as a result of this audit.

Internal Audit Service
October 2017

ROTHER DISTRICT COUNCIL

COMMUNITY INFRASTRUCTURE LEVY (CIL) AUDIT

Service Manager: Tim Hickling

Officer(s) Responsible for Implementing Recommendations: Christine Hyszka, Trish Trigg and CIL/Section 106 Officer

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**).

CIL Scheme – The Charging Schedule implemented at the Council has been scrutinised by an independent examiner and approved by Members, and full details of the CIL Scheme published on the Council's website.	M
Calculation of Liability – The levy is calculated in accordance with the approved Charging Schedule and by applying the relevant formulae based on internal area and agreed indices.	P
Exemptions and Relief – Compulsory and non-compulsory provisions for exemption or relief from the levy have been granted in accordance with the regulations.	M
Collection – Liability to CIL is established and the liable person promptly billed once development has commenced. Any overpayments are correctly refunded.	P
Enforcement – Appropriate enforcement action is taken against responsible persons who fail to adhere to the CIL regulations.	M
Use of CIL Funds – CIL receipts are spent in accordance with regulations and payments are authorised before the funds are released.	M
Reporting Arrangements – The CIL received, spent, transferred and retained is reported and placed on the Council's website.	M

Level of Assurance

Based on the findings from the audit we have determined that substantial assurance can be given on the governance arrangements. However, the audit highlights the need for improved control in the following areas:

- **Calculation of CIL for Mixed Use Developments** – The calculation of CIL for mixed use developments, where all or part of the in use buildings are to be demolished, is based on a complex formula. One case was identified where the sum owed had been miscalculated, resulting in the customer being overcharged.
- **Liability Notices** – These notices are not always promptly raised after a Decision Notice has been issued. This could delay the collection of CIL if work on the development commences shortly after planning permission is granted.
- **Commencement Notices** – Liable parties sometimes fail to inform the Council when work commences (and payment becomes due). Whilst the onus is on the developer/builder to inform the Council when work commences, more could be done to proactively monitor the status of larger CIL developments to ensure that the liable parties are promptly billed once work starts.
- **Demand Notices** – One case was found where the Demand Notice was more than three months overdue. This matter has since been brought to the attention of the Planning Business Support Manager and a Demand Notice issued in respect of the relevant development. However, the fact that notices can be overlooked highlights the need for a supervisory check to ensure that all Commencement Notices are followed up.

Executive Summary

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

Internal Audit Service
November 2017

TREASURY MANAGEMENT AUDIT**ROTHER DISTRICT COUNCIL**

Service Manager: Robin Vennard

Officer(s) Responsible for Implementing Recommendations: Anya Simoes

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**).

Policy and Procedures – Investments are only made in accordance with the Council's approved policy and any amendments are promptly actioned. The Council seeks to maximise the return on its investments where it is prudent to do so.	M
Authorisation and Record Keeping – All investments and withdrawals are properly authorised with all relevant records and accounts updated and adequate documentation kept to support the transfer of funds.	M
Monitoring of Performance – There is regular monitoring and reporting of investment performance.	M
Reconciliation and Other Financial Controls – There are regular reconciliations of investments and adequate separation of duties to ensure that all transactions are accounted for. There is fidelity insurance cover for all staff involved in Treasury Management. Cash flow forecasts are used to support all decisions to invest.	P

Level of Assurance

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

The only issue found concerned the need to include an explanation for all differences found when reconciling the investment records to the main accounting system so as to demonstrate that they have been investigated and agreed.

Executive Summary

Overall, the control objectives are considered to have largely been met and it was only necessary to make one low risk recommendation to management to further enhance the governance arrangements.

Internal Audit Service
November 2017

ROTHER DISTRICT COUNCIL HOMELESSNESS PREVENTION GRANTS AND LOANS AUDIT

Service Manager: Robin Vennard

Officer(s) Responsible for Implementing Recommendations: Robin Vennard and Martin Bolton

Overall Level of Assurance: **MINIMAL**

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**).

<p>The objectives of this audit were to ensure that:</p> <ul style="list-style-type: none"> - there is a sound and transparent system in place for the approval and processing of grants and loans; - the assistance provided is appropriate and that future rents are affordable for the tenant; - grants and loans are fully supported with appropriate documentation and approved by management; and - sundry debtor invoices are promptly raised for all loans. 	N
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Level of Assurance

Based on the findings from the audit we have determined that only minimal assurance can be given on the overall governance arrangements. The main reasons for this assessment are as follows.

- 1) The whole system for providing financial assistance to residents at risk of homelessness was found to be poorly controlled and in need of urgent improvement.
- 2) The weakness of the existing controls is highlighted by the fact that the audit uncovered a significant financial fraud which had been perpetrated by a member of the Housing Needs Team and had been ongoing for 16 months. The employee concerned has since been dismissed following an internal investigation.

The main control issues are as follows:

- **Written Procedures** – There are currently no procedure notes in place detailing how grants and loans should be processed and administered. This, coupled with a lack of management oversight, has led to many of the issues outlined below.
- **Housing Options Interviews/Housing Action Plan** – Notwithstanding the fraud case, where certain documents were purposely omitted, it is clear that a record is not always kept of the Housing Options interview or the production of a budget planner, both of which should be prerequisites to the Council providing financial assistance. NB - In future, all Housing applicants will be required to have a Housing Action Plan in place.
- **Authorisation of Payments** – Management has not made proper checks of supporting documentation prior to authorising payments.
- **Private Landlord Checks** – No due diligence checks are made on the private landlords used to provide accommodation, thereby increasing the risk of fraudulent payments, false tenancies, illegal sub-letting and money laundering.
- **Raising of Invoices** – Many clients in receipt of loans have not been billed for repayment of their debt, and over £7,000 had not been invoiced in the first seven months of 2017 alone. Given that no supervisory checks have been undertaken in recent years, the overall value of the uncollected debt is likely to be significant. However, it may not be possible to pursue repayment in all cases, as some clients will not have signed repayment agreements, due to a breakdown in procedures.

Executive Summary

Overall, it is considered that none of the control objectives have been met and we have made two high and six medium risk recommendations to management for its immediate attention. The purpose of these recommendations is not only to introduce proper control to safeguard against fraud but also to improve the governance arrangements so that staff follow the correct procedures in future.

All high risk recommendations and management's response to them will be included in the quarterly report to the Audit & Standards Committee.

Internal Audit Service
November 2017

Homelessness Prevention Grants and Loans Audit – High Risk Recommendations and Management Responses

Audit Ref	Finding/Risk	Recommendation	Risk	Management Response
1.3	<p>Finding</p> <p>The Housing Needs Manager advised that he checks and signs a single page form (the Expenditure Assessment form) to approve each grant and loan. However, he does not check any supporting documentation and therefore cannot be certain that the assistance is required, affordable or indeed legitimate.</p> <p>Risks</p> <p>Grants and loans are awarded where there is no clear requirement or where the rent is not affordable leading to financial loss; invoices are not raised to recover loan payments resulting in financial loss; grants or loans are fraudulently awarded to bogus landlords leading to financial loss and reputational damage.</p>	<p>The officer who authorises the Expenditure Assessment form must demonstrate that the following documentation has been checked prior to approval:</p> <ul style="list-style-type: none"> - a completed budget planner confirming affordability; - a letter or email from the landlord or agent confirming the amount of rent and/or deposit, name of the tenant, bank details, and their contact address, telephone number and email; - for grants, evidence that the customer was in receipt of Housing Benefit at the time of assistance; - for loans, evidence that the customer has signed a Client Repayment Agreement agreeing to repay the loan in monthly instalments; - for loans, evidence that Finance have been instructed to raise a sundry debtor invoice. 	High	<p>Housing has already introduced some new checks to address the immediate concerns but will review its procedures and add further controls as necessary to ensure that all of the points in this recommendation are fully implemented by the end of January 2018.</p> <p>Agreed Implementation Date</p> <p>January 2018</p> <p>Responsible Officer</p> <p>Martin Bolton</p> <div data-bbox="1619 818 2134 994" style="border: 1px solid black; padding: 5px;"> <p>Position Update from the Service Manager – Finance & Welfare (as at 2 March 2018)</p> <p>Completed.</p> </div>
1.4	<p>Finding</p> <p>In addition to the Council using the services of established letting agents, there have been numerous occasions where assistance is paid directly to a private landlord. However, only very minimal information is required from these private individuals before a payment is made to their account. More rigorous checks need to be undertaken in future.</p>	<p>In addition to the checks recommended in 1.3, the following information must also be obtained before the payment is made to a private landlord:</p> <ul style="list-style-type: none"> - a land registry search to confirm the individual is the true owner of the property; and - an up-to-date bank statement confirming a bank account in their name(s). 	High	<p>These controls will be introduced. A database of private landlords will be kept to ensure that a record of land registry searches undertaken is maintained.</p> <p>Agreed Implementation Date</p> <p>January 2018</p> <p>Responsible Officer</p> <p>Martin Bolton</p>

Audit Ref	Finding/Risk	Recommendation	Risk	Management Response
	Risk The Council pays grants/loans to bogus landlords or to landlords who are illegally sub-letting resulting in financial losses; the Council may be in breach of money laundering regulations if it makes payments to landlords without first carrying out any due diligence checks.			<div data-bbox="1619 339 2134 512">Position Update from the Service Manager – Finance & Welfare (as at 2 March 2018) Completed.</div>

CREDITORS AUDIT**ROTHER DISTRICT COUNCIL**

Service Manager: Robin Vennard

Officer(s) Responsible for Implementing Recommendations: Angie Edwards

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**).

Placing Orders and Authorising Payment – Orders for goods and services are properly raised, authorised and confirmed in accordance with the Financial Procedure Rules.	M
Invoice Processing – Legitimate invoices are promptly paid once the goods or services have been received. Payments are made to the correct supplier for the correct amount.	P
Payment – All payments are properly authorised and run totals agreed.	P
Cheque Control – All cheque usage is controlled and recorded. (Not covered as part of this audit.)	N/A
Urgent Payments – All urgent payments are properly authorised, recorded and strictly controlled.	M
System Reconciliation – All payments are properly recorded and reconciled to the main accounting system.	M

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:

- **Supplier Checks** – The audit identified a need to strengthen procedures to guard against creditor fraud. These include carrying out independent checks to verify the accuracy of information received before setting up or amending supplier records and, where possible, making the first payment to a new supplier by cheque.
- **Emergency Payments** – Two requests for immediate payment by bank transfer have resulted in duplicate payments being made when invoices for the same

items were subsequently passed for payment. A further instance was also found where the bank details used to make an urgent payment were not consistent with those held on the Creditor masterfile. Controls need to be introduced to ensure that all future requests for immediate payment are approved in writing by the relevant budget holder and the bank details checked prior to payment. The officer submitting the request must also undertake to mark the corresponding invoice as 'paid' before passing it to Finance for processing. (NB - The two duplicate payments mentioned above were already in the process of being recovered.)

A few minor procedural issues were also highlighted in the report.

Executive Summary

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

Internal Audit Service
December 2017

DEBTORS AUDIT**ROTHER DISTRICT COUNCIL**

Service Manager: Robin Vennard

Officer(s) Responsible for Implementing Recommendations: Wendy Swain

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**).

Raising of Debtor Invoices – Debtor invoices are promptly and correctly raised in accordance with Financial Procedure Rules/Council policy.	M
Collection, Debt Recovery and Refunds – Procedures for the recovery of unpaid debts are documented and implemented. Direct debit income is collected on time. Refunds and write-offs are properly authorised.	P
Reconciliations and Provisions – The Council's accounts are updated to record all payments received.	M
Suspense Account – Unallocated payments are posted to a suspense account and promptly investigated and cleared.	M
Monitoring of Arrears – Debt collection performance is monitored. (Not covered as part of this audit.)	N/A

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 issue found concerned the need to obtain Cabinet approval when writing off debts in excess of £4,000.

Executive Summary

Overall, the control objectives are considered to have largely been met and it was only necessary to make one medium risk recommendation to management to further enhance the governance arrangements.

Internal Audit Service
December 2017

Summary of Progress on Recommendations Made up to 30 September 2017

Audit Recommendations 2012/13 to 2016/17

Previous quarter's performance shown in brackets

	Issued		Implemented		Work-in-Progress		Not Started	
High	22	(0)	22	(22)	0	(0)	0	(0)
Medium	260	(4)	252	(249)	5	(2)	3	(1)
Low	192	(7)	189	(188)	2	(1)	1	(1)
Total	474	(11)	463	(459)	7	(3)	4	(2)

97.7% (96.8%) **1.5%** (2.1%) **0.8%** (1.1%)

Breakdown of outstanding audit recommendations for 2012/13 to 2016/17 by Service Manager/responsible officer:

John Collins (Corporate and Human Resources)

- Data Protection – issued 09/07/13 (1 Medium)
- Payroll – issued 31/03/17 (1 Medium)

[Vacant Post] formerly Kim Hodgson (ICT and Customer Services)

- ICT Governance – issued 20/03/17 (1 Low)

Madeleine Gorman – Waste Partnership Manager (Corporate Core)

- Joint Waste Contract – Central Admin– issued 02/11/16 (1 Medium)

Richard Parker-Harding (Environmental Services and Licensing)

- M3 Computer System – issued 06/02/17 (3 Medium, 1 Low)

Robin Vennard (Finance and Welfare)

- Procurement – issued 07/08/15 (1 Medium)
- Credit Management (Debt Recovery) – issued 22/09/15 (1 Low)
- Benefits – issued 31/01/17 (1 Medium)

Audit Recommendations 2017/18 (up to 30 September 2017)

Previous quarter's performance shown in brackets

	Issued		Implemented		Work-in-Progress		Not Started	
High	0	(0)	0	(0)	0	(0)	0	(0)
Medium	11	(4)	6	(1)	4	(2)	1	(1)
Low	20	(7)	18	(5)	2	(1)	0	(1)
Total	31	(11)	24	(6)	6	(3)	1	(2)

77.4% (54.5%) **19.4%** (27.3%) **3.2%** (18.2%)

2017/18 Audit Reports Completed as at 31 January 2018

Audit	Control Objectives (Number)	Control Objectives Met	Control Objectives Met In Part	Control Objectives Not Met	Assurance Rating
Audits Brought Forward from 2016/17					
Election Payments	5	5	0	0	Good
Internet and Email Controls	2	0	2	0	Substantial
Governance Audits					
Benefits	6	5	1	0	Good
Business Rates	5	2	3	0	Substantial
Creditors	6	4	2	0	Substantial
Debtors	5	4	1	0	Substantial
Payroll	7	7	0	0	Good
Treasury Management	4	3	1	0	Good
High/Medium Risk Audits					
Car Parks Income	5	4	1	0	Substantial
Community Infrastructure Levy	7	5	2	0	Substantial
Data Protection	5	1	4	0	Substantial
Emergency Planning	5	3	2	0	Substantial
Estates Income	2	0	2	0	Substantial
Garden Waste Income	4	4	0	0	Good
Grounds Maintenance Contract	4	2	2	0	Substantial
Homelessness Prevention Grants/Loans	1	0	0	1	Minimal
Joint Waste Contract - Central Admin	4	4	0	0	Good
Leisure Centre Contracts	3	3	0	0	Good
Planning Income	5	2	3	0	Substantial
Staff Appointments	3	3	0	0	Good
Totals: 20 Audit Reports	88	61	26	1	
	100%	69.3%	29.6%	1.1%	
Good/Substantial Assurance	19 (20)		95% (95.2%)		
Limited/Minimal Assurance	1 (1)		5% (4.8%)		

Previous year's performance italicised and in brackets.