

Report to	-	Audit and Standards Committee
Date	-	24 September 2018
Report of the	-	Executive Director
Subject	-	Internal Audit Report to 30 June 2018

---

**Recommendation:** It be **RESOLVED:** That the Internal Audit report to 30 June 2018 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.

## **Summary of Activity to 30 June 2018**

3. Three audit reports were issued in the quarter. All of these gave 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. From this it can be seen that whilst progress has been slow on the older recommendations this quarter, many of the newer recommendations continue to be implemented. It is noted, however, that there is now a growing number of recommendations where there has been little movement in recent months, and where these recommendations are older than six months they have been escalated to the Executive Directors. At present, there are five recommendations which fall into this category, however the Head of Service responsible for implementing four of these has recently changed following the

senior management restructure. The Executive Directors will therefore keep the situation under review.

### **Outcome of Police Case**

7. Members will recall that an audit of the procedures for awarding grants and loans to housing needs clients carried out in the second quarter of 2017/18 identified a £12,550 fraud, perpetrated by a member of the Housing Needs Team. The case was referred to the Police and the employee concerned dismissed. The Police then carried out their own investigation which found that there were sufficient grounds for prosecution. The Crown Prosecution Service agreed and following a recent court case, the matter has now been concluded.
8. The accused appeared at Hastings Magistrates' Court on 11 July 2018. She entered a guilty plea and received a six month prison sentence suspended for 24 months. The sentence is conditional on her staying out of trouble and complying with a requirement set by the court to carry out 220 hours of unpaid work. She was also ordered to pay Rother District Council £12,450 in compensation.

Malcolm Johnston  
Executive Director

### **Risk Assessment Statement**

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

**FOOD SAFETY AUDIT****ROTHER DISTRICT COUNCIL**

Head of Service: Richard Parker-Harding

Officer(s) Responsible for Implementing Recommendations: Una Kane

Overall Level of Assurance: **SUBSTANTIAL**

**Purpose and 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.

**Limitations on Audit Coverage**

Although Environmental Services and Licensing operates as a shared service with Wealden District Council, this audit only reviews the food safety controls in place for Rother District Council.

**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>Inspections</b> – There is a planned programme of inspections and food sampling to ensure that all food premises in Rother are visited in accordance with the minimum frequency laid down by statute and that the foods and waters they produce / sell are clean and safe. All food complaints are promptly dealt with.	<b>P</b>
<b>Enforcement</b> – All enforcement action is undertaken in accordance with an approved Enforcement Policy, and the costs incurred by the Council recovered where possible.	<b>M</b>
<b>Budget</b> – All expenditure on food safety is correctly incurred and within budget and all income collected.	<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 issue found concerned the frequency of inspections, since many routine inspections had not been completed until long after the due date. It is therefore recommended that management regularly review all cases where a food hygiene

inspection is overdue by 28 days or more and ensure officers prioritise these cases wherever possible.

Minor issues were also found around the follow up of informal enforcement action and record keeping.

### **Executive Summary**

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

Internal Audit Service  
June 2018

**SECTION 106 AGREEMENTS AUDIT****ROTHER DISTRICT COUNCIL**

Head of Service: Tim Hickling

Officer(s) Responsible for Implementing Recommendations: Christine Hyszka and Tracey Remnant

Overall Level of Assurance: **SUBSTANTIAL**

**Purpose and 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.

**Follow Up Review**

When the arrangements for Section 106 agreements were last audited in 2016/17, only limited assurance could be given owing to the number of issues found. This audit is therefore a follow up review to confirm the current position and to check that action has been taken to rectify all issues previously identified.

**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>Section 106 Records</b> – All departmental and financial records relating to Section 106 agreements are up-to-date, show details of each agreement where a financial obligation has been agreed and accurately record all monies anticipated, received and spent.	<b>P</b>
<b>Use of Section 106 Funds</b> – Section 106 monies paid out for the provision of services (e.g. affordable housing) are authorised before the funds are released and are only used for the specific purposes set out in the Section 106 agreements.	<b>M</b>

**Level of Assurance**

It is pleasing to report that there has been a marked improvement in control since the last audit and based on the findings of this review, we have determined that substantial assurance can now be given on the governance arrangements.

The only issue highlighted by this audit relates to discrepancies found between the records kept by Finance and Planning. These are due to various factors including:

- Time limits for expenditure not being recorded on Finance records.
- Additional monies received following indexation not being recorded on Ocella.
- Obligations recorded which have since been superseded by an amended obligation.
- Overage clauses not being included as potential financial obligations.

It is recommended that the two records are regularly compared in future, so that all such discrepancies can be investigated and corrected.

### **Executive Summary**

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

Internal Audit Service  
June 2018

**ASSET MANAGEMENT AUDIT****ROTHER DISTRICT COUNCIL**

Head of Service: Ben Hook (not in post at time of audit)

Officer(s) Responsible for Implementing Recommendations: Graham Burgess, Amy Fearn and Neo Georghiou

Overall Level of Assurance: **SUBSTANTIAL**

**Purpose and 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.

**Background**

When Asset Management was last reviewed by Internal Audit in September 2012 a number of shortcomings were identified with the Asset Register held at that time, the main one being that it was comprised of multiple records, some of which were more up-to-date than others. The audit report therefore recommended the introduction of a single source asset register to avoid the possibility of decisions being made based on incomplete or inaccurate information.

After a period of system evaluation, the decision was made in late 2014 to migrate all asset management data to a new property management system (ePIMS) and work commenced shortly afterwards. However, data migration has taken far longer than anyone originally envisaged owing to the number of records involved.

The Audit and Standards Committee has expressed concern about the length of time this work is taking and Members have therefore been provided with regular progress updates. In the Audit Manager's last update on 26 March 2018, it was reported that the Service Manager – Community and Economy had confirmed that data entry was substantially complete and that ePIMS was due to go-live in mid-April 2018.

**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>Record of Council Property</b> – An Asset Register is maintained for all land and buildings owned and / or occupied by the Council (and includes details on their location, size, current use and valuation). All property records and title deeds are adequately protected against loss or damage	<b>P</b>
<b>Acquisitions and Appropriations</b> – New property may only be acquired for a specified purpose and the use and purchase price must be approved	<b>M</b>

by the Council. All acquisitions or changes in the use of existing assets must be recorded in the Asset Register.	
<b>Review of Holdings</b> – The Asset Register is periodically reviewed to identify any land or buildings which are being under-utilised and action taken to dispose of or re-appropriate the assets concerned. Property valuations are also reviewed as and when required.	<b>M</b>
<b>Disposals</b> – All disposals must be approved by the Council. Property must be disposed of by the most appropriate method (e.g. advertisements, auction, tender, etc) and the agreed sale price (or premium) promptly received and recorded as a capital receipt.	<b>M</b>
<b>Financial Records</b> – The value of all fixed assets must be correctly recorded in the Financial Accounts and capital charges made to the appropriate budget heads.	<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:

- **Completeness of the Single Source Asset Register** – Whilst work is now at an advanced stage, the data migration exercise is yet to be completed meaning that the Council is currently unable to place full reliance on ePIMS as its sole source of property information. The Estates team has been working towards a new go-live date of 1 August 2018 (after which use of all other property records will be discontinued), but this is now likely to be postponed until later in the year following the recent departure of the officer responsible for entering most of the data. Management are looking to appoint a replacement, but will still need to ensure sufficient resources are dedicated to the ePIMS data migration exercise if the remaining work is to be completed within a reasonable timescale.
- **Access Rights** – It is not currently possible to grant “read only” access to view certain parts of the ePIMS system. This means that staff who need to refer to these records, but who have no right to update them, have to be granted full “read/write” access to system in order to do so. This approach is not good practice as this increases the risk that records could be accidentally or maliciously deleted, however, it is the only solution currently offered by the Cabinet Office, who administers the system. Management therefore need to liaise with the Cabinet Office to come up with a better solution as the system cannot be rolled out to users in other service areas until one is found.



**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  
June 2018

## Summary of Progress on Recommendations Made up to 31 March 2018

### Audit Recommendations 2015/16 to 2016/17

Previous quarter's performance shown in brackets (adjusted to reflect new shorter period)

	Issued		Implemented		Work-In-Progress		Not Started	
High	3		3	(3)	0	(0)	0	(0)
Medium	79		77	(77)	1	(1)	1	(1)
Low	66		64	(64)	2	(2)	0	(0)
<b>Total</b>	<b>148</b>		<b>144</b>	<b>(144)</b>	<b>3</b>	<b>(3)</b>	<b>1</b>	<b>(1)</b>
			<b>97.3%</b>	<b>(97.3%)</b>	<b>2.0%</b>	<b>(2.0%)</b>	<b>0.7%</b>	<b>(0.7%)</b>

Breakdown of outstanding audit recommendations for 2015/16 to 2016/17 by Head of Service:

#### Richard Parker-Harding (Environmental Services, Licensing & Community Safety)

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

#### Robin Vennard (Resources)

- Procurement – issued 07/08/15 (1 Medium)
- Credit Management (Debt Recovery) – issued 22/09/15 (1 Low)
- ICT Governance – issued 20/03/17 (1 Low)

### Audit Recommendations 2017/18 (up to 31 March 2018)

Previous quarter's performance shown in brackets

	Issued		Implemented		Work-In-Progress		Not Started	
High	2	(2)	2	(2)	0	(0)	0	(0)
Medium	39	(28)	31	(19)	4	(8)	4	(1)
Low	32	(24)	28	(21)	3	(3)	1	(0)
<b>Total</b>	<b>73</b>	<b>(54)</b>	<b>61</b>	<b>(42)</b>	<b>7</b>	<b>(11)</b>	<b>5</b>	<b>(1)</b>
			<b>83.6%</b>	<b>(77.8%)</b>	<b>9.6%</b>	<b>(20.4%)</b>	<b>6.8%</b>	<b>(1.8%)</b>