

Report to	-	Cabinet
Date	-	14 January 2019
Report of the	-	Executive Director
Subject	-	Debt Management Policy

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The Audit and Standards Committee meeting held on 10 December 2018, considered the Internal Audit Report to 30 September 2018 that contained details of outstanding recommendations in relation to the Credit Management (Debt Recovery) audit undertaken in 2015. The recommendation and minute arising is reproduced below.

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**Recommendation:** It be **RESOLVED:** That the Debt Management policy be amended to include the basis of calculating the Council's bad debt (impairment) provision to form the basis of monitoring performance on debt recovery on an annual basis.

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#### AS18/27. **INTERNAL AUDIT REPORT TO 30 SEPTEMBER 2018**

The Audit Manager led Members through the internal audit report to 30 September 2018 that gave details of audit matters and any emerging issues not only in relation to audit but risk management and corporate governance. It was advised that good progress continued to be made on the work planned for 2018/19 and the Annual Governance Audits were now well underway.

The report gave details of the four audits completed in the quarter (Public Conveniences Cleaning Contract, Building Maintenance, Homelessness Prevention Grants and Loans and Pollution Control), two of which had given good or substantial assurance on the overall governance arrangements. However two (Public Conveniences Cleaning Contract and Homelessness Prevention Grants and Loans) only provided limited assurance.

It was noted that The Public Conveniences Cleaning Contract audit received a limited rating because the contract paperwork (i.e. signed contract and performance bond) had still not been finalised at the time of the audit, despite the contract having been in operation for over 15 months. The Executive Director assured Members that the delivery of the contract had not been affected and that the East Sussex Procurement Hub was pursuing the signed contract. Members requested that an update on the Public Conveniences Cleaning Contract be provided in six months' time.

The Homelessness Prevention Grants and Loans audit was a follow up review of the 2017/18 audit which only received a minimal assurance rating owing to the major control weaknesses found and the discovery of a £12,250 fraud. Whilst some progress had been made to improve

procedures since that audit, the latest report still received a negative (limited) assurance rating, as the new controls were not being consistently applied and management oversight was still found to be inadequate. Members requested that an update on the management of Homelessness Prevention Grants be provided in six months' time.

Work on four other audits (Procurement, Housing Temporary Accommodation, Treasury Management and ICT Network Security) was also well underway as at 30 September 2018.

Good progress continued to be made implementing audit recommendations on the current year's recommendations. It was noted that the number of older recommendations had also started to reduce following escalation to the Executive Directors and it was hoped that further movement would be seen on many of the remaining cases over the next quarter.

At the previous meeting, the Committee expressed concern that a 2015 Credit Management (Debt Recovery) audit recommendation was still outstanding. The audit had found that there were no debt recovery targets in place despite the Debt Management Policy stating that targets should be set. The Assistant Director Resources explained that the Council's debt recovery processes were well established and had been the subject of previous reports to Members. The target for recovery should always be 100% of debts but in reality not all debt was recovered for a number of reasons. The Council's bad debt provision identified the different categories of debt and it was suggested that this should form the basis of monitoring performance on an annual basis.

The Public Sector Internal Audit Standards required that the Audit Manager considered other sources of assurance as part of the planning process. The Internal Audit Team had therefore developed an 'assurance map' to assess the level of assurance provided (a visual representation of the various assurance activities carried out across an organisation). Its purpose was to assist understanding of the assurance received, to evaluate its adequacy and to highlight any potential gaps in coverage. The effectiveness of each type of assurance across a number of key services was then assessed and processed to produce an assurance map shown in Appendix C of the report. The results of this exercise would be used to inform the Audit Plan for 2019/20 and the Audit Manager would update the assurance map in future years as part of the audit planning process.

The Audit and Standards Committee also **RESOLVED:** That:

- 1) the Internal Audit report to 30 September 2018 be noted; and
- 2) a progress report be received by the Committee on the Public Conveniences Cleaning contract and the Homelessness Prevention Grants and Loans in six months' time.

(Audit and Standards Agenda Item 7.1).

Malcolm Johnston  
Executive Director