

Audit and Standards Committee

Date and Time - **Monday 22 June 2020 - 6.30pm**

Venue - **Remote Meeting**

Councillors appointed to the Committee:

J. Barnes, Mrs M.L. Barnes, K.M. Harmer, A.K. Jeeawon, Mrs E.M. Kirby-Green, L.M. Langlands, Rev H.J. Norton and R.B. Thomas.

AGENDA

1. ELECTION OF CHAIRMAN

The Head of Paid Service to seek nominations for election of Chairman for the municipal year. On election, Chairman of Committee to take the Chair.

2. MINUTES

To authorise the Chairman to sign the Minutes of the meeting of the Audit and Standards Committee held remotely on the 18 May 2020 at a later date, as a correct record of the proceedings.

3. APOLOGIES FOR ABSENCE

4. ADDITIONAL AGENDA ITEMS

To consider such other items as the Chairman decides are urgent and due notice of which has been given to the Head of Paid Service by 12 Noon on the day of the meeting.

5. DISCLOSURE OF INTERESTS

To receive any disclosure by Members of personal and disclosable pecuniary interests in matters on the agenda, the nature of any interest and whether the Member regards the personal interest as prejudicial under the terms of the Code of Conduct. Members are reminded of the need to repeat their declaration immediately prior to the commencement of the item in question.

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**Rother District Council aspiring to deliver...
an Efficient, Flexible and Effective Council, Sustainable Economic Prosperity,
Stronger, Safer Communities and a Quality Physical Environment**

PART A - STANDARDS REPORTS

6. **CODE OF CONDUCT COMPLAINTS MONITORING AND OTHER STANDARDS MATTERS** (Pages 1 - 4)
7. **OMBUDSMAN COMPLAINTS MONITORING** (Pages 5 - 6)
8. **MEMBER COMPLAINTS - PUBLIC INTEREST TEST** (Pages 7 - 10)

PART B - AUDIT REPORTS

9. **INTERNAL AUDIT REPORT TO 31 MARCH 2020** (Pages 11 - 34)
10. **INTERNAL AUDIT PLAN UPDATE** (Pages 35 - 42)
11. **IMPARTIALITY OF INTERNAL AUDIT** (Pages 43 - 44)
12. **WORK PROGRAMME** (Pages 45 - 46)

Dr Anthony Leonard
Executive Director

Agenda Despatch Date: 12 June 2020

Invitees in respect of Standards Related Reports only:

Independent Persons: Mrs Rose Durban, Mrs Susan Fellows and Mrs Jan Gray.

Parish/Town Councillor Representatives: Councillors Mrs W.M. Miers and D. Smedley.

Rother District Council

Report to	-	Audit and Standards Committee
Date	-	22 June 2020
Report of the	-	Monitoring Officer
Subject	-	Code of Conduct Complaints Monitoring and Other Standards Matters

Recommendation: It be **RESOLVED:** That

- 1) the report be noted; and
 - 2) a training session be put together for all Members on the type of complaints received and the outcomes as learning for all at the end of the civic year 2020/21.
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Monitoring Officer: Lisa Cooper

Introduction

1. This routine report sets out brief details of the complaints received since the Committee's last meeting held in December where complaints were considered; as agreed by the Committee, this report presents cases on a six monthly rolling basis. It also advises the Committee of other standards related matters that have been dealt with since the Committee's last meeting.

Complaints Received

2. Since the last meeting there have been four valid Code of Conduct complaints made against three Parish Councillors and one District Councillor. In accordance with the wishes of the Committee, as none of the complaints have resulted in an investigation and a finding of fault, these are presented anonymously. The view of our Independent Persons was sought and concurred with my proposed action in each case; details of each case are provided at Appendix 1.
3. During this time, I have also received two non-valid complaints against two District Councillors. In one case the alleged misconduct was in relation to the non-disclosure of land in which the Member had a known beneficial interest and which was not showing on the Members' Register of Interests. Following an internal review, this information had been removed in error and was subsequently re-published on the Members' Register. In the other case the alleged misconduct was not perpetrated by the Councillor in question and was a genuine case of mistaken identity.

Other Standards Matters

4. Full Council approved this Committee's recommendation to appoint Mrs Rose Durban as one of the Council's Independent Persons (IPs) at its meeting in December 2019 (Minute C19/61 refers). As part of the induction programme I met with all three IPs in January this year and undertook a case review of all

the cases that had been considered since May 2019. This was a useful exercise in looking at the nature of the complaints and whether there were any emerging themes which may indicate a specific training need.

5. Whilst it was concluded that there were no common themes as such, it was suggested that a training session be put together for all Members on the type of complaints received and the outcomes as learning for all.
6. Members will need to understand, however, that as these will involve complaints made against current serving Councillors, some Members will recognise themselves; the case studies will be kept completely anonymous. It is recommended that this training session is put together at the end of the current civic year 20/21 to enable two years' worth of cases to have come forward and make the session more worthwhile.

Training

7. There has been no formal standards related training undertaken since the last meeting.

Register of Interests Audit

8. Usually in May, following the Annual Council meeting, all Members are requested to review their existing register of disclosable pecuniary and other interests as part of an annual audit. Due to the Covid-19 pandemic and the delay to the Annual Council meeting which took place on 1 June, this has yet to be completed but is currently underway with a deadline for responses to be received by 26 June 2020.

Parish and Town Councils

9. As previously reported and as rural Members may be aware, there is often a steady turnover of parish and town Councillors; making sure their registers of interests are received and kept up to date is a constant task. An audit of outstanding registers will be undertaken and reported to the next meeting.

Conclusion

10. The Committee is asked to note the report.

Mrs Lisa Cooper
Monitoring Officer

Risk Assessment Statement

The Audit and Standards Committee has a duty to promote and maintain high standards of conduct by Members and co-opted Members of the Council. Monitoring the number of complaints received and the nature of the complaints will enable the Committee to identify any trends and make recommendations for additional training and guidance as appropriate. Failure to do so could result in continued poor Member conduct, an increase in complaints administration and reputational damage for the Council.

MEMBER CODE OF CONDUCT COMPLAINTS SUMMARY SHEET

REF	DATE RECEIVED	COMPLAINANT	SUBJECT MEMBER	NATURE OF COMPLAINT, DECISION AND COMMENT
C19-08	24/12/19	Member of the public (former Councillor)	Battle Town Councillor	<p>Failing to treat fellow Councillor with respect; being pre-determined in respect of a Town Council Project and mismanagement and application of Standing Orders relating to meetings of Battle Town Council. (Note: the issue of pre-determination is in BTC's Code of Conduct).</p> <p>Decision: Part local resolution / part dismissed.</p> <p>Comment: This and the following complaint were as a result of essentially a fellow Councillors' dissatisfaction with how the Town Council was managing the Almonry Project. The Subject Member did agree to apologise to the complainant for failing to treat the fellow Councillor and his views (at the time) with respect. It was not considered that pre-determination was an issue as the decision to progress the Almonry Project had yet to be taken. BTC has clearly committed to the Project (it is in the Battle Town Plan) and the decisions taken to date were to ascertain the true project costs to enable public consultation.</p>
C19-09	24/12/19	Member of the public (former Councillor)	Battle Town Councillor	<p>Failing to treat fellow Councillors and public with respect and being pre-determined in respect of a Town Council Project.</p> <p>Decision: No further action (dismissed).</p>

REF	DATE RECEIVED	COMPLAINANT	SUBJECT MEMBER	NATURE OF COMPLAINT, DECISION AND COMMENT
				Comment: The allegation of failing to treat others with respect happened over 6 months ago and was refuted by the Subject Member. This element was not taken forward. The issue of pre-determination is set out as above.
C19-10	20/01/20	Member of the public	Rother District Councillor	Failing to treat a young person with respect at a meeting and made complainant feel bullied; bringing office into disrepute. Decision: Part local resolution / part dismissed. Comment: Subject Member apologised to complainant; complainant and Subject Member known to each other for some time.
C19-11	31/03/20	Member of public	Icklesham Parish Councillor	Attempting to use position to confer on or secure an advantage or disadvantage. Decision: No further action (dismissed). Comment: Complaint centred on telephone conversation regarding the removal of a fake speed camera on private property. Audio recording of telephone conversation did not reflect the nature of the alleged complaint and conduct.

Rother District Council

Report to - Audit and Standards Committee
 Date - 22 June 2020
 Report of the - Executive Director
 Subject - Ombudsman Complaints Monitoring

Recommendation: It be **RESOLVED:** That the report be noted.

1. Details of the complaints made to the Local Government Ombudsman are reported to the Committee as and when they are determined throughout the year. On the 26 March 2020, the Local Government and Social Care Ombudsman suspended all complaint casework due to the Coronavirus pandemic and this is the reason why only a limited number of complaints are being reported.
2. Below are the cases which have been determined since the Committee's last meeting:

Reference	Details of the Allegation	Outcome
19 002 901	The complainant made a complaint on behalf of her daughter regarding the way the Council had handled her housing register application. The complainant alleges the Council did not follow its Allocations Policy before deciding her daughter was not eligible to join the housing register. The complainant says her daughter feels her medical needs justify the allocation of a place on the register and wants the Council to reconsider her case.	This complaint was upheld by the Ombudsman who found fault for not informing the complainant's daughter why it rejected her application or how she could appeal its decision. Remedy measures have been put in place where fault was found.
19 013 568	The customer is aggrieved about the Council's handling of matters relating to a Tree Preservation Order (TPO).	The Ombudsman cannot investigate the complaint because it falls outside their jurisdiction as there has been an appeal to the Planning Inspectorate.

3. A total of two complaints were made to the Local Government and Social Care Ombudsman covering the period 14 November 2019 to 27 May 2020 of which:
 - One has been upheld (Council found to be at fault)
 - One cannot be investigated

For the same period, Rother received 139 non-ombudsman complaints from 14 November 2019 to 27 May 2020 of which:

- 89 of these were non-complaints (treated as department service request)
 - 17 were resolved at initial stage (non-formal complaint resolution)
 - Three were a stage one complaint (responded to formally in writing)
 - Two were a stage two complaint (responded to formally by Head of Service)
 - 28 are currently awaiting determination/under investigation
4. Rother also decided to temporarily suspend all complaint investigations where there was no risk to public health or safety, following the coronavirus pandemic and the Ombudsman's announcement, whilst departments adjusted to a new way of working. Some departments were not fully staffed or needed access to essential equipment, and this is the reason why there are 28 complaints awaiting determination.
5. From 1 June, the Council will begin to start reviewing all outstanding complaints and prioritise those that have been waiting the longest. The response time for new complaints has also been temporarily changed to 40 working days to reduce pressure on departments and allow officers more time to conduct investigations.

Malcolm Johnston
Executive Director

Risk Assessment Statement

There are no risks attributed to this report.

Rother District Council

Report to	-	Audit and Standards Committee
Date	-	22 June 2020
Report of the	-	Monitoring Officer
Subject	-	Member Complaints - Public Interest Test

Recommendation: It be **RESOLVED:** That delegated authority be granted to the Monitoring Officer, in consultation with the Chairman of the Committee and the Independent Persons, to devise and agree a revised public interest test to be incorporated into the Council's complaint documentation and all Members advised accordingly.

Monitoring Officer: Lisa Cooper

Introduction

1. As Members may recall, at the Committee's last meeting that considered standards related matters, consideration was given to the Committee on Standards in Public Life's (CSPL) Review of Local Government Ethical Standards and the officer assessment of the Council's current performance against the best practice recommendations that had also resulted from the CSPL's review.
2. At that meeting (9 December 2019) it was agreed that officers undertake research into other local authority public interest tests to see whether this aspect of the Council's complaint processes / documentation could be improved.
3. This report sets out the results of the research with other local authorities and Hoey Ainscough Associates Limited, the recognised national experts on local government conduct issues.

Current RDC Position

4. Currently, the following criteria is set out in the Council's Arrangements for Dealing with Member Complaints document, which is essentially this Council's public interest test:

The Monitoring Officer will decide a complaint does not merit investigation if:

- *It is about someone who is no longer a Member of the Council, or*
- *There has been a delay of more than six months since the matter complained of occurred (unless the Monitoring Officer is of the view that exceptional circumstances exist to allow an extension of time), or*
- *The complaint appears to be minor, politically motivated, vexatious and malicious or it is not otherwise appropriate to warrant further action.*

This list is not intended to be exhaustive and the Monitoring Officer may decide that a complaint does not merit formal investigation for any other reason which appears to them to be appropriate.

5. During the last year, and with particular reference to the Neighbourhood Planning process, there has been confusion and concern from the public that individuals working with parish and town councils as volunteers are not covered by the relevant code of conduct and complaints regime. It may be worth clarifying that volunteers working for local parish and town councils are not elected Members and are not covered by the relevant code, as part of any improved public interest test.

Research

6. Having conducted research with our neighbouring authorities the public interest test is incorporated within the general arrangements' documents, as ours above and is broadly the same - there are no separate clear public interest tests. The experience of Hoey Ainscough Associates Limited indicates that most councils simply say something very general along the lines of 'the Monitoring Officer will only investigate a matter if he or she believes it is in the public interest to do so' or may list some factors such as 'if the member is no longer a member', 'if the matter has already been investigated', 'if a long time has elapsed since the alleged behaviour' etc.
7. The public interest tests tend to be built around factors which were set out in guidance produced by the then-Standards Board for England to help standards committees make an initial assessment. This was in the form of questions to ask oneself and lines to take should a complaint be rejected on those grounds.
8. There is of course a balance to be struck between having a set of 'simple/short criteria' which is easy to read and more detailed criteria which set out to cover all bases. One example provided by Hoey Ainscough Associates Limited is from Gateshead Council which, although does not specifically call itself a public interest test, seems to reflect the Standards Board old criteria. This is set out at Appendix A.
9. If Members are minded to support the development of a similar detailed public interest test for Rother District Council, it is requested that delegated authority be granted to the Monitoring Officer, in consultation with the Chairman of the Committee and the Independent Persons (IPs), to devise and agree a revised public interest test to be incorporated into the Council's complaints documents. The delegation is requested to enable the amendment to be made as soon as practical and not be subject to a delay until the Committee's next meeting at which standards matters are considered. All Members will be advised of any changes made.

Conclusion

10. The Committee is asked to consider whether the Council strengthens its current public interest test and if agreed, grant delegated authority to the Monitoring Officer, Chairman and IPs to devise and establish this document to be incorporated into the Council's complaint documentation.

Mrs Lisa Cooper
Monitoring Officer

Risk Assessment Statement

Failure to consider good practice guidelines and implement appropriate changes could result in the Council's Member Complaint Processes being ambiguous and open to challenge.

Gateshead Council

Assessment criteria for complaints against councillors

The following criteria will be taken into account in deciding what action, if any, to take:

1. Has the complainant submitted enough information to satisfy the Monitoring Officer that the complaint should be referred for investigation or other action?

If not:

The information provided is insufficient to make a decision. So unless, or until, further information is received, no further action will be taken on the complaint.

2. Is the complaint about someone who is no longer a member of the Council, but is a member of another authority? If so, should the complaint be referred to the monitoring officer of that other authority?

If yes:

The complaint will be referred to the monitoring officer of that other authority to consider. The former Member would be contacted in this instance and advised of the referral.

3. Has the complaint already been the subject of an investigation or other action relating to the Code of Conduct? Similarly, has the complaint been the subject of an investigation by other regulatory authorities?

If yes:

There may be nothing more to be gained by further action being taken.

4. Is the complaint about something which happened so long ago that there would be little benefit in taking action now?

If yes:

Further action may not be warranted.

5. Does the complaint appear too trivial to justify the cost or inconvenience of further action?

If yes:

Further action will not be warranted.

6. Does the complaint appear to be simply malicious, politically motivated or tit-for-tat?

If yes:

Further action will not normally be warranted.

7. Is the complaint anonymous?

If yes:

No action will normally be taken unless there are compelling reasons to suggest otherwise, e.g. if it includes documentary or photographic evidence indicating an exceptionally serious or significant matter.

Rother District Council

Report to	-	Audit and Standards Committee
Date	-	22 June 2020
Report of the	-	Executive Director
Subject	-	Internal Audit Report to 31 March 2020

Recommendation: It be **RESOLVED:** That:

- 1) the Internal Audit report to 31 March 2020 be noted; and
 - 2) the Audit Manager's opinion on the control environment (paragraph 37) be approved.
-

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. To be effective, Internal Audit must be (and be seen to be) independent from the activities it evaluates. Rother's Internal Audit Service achieves this by operating as an independent unit within the Corporate Core. It has unrestricted access to Senior Management; reports in its own name; and has no managerial responsibility for any of the systems it reviews. This enables Internal Audit to provide independent and objective assurance when reporting on the Council's activities.
3. In the year up to 31 March 2020, Internal Audit has operated in accordance with the Public Sector Internal Audit Standards (hereafter referred to as 'the Standards'). It is a requirement of the Standards that we report to the Audit and Standards Committee on audit matters and any emerging issues, not only in relation to audit but risk management and corporate governance.
4. In line with the Standards, the Audit Manager is expected to present an annual report on the performance of the Internal Audit Service and to provide an overall opinion on the Council's control environment.
5. The annual report must incorporate:
 - the opinion;
 - a summary of the work that supports the opinion; and
 - a statement on conformance with the Standards and the results of the Quality Assurance and Improvement Programme.
6. The opinion expressed in this report provides an update on the one previously used to inform the Annual Governance Statement at the previous meeting and is based on the results of all audit work completed in 2019/20.

Issues Impacting on the Delivery of the 2019/20 Audit Plan

7. Like many other Council services, 2019/20 proved to be a challenging year for Internal Audit. Firstly, work was already running behind schedule about halfway through the year owing to audit overruns and other circumstances beyond its control. Then, just when progress was being made to catch up (as indicated by the number of audits completed in the final quarter), the coronavirus outbreak hit.
8. One auditor had to self-isolate at an early stage of the crisis, thereby reducing the capacity of the team by one-third. This happened at a time when all Council staff were being encouraged to social distance and/or work from home which quickly made it difficult for the remaining auditors to progress any audit work even before the Government lockdown was announced. Moreover, once the lockdown began on 24 March 2020, the whole Internal Audit team had to self-isolate even though only one auditor was able to work at home due to equipment shortages/connectivity issues. These issues have since been resolved and all three auditors can now work from home.
9. The upshot of all this disruption was that the Internal Audit team was severely depleted during the last few weeks of the financial year and this has resulted in fewer audits being completed during the year than would otherwise have been the case.

Summary of Activity to 31 March 2020

10. Eight audit reviews were completed in the final quarter of 2019/20. Seven of these provided good or substantial assurance on the overall governance arrangements. However, one audit (Property Investment) only provided limited assurance. An overview of the findings arising from all eight audits is given in Appendix A.
11. The Property Investment audit received a limited assurance rating because a number of areas were found where control needs to be strengthened and/or transparency improved. Fortunately, most of these controls are preventative in nature, and their absence does not appear to have resulted in any significant issues to date.

Overall Performance in 2019/20

12. Appendix B provides a summary of all audit reports completed in 2019/20, the level of compliance and assurance rating for each review, and the overall performance of the Internal Audit team against the plan. NB – The details of all audit reports issued in the first three quarters of 2019/20 have already been reported to this Committee at previous meetings.
13. This summary shows 82.1% of the 2019/20 Audit Plan was completed. However, six planned audits were still outstanding at the end of the financial year. One of these (ICT Governance) was already at an advanced stage when the Government lockdown began but could not then be completed because the ICT Infrastructure team had to devote all its resources to the many logistical and technical support challenges posed by the sudden need to enable all officers to work from home.

14. Another audit (Transformation Projects Implementation) had also commenced but had been delayed due to other priorities. The four remaining audits were all postponed due to various reasons such as timing issues, staff turnover, project overruns or staff no longer being available to assist because of other priorities brought about by the Council's response to the COVID-19 pandemic.

Implementation of Audit Recommendations

15. Internal Audit normally updates Members each quarter on the progress made in implementing the audit recommendations reported at previous meetings. However, owing to the disruption caused by the coronavirus outbreak and the many new challenges faced by officers at this time, this information has not been sought on this occasion.

Counter Fraud Work

16. In addition to compliance work, the Audit Manager also coordinates the annual National Fraud Initiative (NFI) data matching exercises and the whole Internal Audit team assist the Investigations Client Support Officer in reviewing the matches. Work on the December 2018 Single Person Discount matches is now complete but despite everyone's best efforts, this work has only identified £6,470 in savings (13 cases). The matches arising from the December 2019 Single Person Discount exercise are still being reviewed.
17. Internal Audit also allocates time each year to undertake other counter fraud duties. As usual, this work primarily focused on council tax and business rates and has resulted in the identification of a number of unbanded Council Tax dwellings and commercial premises that were either in receipt of rate relief they were not entitled to or had a change of usage resulting in a new liability. These cases were followed up with the help of colleagues in the Revenues & Benefits team and an additional £60,596 of revenue income is now being collected as a result.
18. As previously reported, Internal Audit has also secured £20,000 of former Department for Communities and Local Government funding from the East Sussex Counter Fraud Hub for use on counter fraud initiatives. It was originally hoped that this money could be used to fund a fixed-term Investigator post in partnership with one of our neighbouring councils, but this proposal was unable to proceed. It has therefore been agreed by the Strategic Management Team to use the money to enhance the Internal Audit team's counter fraud capacity by regrading the Internal Auditor post. This means that the fund will be used gradually over a number of years.

Other Financial Savings

19. In addition to providing management with assurance on the adequacy of its control environment, routine audit work can also sometimes highlight financial errors which can result in savings (or increased income) once corrected. In 2019/20, a total of £10,632 in confirmed savings/extra income was identified as a by-product of this work. The items found include a payroll timesheet recording error which resulted in an employee being overpaid, business rate relief which had been wrongly applied, and licence renewal payments in respect of software that was no longer required.

Quality Assurance and Improvement Programme

- 20. The Audit Manager is required to develop and maintain a Quality Assurance and Improvement Programme in order to evaluate the Internal Audit team’s conformance with the Standards, to assess the efficiency and effectiveness of all Internal Audit activity and to identify opportunities for improvement.
- 21. The proficiency, effectiveness and quality of the Internal Audit team is monitored and improved through:
 - annual self-assessments (Review of Internal Audit)
 - 5-yearly external (peer review) assessments
 - supervision and the review of all Internal Audit output
 - obtaining client feedback
- 22. The Audit Manager’s latest self-assessment of his team’s compliance with the Standards (Review of Internal Audit 2019/20) was approved by Members on 18 May 2020 (Minute AS19/50 refers). The review did not identify any significant issues and concluded that there is a high level of effectiveness overall.
- 23. The team’s first external peer review was completed in April 2017 and the assessors’ findings were reported to this Committee on 26 June 2017 (Minute AS17/14 refers). No significant issues were found, and the report concluded that the Rother Internal Audit Service “generally conforms with the Public Sector Internal Audit Standards and general good practice for the profession”.
- 24. Quality assurance questionnaires are used to capture client feedback. Two different questionnaires are currently used: one to obtain immediate feedback from the main contact at exit meetings (once the fieldwork is complete and draft audit report has been issued and discussed); and the other to get the Head of Service’s overall opinion on the quality of all audit reports issued to them in the previous quarter. Questionnaire recipients are invited to rate the service provided as either ‘good’, ‘fair’ or ‘poor’ and are also encouraged to comment where improvement is required.
- 25. A summary of the responses received in 2019/20 is shown in the table below.

Questionnaire Type	Responses to Individual Questions					
	Good		Fair		Poor	
Exit Meeting (Main Contact)	63	100%	0	0%	0	0%
Head of Service Meeting	33	100%	0	0%	0	0%
Totals	96	100%	0	0%	0	0%

- 26. These figures indicate that there is a high level of satisfaction with the quality of the Internal Audit Service.

Performance Measures

- 27. The Audit Manager closely monitors the performance of the Internal Audit team throughout the year to ensure that agreed targets are achieved. The table below shows the performance indicators and targets for 2019/20 together with the actual results for the year.

Performance Indicator	Target	Actual
Audit Plan – Percentage of governance audits completed.	100%	90%
Audit Plan – Percentage of overall audit plan completed.	90%	82.1%
Audit Assignments – Final reports issued within 15 days of second draft report.	90%	83.3%
Audit Recommendations – Percentage of “high” risk recommendations accepted by management.	100%	100%
Satisfaction/Feedback – Overall percentage of customers rating the Internal Audit Service as “Good” or “Fair”.	90%	100%

28. This shows that two of the targets for 2019/20 were met or exceeded.
29. The percentage of governance audits completed, and the percentage of the overall audit plan completed were both below target on this occasion owing to the issues outlined elsewhere in this report.
30. Three reports took longer than 15 days to issue due to delays caused by the auditee. In each case, management either failed to respond to the second draft report in a timely manner or raised concerns late in the audit process.

Conformance with the Public Sector Internal Audit Standards

31. The results of the 2017 external peer review and the recent self-assessment exercise performed by the Audit Manager both show that Rother’s Internal Audit Service generally conforms with the Public Sector Internal Audit Standards.

Overall Assessment of the Council’s Internal Control Systems

32. A draft assessment (as at 12 February 2020) was reported at the last meeting. The Audit Manager has now reviewed the position again at the end of the financial year and he stands by his initial assessment of the issues and risks facing the Council with nothing further to add.

Opinion on the Control Environment

33. 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.

34. Limited/minimal assurance ratings are triggered by the presence of either high risk recommendations or five or more medium risk recommendations – which refer to the likelihood and impact of a negative outcome occurring if the expected controls are not in place.

35. In forming an overall opinion, Internal Audit findings need to be set in context and viewed corporately. Consequently, the summary of completed audits provided for the last meeting has now been updated to incorporate the whole of 2019/20 and this is included in Appendix B. This shows that just two audits (11.1%) received a limited or minimal assurance rating and only one of the 83 control objectives examined during the year had not been “met” at least in part.
36. 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.
37. Having now taken into account the results of all the audit reports completed in 2019/20, it is possible to confirm that the draft opinion expressed in the last Committee report remains unaltered. The Audit Manager’s overall opinion on the Council’s framework of governance, risk management and control in 2019/20 is therefore that it is adequate and effective.

Whistleblowing Activity 2019/20

38. An update on the Whistleblowing Policy activity in 2019/20 is provided in Appendix C.
39. In summary, a total of 21 whistleblowing cases were reported to the Audit Manager in 2019/20. This represents a 75% increase in the number of cases received in the previous financial year. The latest cases include a range of allegations, the majority of which focused on either Benefit/Council Tax Fraud or Housing Tenancy Fraud. All cases were initially reviewed by the Audit Manager and then either referred to the relevant Council officer for further investigation or reported to the appropriate authority.
40. Further details on the Whistleblowing arrangements can be found on the Council’s [website](#).

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.

BUSINESS RATES AUDIT

ROTHER DISTRICT COUNCIL

Head of Service: Robin Vennard

Officer(s) Responsible for Implementing Recommendations: Jamie Wilson

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.

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**).

Valuation and Liability – All properties liable for business rates are identified and assessed, and all reliefs and exemptions correctly applied.	P
Billing – Business rates liability is accurately assessed, and correct bills are issued to the occupiers of all rateable hereditaments.	M
Collection and Refunds – There is a sound system for the collection of income and the refund of overpayments.	M
Recovery and Enforcement – All arrears are promptly identified, and effectively pursued in accordance with statutory requirements/laid down procedures. All write-offs are valid and authorised.	M
Government Returns – The Council complies with Government reporting requirements and is paying the correct rating contribution.	M

Level of Assurance

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

As with the recent Council Tax audit, this assurance rating has been awarded despite current resourcing and workload issues within the Revenues and Benefits team due to the prolonged absence or loss of several key members of staff. To date, this has not resulted in any significant control issues as Management are well aware of the situation and are coping as best they can. However, there is always a risk that this position may change in the future if the current difficulties continue or get worse.

Once again, the only real issue identified at the audit was around the operation and monitoring of property inspections. Management are currently looking to address this issue through the use of technology and a recommendation to improve the recording

and inspection of all new builds has already been made at the Council Tax audit. In addition, this report also found that empty business properties with a listed building status are not being inspected frequently enough. It is important that these properties are inspected on a regular basis because, unlike other business premises, their exemption from business rates is not time limited, and could result in lost revenue if a new occupancy is not promptly identified.

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
January 2020

PROPERTY INVESTMENT AUDIT**ROTHER DISTRICT COUNCIL**

Head of Service: Ben Hook

Officer(s) Responsible for Implementing Recommendations: Ben Hook and Graham Burgess

Overall Level of Assurance: **LIMITED**

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

In 2018, the Council began acquiring land and commercial property in the Rother economic area with a view to stimulating economic activity and generating rental income. Most of this regeneration activity will be funded by borrowing and this is expected to peak at approximately £35 million by 2021.

This is the first audit review of property investment. As with any new initiative, the Council's approach will take time to develop. It is therefore no surprise that this report highlights a number of areas where control needs to be strengthened and/or transparency improved. Fortunately, most of these controls are preventative in nature, and their absence does not appear to have resulted in any significant issues to date. However, the long term success of the Council's investment decisions will not be known for many years, which is why it is so important that the processes for property evaluation, scrutiny and due diligence are as robust as possible.

Scope and Limitations of Audit Coverage

The audit primarily focuses on the adequacy of the governance arrangements for acquiring new investment properties.

The purpose of this audit is not therefore to comment on the appropriateness of individual investment decisions but rather to ensure that Officers and Members of the Property Investment Panel receive sufficient information in order for them to make an informed decision. The audit also covers adherence to regulations and government guidance, risk awareness, and the due diligence checks carried out prior to acquisitions being completed.

It should be noted that it was not possible to carry out a detailed review of the many financial appraisals carried out by the former Corporate Transformation Finance Manager owing to the absence of this Officer throughout most of the audit. Consequently, no comment is made about the completeness or accuracy of the figures reported to the Property Investment Panel apart from the one issue identified below (in the section on Voids and Business Rates).

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>Strategy – There is a property investment strategy which outlines the criteria for the procurement of property which has been approved by Members. The strategy is in accordance with MHCLG and CIPFA guidelines.</p>	<p>M</p>
<p>Property Identification and Evaluation – There are clearly defined procedures for the identification of suitable investment properties. A transparent SWOT analysis and risk assessment process is undertaken before property purchases are recommended to Members.</p>	<p>P</p>
<p>Scrutiny – Investment decisions are subject to the scrutiny of trained Members with the requisite skills and knowledge to appraise the recommendations made to them by officers prior to formally recommending that the Head of Paid Service can proceed with any purchase.</p>	<p>P</p>
<p>Due Diligence – There is sufficient due diligence prior to the purchase of properties.</p>	<p>P</p>
<p>Completion – The Council has received all relevant legal documentation following the completed purchase of an acquisition including title deeds and land registry documents.</p>	<p>P</p>

Level of Assurance

Based on the findings from the audit we have determined that only limited assurance can be given on the overall governance arrangements owing to the number of issues found. The main findings were as follows:

- **Property Assessment Method** – Management should consider adopting a weighted scorecard approach to better quantify the relative merits of each acquisition. This would not only make it is easier for the Property Investment Panel to see the strengths and weaknesses of each proposal (as opposed to solely relying on a narrative report) but it would also improve transparency and help to ensure that the Council’s approach to evaluation is consistently applied.
- **Assessment of Sitting Tenants** – A financial assessment was not carried out on the new owners of a business looking to sell and leaseback a property. Instead an assessment was made of the previous owner’s financial standing. This particular acquisition did not proceed but the case highlights the need to be clear who the Council is dealing with when a new tenancy is involved, and to ensure that all relevant parties are financially assessed before recommending that the Property Investment Panel approve the proposal.
- **Voids and Business Rates** – Financial appraisals do not always include an allowance for voids (which result in loss of rental income) or the Council’s business

rates liability during void periods. Both of these factors need to be taken into account when assessing the viability of acquiring property with existing tenants.

- **Risk Registers** – At present risk registers are only produced for development projects after the sites have already been acquired. No document is therefore produced to analyse and measure the risks prior to a decision being made to proceed with the purchase. This means that risks which might otherwise influence the decision to acquire the land may not be properly considered prior to completion. There is also a danger that any risks identified during the acquisition process which are relevant to successful project delivery could be overlooked and mitigating action not put in place.
- **Membership of Property Investment Panel** – The Property Investment Panel currently consists of three Cabinet Members and two non-Cabinet Members. This conflicts with the Panel's terms of reference which state that it should be made up of three non-Cabinet Members and two Cabinet Members.
- **Member Training** – Members on the Property Investment Panel should receive further property investment training to help them fulfil their role.
- **Due Diligence** – It was found that recommendations made by surveyors and Legal Services prior to completion are not always followed up. The report therefore recommends that a checklist should be produced to record all the key stages of the due diligence process and used to note all professional advice received and action taken. The Head of Paid Service would then be able to confirm that all necessary due diligence checks have been carried out prior to completion taking place.

Executive Summary

Overall, the control objectives are considered to have only been partially met. We have made eight medium risk recommendations to management all of which are aimed at enhancing the governance arrangements.

Internal Audit Service
February 2020

Position Update

The Chartered Institute of Public Finance and Accountancy (CIPFA) has recently issued new guidance regarding investment in commercial properties in a publication entitled 'Prudential Property Investment'. The publication provides advice on the assessments needed to ensure that such acquisitions are prudent and on the risks local authorities must manage when acquiring property. This guidance is currently being reviewed by the Finance team to ascertain if the Council's existing property investment strategy and procedures are compliant.

BENEFITS AUDIT**ROTHER DISTRICT COUNCIL**

Head of Service: Robin Vennard

Overall Level of Assurance: **GOOD****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.

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**).

New Applications and Changes of Circumstances – All applications are promptly and properly processed.	M
Benefit Assessment – Benefits are properly due and are calculated correctly.	M
Payment – Rent allowances are promptly paid to those for whom they are intended.	M
Overpayments – Overpayment of benefit, including those arising from fraud and abuse, are either prevented or identified and promptly followed up. Refunds and write-offs are properly authorised.	M
Reconciliation – Benefit payments are correctly applied and regularly reconciled to the main accounting system.	M
System Administration – The computer system is kept up-to-date and access to benefit records, system parameters and creditor masterfile records are suitably restricted.	M

Level of Assurance

Based on the findings from the audit we have determined that good assurance can be given on the governance arrangements as no significant issues were found.

It is especially pleasing to note that there has been a marked improvement in the time taken to process new claims and changes of circumstances since the last audit, and the Revenues and Benefits Team are to be congratulated on this achievement.

Executive Summary

Overall, the control objectives are 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
February 2020

SOFTWARE LICENSING AUDIT**ROTHER DISTRICT COUNCIL**

Head of Service: Robin Vennard

Officer(s) Responsible for Implementing Recommendations: Robin Vennard

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.

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**).

Procurement – Only software approved by the ICT department may be purchased and installed.	M
Software Utilisation – The Council only pays for software that is installed and in use.	P
Compliance – All software usage is monitored to ensure compliance with licensing agreements.	P

Level of Assurance

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

Issues were found with the adequacy of licence renewal checks and with the monitoring of compliance with licensing agreements but recent action to improve control in both these areas has avoided the need for a limited assurance rating on this occasion.

Nevertheless, it is important that the Council scrutinises all future software renewals to avoid paying for services that are no longer required, and it needs to monitor software usage more closely (especially in respect of servers) to ensure that all activity is properly licensed.

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
February 2020

PAYROLL AUDIT**ROTHER DISTRICT COUNCIL**

Head of Service: Robin Vennard

Officer(s) Responsible for Implementing Recommendations: Maria Benford

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.

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**).

Authority for Payment – Pay and related costs are only incurred in respect of staff employed in authorised posts. All payments to new employees are calculated correctly and employees leaving the Council are promptly removed from the live payroll and their final salary payment correctly calculated.	M
Pay Awards and Other Salary Increases – Basic pay is correctly calculated in accordance with local agreements and all subsequent grading changes/increments are formally costed and approved.	M
Other Amendments to Pay – All other variations to pay must be authorised, complete, accurate and not previously processed.	M
Deductions – Statutory deductions are correctly applied, accounted for and paid over to relevant body in accordance with legislation and government/superannuation scheme requirements.	M
Payment – All salaries payments are prepared and issued appropriately.	M
Security of Data – All computer records are protected against unauthorised access.	P

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:

- **New Employee Checks** – A report showing the details of all new starters is produced as part of each pay run, but it was not being checked for accuracy by Human Resources at the time of the audit. It is important that this independent check is carried out in order to verify that all new starters are appearing on the correct pay run and it is understood that this is now being done
- **Segregation of Duties** – The fact that two officers in the Human Resources team currently have full read/write access to the Payroll module in the U4BW system was first highlighted at last year's audit. However, it will not be practical to insist on full segregation of duties between the set up and payment of employees until such time that work on the implementation of the HR and Self-Service modules is complete. Hopefully these modules should now go live in early 2020/21 and the situation can then be reviewed.
- **Access Rights** – Access to view Payroll data also needs to be further restricted.

Executive Summary

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

Internal Audit Service
March 2020

TREASURY MANAGEMENT AUDIT**ROTHER DISTRICT COUNCIL**

Head of Service: Robin Vennard

Officer(s) Responsible for Implementing Recommendations: Tony Baden and Anya Simoes

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.

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**).

INVESTMENTS	
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.	P
Monitoring of Performance – There is regular monitoring and reporting of investment performance.	M
LOANS	
Policy and Procedures – The Council has an approved strategy for external borrowing and borrowing levels are related to the Council's needs.	M
Authorisation and Record Keeping – All loans are properly authorised with all relevant records and accounts updated and adequate documentation kept to support each transaction.	P
Repayment and Interest – All loan repayments and interest charges are correctly calculated and properly recorded.	M

INVESTMENTS AND LOANS	
<p>Reconciliation and Other Controls – There are regular reconciliations to ensure that all transactions are accounted for. There is fidelity insurance cover for all staff involved in Treasury Management. Members receive Treasury Management training.</p>	<p>P</p>

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:

- **Access to Online Banking** – Management should ensure that a process is put in place whereby user access to the Lloyds Commercial Online Banking system is reviewed following staff movements, and the system administrator notified of any changes required.

- **Loans Authorisation** – At the time of the audit, a former manager was still included in the list of officers authorised to approve PWLB loans. However, no new loans have been taken out since this person left and it is understood that the officer concerned has since been removed from the list of authorised persons.

- **Reconciliation** – The Council’s loan records are not being reconciled at present. Officers should carry out a regular reconciliation of PWLB records to Council loan records to ensure that any discrepancies are promptly identified and corrected.

Executive Summary

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

Internal Audit Service
March 2020

CASH AND BANKING AUDIT

ROTHER DISTRICT COUNCIL

Head of Service: Robin Vennard

Officer(s) Responsible for Implementing Recommendations: Chris Watchman and Doreen Botterill

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.

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**).

Collection Procedures – Secure arrangements exist for the collection and recording of cash.	M
Receipting of Income – All collections and direct to bank credits are promptly, completely and accurately brought to account.	M
Credit Card Security – The Council is compliant with the Payment Card Industry (PCI) Data Security Standard (DSS) regarding the acceptance, processing, storage and transmission of credit card information.	P
Banking of Income – All collections are promptly banked.	M
Allocation of Income – All income is promptly and accurately posted to the correct account.	M
Bank Reconciliation – Arrangements are in place for the routine monthly reconciliation of the bank account to the accounting records.	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 all relate to Credit Card Security. They are as follows:

- **Ownership** – It is currently unclear who is responsible for monitoring PCI DSS compliance.
- **Compliance Self-Assessment** – Whilst evidence of PCI DSS compliance has been obtained for the third party providers who process the vast majority of card

payments received by this Council, the latest self-assessment did not take into account a card payment terminal which is still in use.

- **Paper Receipts** – To be fully PCI DSS compliant, access to the merchant copies of card payment receipts needs to be further restricted pending secure disposal.

Executive Summary

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

Internal Audit Service
April 2020

CREDITORS AUDIT

ROTHER DISTRICT COUNCIL

Head of Service: Robin Vennard

Officer(s) Responsible for Implementing Recommendations: Tony Baden and Luke Chapman

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.

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**).

Orders and Authorisation – 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

Note – Cheque Control (the control and recording of cheque usage) was not reviewed as part of this audit.

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:

- **Outstanding Purchase Orders** – Purchase orders can sometimes remain open on the system despite the fact that goods or services they relate to have been fully delivered. There is therefore a risk that further invoices could be paid against these orders unless they are closed off.
- **Approval of Invoices with No Purchase Order** – A problem whereby invoices with no purchase order can be coded and approved by the same officer was highlighted at the last audit but is yet to be resolved. Financial Procedure Rules

require the involvement of two different officers in this process to reduce the risk of error and fraud.

- **Invoice Tolerance Level** – Where the sum invoiced exceeds the value of the purchase order by 2.5% or more the system should require further authorisation prior to payment. However, it was found at the last audit that this control does not work for all payments which exceed the invoice tolerance level due to a system flaw which is yet to be resolved. Furthermore, it has subsequently been discovered at this audit that the additional expenditure can be authorised by the original requisitioner, if they also have approval rights. No-one should be allowed to requisition and approve the same transaction because of the risk of error and fraud.

Note – All of the above issues would appear to be caused by the build/configuration of the U4BW system and technical support will be required in order to resolve them.

- **Payment Run Reports** – Remittance confirmation reports are not always promptly checked by management increasing the likelihood that errors may go unnoticed until after payment has already been made.

Executive Summary

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

Internal Audit Service
April 2020

Audits Completed in 2019/20 and Overall Performance against the Audit Plan

Audit	Control Objectives (Number)	Control Objectives Met	Control Objectives Met In Part	Control Objectives Not Met	Assurance Rating
Audits Brought Forward from 2019/20 – Total 1, Completed 1 (100%)					
Software Licensing	3	1	2	0	Substantial
Governance Audits – Planned 10, Completed 9 (90%)					
Benefits	6	6	0	0	Good
Business Rates	5	4	1	0	Substantial
Cash and Banking	6	5	1	0	Substantial
Council Tax	4	3	1	0	Substantial
Creditors	3	1	2	0	Substantial
Debtors	4	3	1	0	Good
Main Accounting	4	4	0	0	Good
Payroll	6	5	1	0	Substantial
Treasury Management	7	4	3	0	Substantial
High/Medium Risk Audits – Planned 13, Completed 8 (61.5%)					
Car Park Income	5	3	1	1	Limited
Community Grants	5	4	1	0	Substantial
Community Infrastructure Levy	7	6	1	0	Substantial
Disabled Facilities Grants	3	2	1	0	Substantial
HMO Licensing	5	4	1	0	Substantial
Housing Allocations	2	1	1	0	Substantial
Joint Waste Contract - Central Admin	3	3	0	0	Good
Property Investment	5	1	4	0	Limited
Total: 18 Audit Reports (20)	83	60	22	1	
	100%	72.3%	26.5%	1.2%	
Summary of Assurance					
Good/Substantial Assurance	16 (15)		88.9 % (71.4%)		
Limited/Minimal Assurance	2 (6)		11.1 % (28.6%)		
Other Work Completed (No Report Required) – Planned 5, Completed 5 (100%)					
Brexit Issues	Consultancy work				
ERP System – Implementation/Ongoing Advice	Consultancy work				
Grants – Income Maximisation	Replaced by other consultancy work				
Joint Waste Contract (New Contract)	Consultancy work				
Sports Centre Development	Replaced by other consultancy work				
Audit Work Not Completed at Year End – Total 6					
Camber Beach and Foreshore	Postponed due to timing issues				
ICT Governance	Work in progress (90% complete)				
Land Charges	Postponed due to staff turnover				
Transformation Projects Implementation	Work in progress (10% complete)				
U4BW ERP Computer System – Health Check	Postponed as project still in progress				
Waste Contract – RDC Client Control	Postponed due to coronavirus outbreak				
Total Work Planned 2019/20					
	28 (27)		Percentage of Plan Completed		
Total Work Completed 2019/20 <i>Excluding audits brought forward</i>	23.0 (24.3)		82.1 % (90.0%)		

Previous year's performance italicised and in brackets

Whistleblowing Activity 2019/20

A total of 21 whistleblowing cases were reported to the Audit Manager in 2019/20. This is marked increase on the 12 cases received in the previous financial year.

The cases received in 2019/20 are made up of emails and webforms sent to the audit@rother.gov.uk mailbox (17), letters received by the Audit Manager (2) and referrals made in person (2). The figure does not however include any cases reported via the Benefit Fraud Hotline 01424 787737 or submitted using the online Benefits 'Report a Fraud' form as both these channels go direct to the Revenues and Benefits Team.

The breakdown of whistleblowing cases by the type of allegation is as follows:

Allegation	Number of Cases
Benefit/Council Tax Fraud	11
Housing Issue/Tenancy Fraud	5
Officer/Member Conduct Issue	3
Planning Enforcement Issue	3
Environmental Health – Licensing/Noise Nuisance Issue	2
Adult Social Care Fraud	1
Highways Issue – Road Sign Theft	1
Tax Evasion Issue	1
Total	27

Note - Some whistleblowing referrals covered more than one issue.

All cases were initially reviewed by the Audit Manager to establish if there was any evidence to substantiate the claims being made. The cases were then either referred to the relevant Council officer for further investigation or reported to the appropriate authority. None of the Officer/Member conduct issues were however fraud-related and all were therefore referred to the relevant senior manager or Monitoring Officer as appropriate.

The Audit Manager is not generally informed about the outcome of the referrals he passes on, but it can be reported that one of the Planning Enforcement referrals did result in two previously unknown properties in the Battle area being banded for Council Tax.

Rother District Council

Report to	-	Audit and Standards Committee
Date	-	22 June 2020
Report of the	-	Executive Director
Subject	-	Internal Audit Plan Update

Recommendation: It be **RESOLVED:** That

- 1) the new approach to Internal Audit work (as set out in this report) be approved and adopted until such time as the impact of the COVID-19 pandemic on normal Council business is significantly reduced; and
 - 2) the Internal Audit Plan for 2020/21 (Quarter 2) be approved.
-

Audit Manager: Gary Angell

Introduction

1. The Accounts and Audit Regulations 2015 require the Council to “undertake an effective Internal Audit to evaluate the effectiveness of risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”. The proper practice for the Internal Audit Service is laid down in the Public Sector Internal Audit Standards (hereafter referred to as “the Standards”).
2. These standards are ordinarily met by establishing a risk-based plan at the start of the financial year to ensure that the priorities of the Internal Audit Service are consistent with the Council’s goals. However, the audit planning process has been disrupted this year by the coronavirus outbreak and the work plan originally proposed for 2020/21 has had to be abandoned.
3. A new plan is therefore required but changes to the risk landscape and working practices brought about by the COVID-19 pandemic, will necessitate a radical new approach, some aspects of which may differ from the one documented in the Internal Audit Charter. The new approach will however still need to provide sufficient coverage to enable the Audit Manager to produce an annual Internal Audit opinion on the Council’s control environment.
4. The Standards require that the Audit Manager communicate the plan and resource requirements, including significant interim changes, to senior management and the Audit and Standards Committee for review and approval. For this year at least, this will be done via quarterly Internal Audit Plan updates.

Challenges Facing Internal Audit

5. To date, the Council’s response to the COVID-19 pandemic has affected the Internal Audit team in the following ways:

- **Transition to home working** – Before the crisis, Internal Audit was almost entirely office-based and reliant on face-to-face contact for many aspects of its work. Home working has meant that new ways of working have had to be found;
 - **Reduced staff resources** – Not all of the auditors were initially able to work from home following the Government lockdown, but the team is now back to full capacity;
 - **Reduced productivity** – Internal Audit is not currently able to carry out routine audit work because officers responding to the pandemic have other, more pressing, issues to attend to;
 - **Reduced consultancy work** – The volume of audit advice and requests for consultancy work has dropped in the first quarter, probably as a result of officers having to deal with an unprecedented crisis at speed. Moving forward, management will be encouraged to use Internal Audit's expertise in risk and control matters in a collaborative way to effectively manage risk whilst at the same time maintaining operational efficiency;
 - **New risks have emerged** – The Council's risk profile has changed meaning that existing work plans are no longer viable. In the absence of an Audit Plan, auditors have spent most of their time on counter fraud duties rather than assurance work.
6. All of these factors have had a negative impact on the Internal Audit Service and will result in fewer audit reports being issued in the first quarter of 2020/21 than would normally be expected.
7. Given the level of change experienced across the Council, it is now more important than ever that Internal Audit find a way to continue to provide assurance and advice where it is needed most. A new, more flexible approach is therefore required to cope with the current unprecedented circumstances and to encourage greater management engagement.

New Approach

8. The Audit Manager gave a verbal update at the last meeting outlining his proposals for a new approach to Internal Audit work in 2020/21. These points are repeated below together with a progress update on each item.
- i. **Replace the 2020/21 Audit Plan with a quarterly plan** – This will cover both existing high-risk priorities and those that have emerged as a result of the COVID-19 crisis. A rolling six-month indicative plan would also accompany this, detailing other work which could be undertaken. All such plans will mainly be comprised of short audits and consultancy.

Progress – A revised work plan for quarter 2 has now been produced and is shown later in this report.
 - ii. **Devise a faster mechanism for reporting audit findings** – For example, this might mean reducing the scope of Internal Audit's work to focus only on the business-critical issues and reporting findings via less formal routes such as Microsoft Teams. Such an approach may also result in fewer conventional audit reports being issued during the year.

Progress – The Audit Manager is still considering the best method for achieving this and how the results of audit work will be reported to this committee.

- iii. **Remind management that Internal Audit are here to help** – Internal Audit needs to re-engage with management to ensure that it is kept informed about new and emerging risks and is given the opportunity to advise on changes of control. To encourage participation it will be emphasised that all normal audit work is suspended at present and that Internal Audit will be looking to help, rather than hinder, the Council's response to the COVID-19 pandemic.

Progress - The Audit Manager has written to all Heads of Service and Corporate Core managers and will follow up any that do not respond.

- iv. **Temporarily halt follow-up action** – All action to follow-up audit recommendations will cease for an initial three-month period, except where they concern business-critical issues or matters which could impact on the Council's response to the COVID-19 pandemic. The Audit Manager will review the situation again on 30 June 2020 and may extend this concession for a further period if he feels it is appropriate to do so.

Progress – There are no high risk audit recommendations outstanding at present. No follow-up action has therefore been undertaken this quarter.

- v. **Make allowances for potential redeployment** – Internal Audit is prepared to forego audit work for short periods of time to assist with the Council's response to the COVID-19 pandemic. Where this means stepping into roles and tasks that take away our audit independence, this will be reported to the Audit and Standards Committee and taken into consideration when providing our annual Internal Audit opinion.

Progress – An allowance for consultancy work and possible redeployment has been made in the new Audit Plan. Internal Audit is currently advising on the implementation of Discretionary Business Support Grants and expects to play a part in the verification of applications moving forward.

9. The above approach is only intended as a temporary measure to cope with the current situation, but it may well need to operate for the rest of this financial year and possibly beyond. That said, certain aspects (e.g. the option to work remotely, changes to reporting procedures, etc) will be retained and incorporated into any future approach if they prove to be effective.

Audit Plan 2020/21

10. This year's plan should have been based on the second year of a three-year Strategic Audit Plan which was approved by Members in March 2019. However, the risks Internal Audit will now need to focus on for the rest of the year are expected to be very different from the ones previously predicted. It has therefore been necessary to devise a new plan which will better meet the immediate needs of the Council.

11. At present, it is only possible to provide an outline of the audit work that will be undertaken during the year because the Audit Manager is still in the process of gathering information on (a) the key risk areas that have emerged from the COVID-19 pandemic, and (b) the pressure points and challenges facing the Council over the next 3 to 6 months. Three-monthly plans will therefore be presented to this Committee each quarter until the effects of the current crisis have abated.
12. The Audit Plan for the second quarter of 2020/21 is shown in Appendix A. This sets out Internal Audit's work programme to obtain assurance on the Council's control environment.
13. Apart from the plan now being produced on a quarterly, rather than annual, basis, Members will also note two other significant departures from previous practice. Firstly, no distinction is made between priority audits and consultancy work. Both are currently listed in the same section. This is because it is unclear at this stage how much work each task will involve. Those that require more work will be treated as short, focused audits. Secondly, none of the items listed in the Priority Audits/Consultancy Work section are given individual time allocations. This is for the same reason. The total time available for all work in this section is however shown in the plan. The Internal Audit team's success or otherwise of completing the work within this time target will be reported at the next meeting.
14. A further development this quarter is the introduction of an Indicative Plan for the next six month period. This is attached in Appendix B. It provides a preview of the proposed work programme for later in the year and is reported here to allow Members to see what other audit work is also on the horizon.
15. Both the quarterly plan and indicative plan contained in this report have been reviewed by the Strategic Management Team and are supported by them. These plans will however need to be kept under review by the Audit Manager and may need to change at short notice if new risks emerge. Members will be notified of any changes made in future updates to this Committee.

Resources

16. Best practice dictates that the plan should meet the audit needs of the organisation, regardless of the level of resources available to deliver it. If the days required exceed the days available, then it is for senior management to decide whether additional resources should be made available or whether they are content to accept the risks involved of not carrying out some of the reviews, and state which reviews should be omitted.
17. Owing to the difficulty experienced in formulating a definitive work plan in the midst of the COVID-19 pandemic, it has not been possible to properly quantify the audit needs at this time. It has therefore had to be assumed that the existing staff resources will be sufficient. This is not ideal, but the situation will be kept under review and the Audit and Standards Committee will be informed if it later transpires that this is not the case.
18. What is known, is that the coronavirus outbreak has already had a negative impact on audit staff resources available in the first quarter of 2020/21 and the Internal Audit team has only been back to full strength since 20 May 2020.

However, with all three auditors now able to work from home, the team should be in a much stronger position to carry out the work planned in Quarter 2.

19. The Internal Audit resources for 2020/21 are shown in Appendix C. This also includes an estimate of the resources available in each quarter. This provides for 124 days of audit work in Quarter 2.

Reporting Arrangements

20. Progress against the plan will be monitored by the Audit Manager and reported to the Audit and Standards Committee at the next meeting.

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.

AUDIT PLAN 2020/21 (Quarter 2)

01/07/20 to 30/09/20

PRIORITY AUDITS/CONSULTANCY WORK	DAYS
Business Support Grants - Post Payment Verification checks	
COVID-19 Health & Safety Risks	
COVID-19 Risk Management	
Cyber Security and Remote Working	
Exit Strategy for the Return to Business As Usual	
Joint Waste Contract - Central Admin	
Protection of Car Park Cash Income	
Protection of Community Infrastructure Levy Income	
Protection of Estates Income	
TOTAL	90

COUNTER FRAUD WORK	DAYS
Fraud Analysis & Referrals	10
NFI Coordination & Review	5
TOTAL	15

OTHER WORK	DAYS
Audit Advice/Special Investigations	16
Committee Representation and Training	2
Liaison with External Audit	1
Recommendation Follow Up	0
TOTAL	19

TOTAL CHARGEABLE DAYS	124
NUMBER OF PRIORITY AUDITS/CONSULTANCY WORK	9

INDICATIVE PLAN FOR NEXT SIX MONTHS

Other proposed audit work to be scheduled from 1 October.

Governance Audits
Benefits
Business Rates
Cash and Banking
Council Tax
Creditors
Debtors
ICT Governance
Main Accounting
Payroll
Treasury Management
High/Medium Risk Audits
BACS/BACSTEL-IP Computer System
Homelessness Prevention
Consultancy Work
ERP System – Implementation /Ongoing Advice
ERP System – HR/Self-Service Health Check

Notes

- 1) The above information is for guidance only and may be subject to change.
- 2) Audit coverage may be reduced in some instances to focus on business-critical risks

INTERNAL AUDIT RESOURCES 2020/21

AUDIT TEAM	TOTALS	Audit Manager	Senior Auditor	Internal Auditor
FTE POSTS	3.0	1.0	1.0	1.0
DAYS AVAILABLE	783	261	261	261

PLANNED AUDIT WORK	Days	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Priority Audits/Consultancy Work	341	38	90	107	106
Counter Fraud Work	75	30	15	15	15
Other Work	65	6	19	20	20
TOTAL CHARGEABLE DAYS	481	74	124	142	141

NON-CHARGEABLE TIME	Days			
Supervision & Management	35	30	5	0
Team Meetings	18	6	6	6
Seminars & Training	12	3	3	6
Planning & Business Development	20	20	0	0
Performance Appraisals	4	2	1	1
Annual Leave (Inc. Days Carried Over)	87	33	32	22
Public Holidays	24	8	8	8
Sickness	15	5	5	5
Maternity/Paternity Leave	0	0	0	0
Vacancies/Recruitment	0	0	0	0
COVID-19 Pandemic - Disruption (Actual)	57	0	38	19
COVID-19 Pandemic - Redeployment	30	10	10	10
TOTAL NON-CHARGEABLE DAYS	302	117	108	77

TOTAL RESOURCE REQUIREMENT	783
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TOTAL AVAILABLE DAYS	783
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ESTIMATED RESOURCES FOR PLANNED AUDIT WORK	Available Days	Non-Chrg Time	Resources Available
Quarter 1	195	121	74
Quarter 2	198	74	124
Quarter 3	198	56	142
Quarter 4	192	51	141
TOTALS	783	302	481

Rother District Council

Report to	-	Audit and Standards Committee
Date	-	22 June 2020
Report of the	-	Ex-Chairman, Councillor Kevin Dixon
Subject	-	Impartiality of Internal Audit

Recommendation: It be **RESOLVED:** That:

- 1) the report on the Rother District Council Internal Auditors' impartiality and ability to express their opinions freely be noted; and
 - 2) that the Chairman of the Audit and Standards Committee be required to carry out this impartiality exercise on an annual basis.
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Introduction

1. The Chairman of Audit and Standards Committee attended the Local Audit Quality Forum in June 2019.
2. Attention was drawn to a Chartered Institute of Public Finance and Accountancy Ethics Survey in 2018, where 57% of respondents of their members and public sector accountants said they had been put under pressure or felt under pressure to act in a professionally unethical way.
3. It was recommended at the Forum that Chairmen of Audit Committees should have individual and confidential conversations with their Internal Audit teams to verify their impartiality, and their ability to express their Audit opinions freely, and without influence by others.
4. It was also recommended that Internal Audit had free and open access to the Committee and its Chairman.
5. I can confirm that I have had conversations with all three members of the Internal Audit Department, and they have confirmed to me their impartiality and ability to express audit opinions freely.
6. I can also confirm that the Head of Audit has free and open access to me as Chairman, and we have had conversations outside the committee setting throughout the year.

Conclusion

7. I would recommend to the Committee that the Chairman of Audit and Standards is required to complete this exercise every year as best practice, and to re-confirm the true independent nature of Rother District Council's Internal Audit Department.

Councillor Kevin Dixon
 Ex-Chairman, Audit and Standards Committee

Risk Assessment Statement

Failure to consider the impartiality of the Council's Internal Audit Department could result in the Council's Audit Processes being ambiguous and open to challenge.

AUDIT AND STANDARDS COMMITTEE

WORK PROGRAMME 2020 – 2021	
DATE OF COMMITTEE	SUBJECT
Monday 22 June 2020	<p>Part A – Standards Reports</p> <ul style="list-style-type: none"> • Code of Conduct Complaints Monitoring and Other Standards Matters • Ombudsman Complaints Monitoring • Member Complaints - Public Interest Test <p>Part B – Audit Reports</p> <ul style="list-style-type: none"> • Internal Audit Report to 31 March 2020 • Internal Audit Plan Update • Impartiality of Internal Audit
Wednesday 29 July 2020	<p>Part A – Standards Reports (none scheduled)</p> <p>Part B – Audit Reports</p> <ul style="list-style-type: none"> • Grant Thornton – Annual Governance Report 2019/20 • Statement of Accounts 2019/20 • Treasury Management Report – 2019/20 Outturn
Monday 28 September 2020	<p>Part A – Standards Reports (none scheduled)</p> <p>Part B – Audit Reports</p> <ul style="list-style-type: none"> • Internal Audit Report to 30 June 2020 • Internal Audit Plan Update • Treasury Management Report • Risk Management Update – TBC
Monday 7 December 2020	<p>Part A – Standards Reports</p> <ul style="list-style-type: none"> • Code of Conduct Complaints Monitoring • Local Government Ombudsman Complaints Monitoring and Annual Review 2019-2020 <p>Part B – Audit Reports</p> <ul style="list-style-type: none"> • Grant Thornton – Annual Audit Letter 2019-20 • Internal Audit Report to 30 September 2020 • Internal Audit Plan Update • Risk Management Update - TBC • Treasury Management Report
Monday 22 March 2021	<p>Part A – Standards Reports (none scheduled)</p> <p>Part B – Audit Reports</p> <ul style="list-style-type: none"> • Grant Thornton – Audit Progress Report and Sector Update • Grant Thornton – External Audit Plan 2020-21 • Internal Audit Report to 31 December 2020 • Internal Audit Plan 2021-22 • Review of Internal Audit 2020-21

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| | <ul style="list-style-type: none">• Annual Governance Statement• Annual Property Investment Update• Treasury Management Update• Accounting Policies 2020-21• Annual Risk Management Update |
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ITEMS FOR CONSIDERATION	
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| <ul style="list-style-type: none">• Appointment of the Audit Independent Person – post recruitment process | |
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