

Rother District Council

Report to	-	Audit and Standards Committee
Date	-	9 December 2019
Report of the	-	Executive Director
Subject	-	Internal Audit Report to 30 September 2019

Recommendation: It be **RESOLVED:** That the Internal Audit report to 30 September 2019 be noted.

Audit Manager: Gary Angell

Introduction

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

Current Position

3. Owing to a combination of audit overruns and other circumstances beyond our control, overall progress on the 2019/20 Audit Plan is slightly behind target at present, meaning that some of the planned audits may not be carried out this financial year. For example, it has not been possible to perform the planned health check of the U4BW ERP Computer System because some of the system is still being built. At least one other audit may also have to be put on hold due to timing issues.
4. On a more positive note, the annual Governance Audits are now well underway and the Internal Audit Team is making good progress. This means that it may be possible to recoup some time to undertake other planned work assuming no major issues are found.

Summary of Activity to 30 September 2019

5. Three audit reports were issued in the quarter. Two of these provided good or substantial assurance on the overall governance arrangements. However, the third report (Car Park Income) only provided limited assurance. An overview of the findings arising from all three audits is given in Appendix A.
6. The Car Park Income audit received a limited rating owing to the issues found with the operation of the Western Car Park, Camber. The precise nature of the audit findings are the subject of a separate confidential report elsewhere on this agenda.

7. Work on four other audits (Housing Allocations, Property Investment, Community Infrastructure Levy (CIL) and Software Licensing) was also at an advanced stage on 30 September 2019 and the reports should be issued soon.

Implementation of Audit Recommendations

8. Each quarter, Members are updated on the progress made on implementing the audit recommendations reported at previous meetings. Appendix B shows a summary of the current position.
9. From this it can be seen that all recommendations issued to date in the current financial year have been implemented. However, progress on the older year recommendations has been quite slow this quarter with a total of 13 recommendations still outstanding (i.e. 3 in 2017/18 and 10 in 2018/19). All cases where there has been no movement in the past six months have therefore been brought to the attention of the Executive Directors for further action.
10. At the last meeting, Members expressed concern that three recommendations from 2017/18 were still outstanding and they requested a progress update at the next meeting. This information is provided in Appendix C. In summary, progress is now being made to address all of these issues although none have so far been resolved.

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.

HMO LICENSING AUDIT**ROTHER DISTRICT COUNCIL**

Head of Service: Richard Parker-Harding

Officer(s) Responsible for Implementing Recommendations: Cathy Beaumont and Sam Smith

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**).

Licensing Scheme – There is a proper system in place for HMO licensing.	M
Registration – The Council maintains a register of all licensed HMOs and all licensing applications are promptly processed. Measures are also in place to identify unlicensed properties.	M
Licence Fees – Applicants for HMO licences pay the correct fee.	M
Inspection and Monitoring Arrangements – All HMO properties are inspected prior to the issue of a licence to ensure that all relevant conditions have been met. Existing HMOs are monitored to ensure continued compliance.	P
Enforcement – The Council has an enforcement policy for properties which do not comply with HMO legislation and action taken by officers is proportionate and applied consistently.	M

Level of Assurance

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

The only noteworthy issue found relates to the record keeping. Whilst it would appear that licences are being correctly issued and evidence of compliance is being obtained or followed up, this information is not always captured on the M3 computer system. It is important that all such information is entered on (or uploaded to) this system to ensure that the Council maintains a complete, accurate and up-to-date record of all HMO activity.

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
August 2019

ROTHER DISTRICT COUNCIL**JOINT WASTE CONTRACT – CENTRAL ADMIN AUDIT**

Service Manager: Madeleine Gorman

Overall Level of Assurance: **GOOD**

Introduction

A Joint Waste and Beach and Street Cleaning Service was procured by Eastbourne, Hastings, Rother and Wealden Councils and the contract was awarded to Kier Services Limited in October 2012. The contract commenced at Eastbourne and Wealden on 1 April 2013, Hastings on 2 July 2013, and Rother on 1 April 2014 and was originally due to run until 31 March 2023, but was terminated early by mutual agreement and actually ended on 28 June 2019.

A replacement contract with another provider has since come into force, but this audit concentrates on the final months of the Kier contract.

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

Purpose & Objectives

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

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

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

Limitations on Audit Coverage

The audit solely focuses on the Joint Waste Team and the adequacy of its procedures in relation to the outgoing Kier contract. It includes a review of the final payments made to Kier and the apportionment of all remaining costs across the Partnership.

The report is not intended to provide any assurance on the day-to-day operational management of the contract at any of the partner authorities. It is the responsibility of

the Internal Audit team at each authority to review the adequacy of its own Contract Compliance Team.

Control Objectives

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

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

Level of Assurance

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

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
September 2019

CAR PARK INCOME AUDIT**ROTHER DISTRICT COUNCIL**

Head of Service: Joe Powell

Officer(s) Responsible for Implementing Recommendations: Deborah Kenneally, Lynsey Goodwill and Hayley Cornford

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.

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**).

Cash Collection Contract – The Council's car park cash collection arrangements are covered by a suitably worded contract.	M
Other Car Park Income Contracts – The collection of car park income via mobile phone apps, card payments made at the machines and/or any other on site arrangements are covered by suitably worded contracts.	N
Income Collection and Security – All approved car parking charges are collected, the income accounted for, and recovery action taken in respect of unpaid standard charge notices. Arrangements exist to ensure the security of cash collected, and the safety of staff.	P
Contract Payments – All contract payments are correct.	M
Budgetary Control – All income and expenditure is correctly accounted for and the budget monitored and controlled.	M

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 and nature of the issues found.

The key findings are as follows:

- **Western Car Park, Camber** – Issues were raised during the audit over the use of ANPR (Automatic Number Plate Recognition) cameras for enforcement purposes. This will be the subject of a separate report to the Audit and Standards Committee.

- **All Pay and Display Car Parks** – There is no signed contract in place with Cobalt Technologies for use of the RingGo app. This issue was also raised at the last audit in August 2017.

Executive Summary

Overall, the control objectives are considered to have only been partially met. We have made four medium and three low risk recommendations in order to improve the governance arrangements.

This audit has been given a 'Limited' assurance rating owing to the issues found with the operation of the Western Car Park, Camber. It should be noted, however, that controls over all other car park income, including penalty income, are operating satisfactorily.

Internal Audit Service
September 2019

Summary of Progress on Recommendations Made up to 30 June 2019

Audit Recommendations 2017/18 and 2018/19

Previous quarter's performance shown in brackets

Risk	Issued	Implemented	Work-in-Progress	Not Started
High	5	5 (5)	0 (0)	0 (0)
Medium	77	66 (62)	8 (10)	3 (5)
Low	58	56 (51)	1 (3)	1 (4)
Total	140	127 (118)	9 (13)	4 (9)
		90.7% (84.3%)	6.4% (9.3%)	2.9% (6.4%)

Breakdown of outstanding audit recommendations for 2017/18 and 2018/19 by Head of Service:

Robin Vennard (Resources)

- Data Protection – issued 22/09/17 (1 Medium, 1 Low)] See Appendix C for
- ICT Governance 2017/18 – issued 06/04/18 (1 Low)] progress update
- Procurement – issued 05/10/18 (2 Medium)
- Council Tax – issued 04/01/19 (1 Medium, 1 Low)
- ICT Network Security – issued 16/01/19 (1 Low)
- Creditors – issued 12/03/19 (1 Medium)
- ICT Governance 2018/19 – issued 12/04/19 (3 Medium)
- Payroll – issued 18/04/19 (1 Medium)

Audit Recommendations 2019/20 (up to 30 June 2019)

Risk	Issued	Implemented	Work-in-Progress	Not Started
High	0	0	0	0
Medium	5	5	0	0
Low	2	2	0	0
Total	7	7	0	0
		100%	0%	0%

Position Update on Outstanding 2017/18 Audit Recommendations – Issue 1 (Document Retention Policy)

Data Protection Report – issued 22/09/17					
Ref	Finding/Risk	Recommendation	Risk Rating	Summary of Progress to Date	Current Position
1.3	<p>Finding</p> <p>The Council does not currently have a document retention policy which is consistent across the whole authority.</p> <p>Risk</p> <p>Data is not up-to-date or is retained longer than necessary leading to a breach in Data Protection legislation.</p>	<p>The Data Protection Officer (DPO) should chase the relevant Heads of Service for the outstanding information in order to finalise and implement a corporate-wide document retention policy.</p>	Low	<p>This recommendation was originally directed at a former DPO who had started the process of creating a corporate-wide document retention policy. However, not all Service areas provided sufficient information to move this matter forward and the DPO who initiated this approach has since left the authority. Responsibility for the role of DPO has now passed to the ICT Manager.</p> <p>The recommendation has been partly addressed by the many privacy notices placed on the Rother website as part of General Data Protection Regulation (GDPR) compliance. However, whilst all such notices include a data retention element, they do not provide any guidance on the retention of specific documents (e.g. receipt books, contracts, employee records, etc) as this is not their purpose. Consequently, some managers remain unclear how long how these items should be kept.</p> <p>In May 2019, the Assistant Director Resources confirmed that an overarching retention policy was being written to include specific service based retention requirements.</p>	<p>Work-in-progress</p> <p>The following progress update was received from the Assistant Director Resources on 15/11/19.</p> <p>“The document retention periods are set out in the Council Privacy Statements, as shown on the Council’s website. The Assistant Director Resources will progress with Heads of Service for those areas of business not covered by these and will incorporate into an overarching document which details the principles of information management. This work will need to be managed within the many conflicting priorities of the Council’s services. As such it is unlikely to be completed before the end of 2020.”</p>

Position Update on Outstanding 2017/18 Audit Recommendations – Issue 2 (Data Protection Training)

Data Protection Report – issued 22/09/17					
Ref	Finding/Risk	Recommendation	Risk Rating	Summary of Progress to Date	Current Position
1.4	<p>Finding</p> <p>Staff refresher training was last held in March 2017 but at least one fifth of the workforce never attended.</p> <p>Risk</p> <p>Human error is the main reason for data breaches and a thorough training programme is essential to reduce the risk of data loss and consequential reputational damage and financial penalties.</p>	<p>All staff should be required to attend regular data protection training and the DPO should maintain a list (and run additional sessions as necessary) to ensure 100% attendance.</p> <p><u>Note</u> – The need to be able to demonstrate that all staff are receiving regular data protection training is now more important than ever following the introduction of GDPR.</p>	Medium	<p>The implementation of this recommendation has also been delayed because it was originally directed at a former DPO.</p> <p>Some GDPR training has since been provided but only for a limited number of staff.</p> <p>Earlier this year, the new DPO stated that Rother would be providing online compulsory training via an existing online provider. However, this plan fell through when it was found that the contract with the provider only covered Wealden DC shared staff.</p> <p>The DPO has since referred the matter to Human Resources to source a corporate solution.</p>	<p>Work-in-progress</p> <p>The following progress update was received from the ICT Manager on 11/11/19.</p> <p>“All GDPR training is currently being sourced by the HR Manager.”</p> <p>A verbal update was also obtained from the HR Manager on 13/11/19.</p> <p>This confirmed that the HR Manager has been working on sourcing a corporate training solution since October 2019. Three different providers have been considered and the preferred solution has now been chosen.</p> <p>The new system will be used to provide mandatory data protection training and should be rolled out to all staff and Members at some point in the New Year.</p>

Position Update on Outstanding 2017/18 Audit Recommendations – Issue 3 (Off-Site Disaster Recovery Exercise)

ICT Governance Report (2017/18 Review) – issued 06/04/18					
Ref	Finding/Risk	Recommendation	Risk Rating	Summary of Progress to Date	Current Position
2.2	<p>Finding</p> <p>No off-site disaster recovery exercises have taken place for several years and recent staff turnover has seen a reduction in the number of staff with practical experience in this area.</p> <p>Risk</p> <p>Disaster recovery arrangements are inadequate resulting in an inability to reinstate key services within a reasonable timescale/adverse publicity.</p>	<p>An off-site disaster recovery exercise should be carried out to provide assurance that all essential services can be recovered.</p>	Low	<p>A further off-site disaster recovery exercise is yet to take place.</p> <p>The recommendation was originally rated as a medium risk. This has since been downgraded to low risk following improvements made to the structure and resilience of the Rother ICT network. However, the Council still needs to be confident that it can recover from a major disaster involving loss of hardware (e.g. fire damage) and only an off-site disaster recovery exercise will confirm this.</p> <p><u>Note</u> - The Council has a contract with ADAM Continuity Ltd to provide a mobile disaster recovery facility and replacement hardware in the event of a major disaster. Rother ICT staff would then be responsible for re-building the ICT systems from scratch using servers hosted remotely and security backups. This is what needs to be tested.</p>	<p>Work-in-progress</p> <p>The following progress update was received from the Assistant Director Resources on 15/11/19.</p> <p>“A disaster recovery exercise is scheduled once the current Email Exchange server migration is complete. We have engaged ADAM (our offsite disaster recovery support) for Friday 15 November 2019 to scope the exercise. This is needed to reflect the changes in the Council’s infrastructure and how systems are deployed.”</p>