

## Rother District Council

**Report to:** Audit and Standards Committee

**Date:** 21 June 2021

**Title:** Internal Audit – Annual Report and Opinion 2020/21

**Report of:** Audit Manager

**Purpose of Report:** To summarise the work undertaken by Internal Audit in 2020/21; to report on the Internal Audit Team's performance during the year; and to provide an opinion on the Council's control environment based on the results of the Internal Audit work.

### Officer

**Recommendation(s):** It be **RESOLVED:** That:

- 1) Internal Audit's activity and performance in 2020/21 be noted; and
  - 2) the Audit Manager's opinion on the control environment (paragraph 37) be approved.
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### 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 2021, 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.

## **Issues Impacting on the Delivery of the 2020/21 Audit Plan**

6. Ordinarily, a risk-based plan is established and agreed prior to the start of the financial year. However, the audit planning process in 2020/21 was disrupted by the coronavirus outbreak and the work plan originally proposed had to be abandoned.
7. The specific challenges facing the Internal Audit Team in the first half of 2020/21 were documented in the Internal Audit Plan Update reported to this Committee in June 2020. These included the transition to home working, staff resourcing/connectivity issues and reduced productivity because it was not possible to carry out routine audit work while officers were in the midst of responding to the crisis. The Council's risk profile also changed. A new, more flexible approach was therefore required to reflect both the changes to the risk landscape and the working practices brought about by the pandemic.
8. The new approach, which was approved by this Committee on 22 June 2020 (Minute AS20/09 refers) included replacing the 2020/21 Audit Plan with quarterly work plans and the implementation of a number of shorter, more focused reviews concentrating on the business-critical issues. The quarterly work plans helped manage the uncertainty from one period to the next, and the shorter audit format enabled faster reporting on those activities which were deemed a priority in light of the pandemic.
9. Whilst many of the barriers which initially impeded the normal operation of Internal Audit slowly began to fade as the year progressed, remote auditing presents its own challenges, and difficulties in gaining access to paper-based evidence when most officers are working from home continues to be an issue.

## **Summary of Activity in Quarter 4**

10. Six audit reviews were completed in the final quarter of 2020/21. All provided good or substantial assurance on the overall governance arrangements. An overview of the findings arising from these audits is given in Appendix A.

## **Overall Performance in 2020/21**

11. Appendix B provides a summary of all audit reports completed in 2020/21, 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 2020/21 have already been reported to this Committee at previous meetings.
12. This summary shows 90% of the 2020/21 Audit Plan was completed and only two planned audits (Payroll and CIL Income COVID Risks) were still outstanding at the end of the financial year. Both of these were completed in April 2021.
13. On face value, both Internal Audit's performance and level of assurance obtained from its work would appear to show an improvement on the previous year. However, it should be borne in mind that no audit reports were issued in the first quarter of 2020/21 due to the impact of the pandemic, and Internal Audit's approach had to be modified in order for it to be able to continue to function. This has meant that fewer controls were examined than would

normally be the case, and the results cannot readily be compared with the performance in previous years.

### **Implementation of Audit Recommendations**

14. Each quarter, Members are updated on the progress made on implementing the audit recommendations reported at previous meetings. Appendix C shows a summary of the current position.
15. From this it can be seen that the situation regarding the old year recommendations is now starting to improve. Progress also continues to be made in respect of most of the remaining cases although the number of long outstanding (i.e. pre-April 2019) recommendations (5) is unchanged since the last quarter. The Chief Executive is being kept informed about the progress on all old year recommendations and is working with the relevant Heads of Service to ensure that they are resolved as soon as possible.
16. The position regarding recommendations made in the current financial year remains good, with all nine recommendations having been implemented.

### **Counter Fraud Work**

17. In addition to compliance work, the Audit Manager also coordinates the annual National Fraud Initiative (NFI) data matching exercises. Unfortunately, this work did not result in any financial savings in 2020/21 because there was no capacity within the Internal Audit or Revenues and Benefits Teams to analyse and follow up cases due to the pandemic.
18. Internal Audit also allocates time each year to undertake other counter fraud duties. This work primarily focuses on council tax and business rates. On the council tax side, this has resulted in the identification of unbanded dwellings and the removal of discounts/disregards that are no longer applicable. The issues found on the business rates side mostly consisted of small business rate relief being wrongly applied and unrated holiday lets. All of these cases were followed up with the help of colleagues in the Revenues and Benefits Team and an additional £37,878 of revenue income is now being collected as a result. Clearly, the total savings would have been far higher had the Government's Coronavirus Relief Scheme not been in place at the time these issues were discovered.

### **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. However, only one confirmed saving was found as a by-product of this work in 2020/21. This was in respect of a £1,800 duplicate invoice payment which has since been recovered.

### **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 2020/21) was approved by Members on 22 March 2021 (Minute AS20/52 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 would ordinarily be used to capture client feedback both from operational management and Heads of Service. However, no questionnaires were issued in 2020/21 due to the limited scope of many of the audits carried out during the COVID-19 pandemic. No data is therefore available to measure customer satisfaction on this occasion, but client feedback will be reintroduced in 2021/22 following a return to more traditional audit coverage.

## Performance Measures

25. 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 2020/21 together with the actual results for the year.

Performance Indicator	Target	Actual
Audit Plan – Percentage of governance audits completed.	100%	89%
Audit Plan – Percentage of overall audit plan completed.	90%	90%
Audit Assignments – Final reports issued within 15 days of second draft report *.	90%	100%
Audit Recommendations – Percentage of “high” risk recommendations accepted by management.	100%	None made
Satisfaction/Feedback – Overall percentage of customers rating the Internal Audit Service as “Good” or “Fair”.	90%	Not measured

\* Audit assignments that focused on a few key issues only had one draft report.

26. The governance audit target was not met on this occasion because the Payroll audit was still in progress at year end. However, the work was almost complete, and the audit report was issued on 15 April 2021.
27. No “high” risk recommendations were made during the year.
28. Customer satisfaction could not be measured as no client feedback was sought in 2020/21.

### **Conformance with the Public Sector Internal Audit Standards**

29. 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**

30. Under the Accounts and Audit Regulations 2015, ultimate responsibility for maintaining a sound system of internal control rests with the Council, but this has been delegated to the Assistant Director Resources (s.151 Officer). The assessment of the control environment is made in two ways, by reviewing the recommendations made in Internal Audit reports and by the production of the Annual Governance Statement. The Annual Governance Statement will be considered by the Committee later in this agenda.
31. The work carried out by Internal Audit in 2020/21 did not highlight any significant concerns regarding the internal control environment. However, it should be noted that the scope of much of this work was far more limited than usual owing to operational difficulties posed by the COVID-19 pandemic.
32. Known issues and areas of emerging risk that may impact on the Council include:
  - **Property Investment** – The Council has a Property Investment Strategy (PIS) for the acquisition and development of commercial property in the district. The purpose of this strategy is to stimulate economic activity and generate rental income to support the revenue budget. However, the pandemic has temporarily slowed activity in the PIS which has meant that income targets are not currently being achieved. Most recent activity has focused on development opportunities which will bring jobs and yield a return in the longer term but will require time to bring to fruition. The Property Investment Panel carefully considers all property investment opportunities and seeks professional advice before making acquisitions, but there are significant financial risks if the Council embarks on more speculative investments. Changes in working practices brought about by the pandemic may also have an impact on the future demand for commercial property and this could potentially have a negative impact on returns. As most property investment is funded through borrowing, returns are also very sensitive to increases in interest rates.
  - **U4BW ERP Implementation Project** – This project was originally due to complete in April 2018, but it is still ongoing. The Finance and Payroll modules have been operational since April and July 2018 respectively, and much of the Income Manager module has also been in place for some time.

However, the implementation of the Human Resources and Self Service modules, as well as specific aspects of the Income Manager module, are yet to be completed due to problems with system functionality. During 2020 the decision was taken to abandon the U4BW annual leave functionality and a new internally developed solution is now being implemented. Self Service functionality for expenses is still planned to be implemented during 2021.

- **Town Hall Redevelopment** – Proposals for the whole site redevelopment of the Town Hall complex have been approved by full Council. The project is still subject to planning permission at present but, if it proceeds as envisaged, the works should result in the delivery of a new, improved, energy efficient, working environment, as well as maximising commercial office space and providing much needed housing. The cost of this work will however be substantial and will need to be closely controlled if the overall expenditure is to remain cost neutral in the longer-term. Other risks which will need to be managed include the displacement of staff during the construction phase and the planned reduction in the office accommodation once work is complete. However, these risks should be minimised by the fact that most staff are already accustomed to working from home as a result of the pandemic and many do not anticipate returning to the office full time when things return to normal.
- **Bexhill Town Council** – A new parish (town) council for Bexhill-on-Sea has now been set up. However, it is currently unclear what services will transfer from Rother District Council to Bexhill Town Council. The ownership and responsibility for maintaining certain Council assets may also transfer across, as will a share of the cost of continuing to provide existing service contracts in the Bexhill area. Consequently, it remains to be seen what effect all this change will have on Rother District Council’s operations.
- **Housing Delivery** – The Council has embarked upon new initiatives to assist with the delivery of affordable housing and temporary accommodation. These include setting up a new housing company (Alliance Homes (Rother) Limited), which is wholly owned by the Council, and the purchasing of property for temporary accommodation. The financing and management of these activities will present both opportunities and risks for the Council.

### 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. The summary of the audit reports completed in 2020/21 (Appendix B) shows that no audits received a limited or minimal assurance rating and all 44 of the control objectives examined during the year were “met” at least in part. Whilst this is a good result, it should however be remembered that the 2020/21 Audit Plan was reduced in scope because of the pandemic, and some audit testing was not as extensive as would normally be the case.
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 and no significant concerns were found with the internal control environment
37. Taking all of the factors highlighted in this and the quarterly reports into account, the Audit Manager’s overall opinion on the Council’s framework of governance, risk management and control in 2020/21 is therefore that it is adequate and effective.

### Whistleblowing Activity 2020/21

38. An update on the Whistleblowing Policy activity in 2020/21 is provided in Appendix D.
39. In summary, a total of 34 whistleblowing cases were reported to the Audit Manager in 2020/21. This represents a 61% increase in the number of cases received in the previous financial year, but much of the growth can be attributed to COVID-19-related activity. The latest cases include a range of allegations, the majority of which focused on either Benefit/Council Tax Fraud or Housing Issue/Tenancy Fraud. A recent exercise has also resulted in the reporting of Unregistered Food Businesses. 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](#).

### Conclusion

41. Like many Council services, the Internal Audit Team’s activity and performance in 2020/21 was adversely affected by the coronavirus pandemic, and a new approach had to be adopted in order for it to continue to function. However Internal Audit still managed to review sufficient activities for the Audit Manager to be able to provide an opinion on the Council’s framework of governance, risk management and control.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	External Consultation	No
Environmental	No	Access to Information	No
Risk Management	No	Exempt from publication	No

  

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Appendices:	<ul style="list-style-type: none"> <li>A – Audit Reports issued during Quarter to 31 March 2021</li> <li>B – Audits Completed in 2020/21 and Overall Performance Against the Audit Plan</li> <li>C – Summary of Progress on Recommendations Made up to 31 December 2020</li> <li>D – Whistleblowing Activity 2020/21</li> </ul>
Relevant Previous Minutes:	AS20/09 Internal Audit Plan Update AS20/52 Review of Internal Audit 2020/21
Background Papers:	None.
Reference Documents:	None.

**COUNCIL TAX AUDIT**

Head of Service: Robin Vennard

Officer(s) Responsible for Implementing Recommendations: Chris Watchman and Rebecca Algar

Overall Level of Assurance: **SUBSTANTIAL**

**Purpose and Objectives**

The purpose of the audit is to provide organisational and departmental management with an assurance as to the adequacy of the control systems based on compliance with the control objectives set out in the table below.

These objectives are designed to assess the extent to which the organisation meets its legal requirements, its own needs and those of its stakeholders and how the control systems in place contribute to the overall governance arrangements and securing value for money from the Council's services and operations.

**Limitations of Coverage**

The COVID-19 pandemic has had a significant impact on the collection and recovery of Council Tax in 2020/21 and has meant that Visiting Officer inspections and normal recovery processes have so far been suspended for much of the year.

Audit coverage of the control objectives for *Valuation and Liability*, and *Recovery and Enforcement* has therefore had to be reduced accordingly, with only limited audit testing carried out in respect of the latter.

This reduced coverage should therefore be taken into account when reviewing the results of the audit and the level of assurance given.

**Control Objectives**

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

<b>Valuation and Liability (Reduced coverage)</b> – All taxable properties and liable persons are identified, and exemptions, discounts and disregards are correctly applied.	<b>M</b>
<b>Billing</b> – The Council complies with all statutory requirements for tax setting and amounts due in respect of each taxable property have been correctly calculated and payment promptly demanded.	<b>M</b>
<b>Collection and Refunds</b> – There is a sound system for the collection of income and the refund of overpayments.	<b>P</b>
<b>Recovery and Enforcement (Limited coverage only)</b> – All arrears are promptly identified, and effectively pursued in accordance with statutory requirements/laid down procedures. All write-offs are valid and authorised.	<b>M</b>

**Level of Assurance**

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

The only issues found were the need to (1) bring the reconciliations of income between the Academy and U4BW systems up to date, and (2) ensure that fund transfers and reallocations are subject to supervisory review.

Two recommendations are also still outstanding from previous audits. One of these relates to the monitoring of Visiting Officer inspections, and the other to changes required to the write-off authorisation procedure. It is pleasing to report that progress is now being made to address the Visiting Officer issue with the streamlining of procedures and the introduction of new monitoring software in the next few months. The effectiveness of these improvements will be reviewed at future audits.

**Executive Summary**

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

Internal Audit Service  
January 2021

**BUSINESS RATES AUDIT**

Head of Service: 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.

**Limitations of Coverage**

The COVID-19 pandemic has had a significant impact on the collection and recovery of Business Rates in 2020/21 and has meant that Visiting Officer inspections and normal recovery processes have so far been suspended for much of the year. The Government's decision to provide 100% Coronavirus Relief to all properties in the retail, leisure and hospitality sectors has also resulted in fewer current year debts.

Audit coverage of the control objectives for *Valuation and Liability*, and *Recovery and Enforcement* has therefore had to be reduced accordingly, with only limited audit testing carried out in respect of the latter.

This reduced coverage should therefore be taken into account when reviewing the results of the audit and the level of assurance given.

**Control Objectives**

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

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

### **Level of Assurance**

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

The only issues identified were the same as those found at the recent Council Tax audit, namely (1) to bring the reconciliation of income up to date, and (2) to re-establish supervisory review of fund transfers and reallocations.

One recommendation is also still outstanding from last year's audit. This relates to the need to ensure that empty business properties with a listed building status are subject to regular inspections, but this will not be addressed until Visitor Officer inspections resume.

### **Executive Summary**

Overall, the control objectives are considered to have largely been met. It was not necessary to make any recommendations to management on this occasion as both the issues found have already been addressed at the Council Tax audit.

Internal Audit Service  
January 2021

**ICT GOVERNANCE AUDIT**

Head of Service: Robin Vennard

Officer(s) Responsible for Implementing Recommendations: Graham McCallum

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**).

<b>Access Control</b> – ICT access security arrangements are adequate.	<b>M</b>
<b>Security of Data</b> – Data is held securely and can be recovered in the event of a disaster.	<b>P</b>
<b>Change Control</b> – Software updates and change controls are properly managed.	<b>M</b>

**Level of Assurance**

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

It is clear that the Infrastructure and Service Desk Team has coped well with the many technological and logistical challenges posed by the COVID-19 pandemic and has implemented change at a rapid pace to ensure that the Council can continue to function.

Only two new issues were identified as part of this review. Both are minor in nature and easily rectified. However, the assurance rating given reflects the fact that a recommendation to update and reissue the ICT Continuity Plan made at the 2018/19 audit is yet to be implemented.

**Executive Summary**

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

Internal Audit Service  
February 2021

**BENEFITS AUDIT**

Head of Service: 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.

**Limitations of Coverage**

The COVID-19 pandemic has resulted in a substantial increase in workload for the Benefits Team, both from new claims and notifications of changes in circumstances. This has created a backlog of work which management is trying its best to address. The recovery of overpayments has also been suspended for much of the year.

In recognition of the pressure the service is currently under, audit coverage of the control objectives for *New Applications and Changes of Circumstances*, and *Overpayments* has therefore been reduced on this occasion, with only limited audit testing carried out in respect of the latter.

This reduced coverage should therefore be taken into account when reviewing the results of the audit and the level of assurance given.

**Control Objectives**

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

<b>New Applications and Changes of Circumstances (Reduced coverage)</b> – All applications are promptly and properly processed.	<b>P</b>
<b>Benefit Assessment</b> – Benefits are properly due and are calculated correctly.	<b>M</b>
<b>Payment</b> – Rent allowances are promptly paid to those for whom they are intended.	<b>M</b>
<b>Overpayments (Limited coverage only)</b> – 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.	<b>M</b>
<b>Reconciliation</b> – Benefit payments are correctly applied and regularly reconciled to the main accounting system.	<b>P</b>
<b>System Administration</b> – The computer system is kept up-to-date and access to benefit records, system parameters and creditor masterfile records are suitably restricted.	<b>M</b>

**Level of Assurance**

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

Clearly, it has been a challenging year for the Benefits Team, and the main issues found can all be directly attributed to the increased workload pressures caused by the COVID-19 pandemic. These include:

- Processing targets not being met
- A large backlog of change of circumstances notifications
- Reduced claim verification checks
- Reduced quality checks
- Routine reconciliations not being completed (This point has already been covered at the recent Council Tax audit.)

**Executive Summary**

Overall, the control objectives are considered to have largely been met given the exceptional circumstances the Council is operating in.

None of the shortcomings identified in this report have resulted in any recommendations being made to management at this time. This is because management is already well aware of the issues and is taking steps to resolve them. However, the situation needs to be kept under review to ensure that processing times improve, and verification and quality checks are restored once the immediate crisis has passed.

Internal Audit Service  
February 2021

**DEBTORS AUDIT**

Head of Service: Robin Vennard

Officer(s) Responsible for Implementing Recommendations: Rebecca Algar and Lois Knight

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**).

<b>Billing Arrangements</b> – Debtor invoices are promptly and correctly raised for all sums owed to the Council.	<b>M</b>
<b>Collection, Debt Recovery and Refunds</b> – Procedures for the recovery of unpaid debts are documented and implemented. Direct debit income is collected on time. Refunds and write-offs are properly authorised.	<b>P</b>
<b>Suspense Account</b> – Unallocated payments are posted to a suspense account and promptly investigated and cleared.	<b>M</b>
<b>Monitoring of Arrears</b> – Debt collection performance is monitored.	<b>P</b>

**Level of Assurance**

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

The COVID-19 pandemic has had a significant impact on the collection and recovery of debtor income in 2020/21 with both billing and recovery action having been suspended at various times during the year.

The main issues found relate to:

- **Refund Checks** – The verification of bank account details should be included in the supervisory checking of refunds.
- **Other Supervisory Checks** – The checking of credit notes, credit balances and parked invoices has lapsed in 2020/21 and needs to resume.

- **Monitoring of Arrears** – The level of arrears and the effectiveness of debt collection needs to be monitored on a regular basis.

Other issues identified at the audit:

- **Housing Needs Debt** – This currently stands at almost £200,000 but no reminder letters have been issued since the start of the pandemic. These debts have continued to remain on hold despite the recovery of most other types of debt having resumed because the Debtors Team has been waiting for Housing to supply a suitably worded letter to accompany future reminders. Given the size of the debt, the Audit Manager therefore contacted Housing to try and move things forward.

#### **Position Update**

This issue has since been resolved. The Housing Needs invoices are no longer on hold and reminder letters are going out. However, owing to the number of cases involved, the reminders were initially sent out in batches to help manage the workload.

Those clients who have responded to the reminders have either caught up or rescheduled their payments. Others, who ignore the reminders, will be referred to Legal Services in due course.

- **Estates Income** – The Finance Officer continues to bill industrial rents as instructed but it is noted that the number of outstanding rent reviews and expired leases/ licences has increased since the last audit.

Neither of the above issues were taken into consideration when determining the overall assurance rating as both fall outside of the Debtors Team's control. However, they will each be addressed at forthcoming audits in 2021/22 if they are not resolved in the meantime.

#### **Executive Summary**

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

Internal Audit Service  
March 2021

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**ESTATES INCOME – COVID-19 RISKS – FINAL AUDIT REVIEW 2020/21**

Head of Service: Ben Hook

Overall Level of Assurance: **GOOD**

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**Introduction**

This review has been carried out in accordance with the revised 2020/21 Audit Plan. This places an emphasis on auditing the key risks which would have most impact on the Council during the COVID-19 crisis and reporting any findings promptly to management so that swift remedial action can be taken if necessary. This is a final follow-up to the interim report issued in July 2020.

**Scope and Objectives**

The audit provides an update on the action taken by management to support Estates tenants during the current pandemic, whilst also ensuring that suitable controls are in place to minimise financial losses to the Council.

**Findings**

Businesses have received significant short-term assistance through government and local authority grants, the furlough scheme and business rate relief. The Council also introduced a rent deferral scheme at the start of the pandemic and Cabinet agreed to waive rent for certain food outlets trading on Bexhill seafront, for the period from April to September 2020. Any further requests to waive rent on the grounds of financial hardship will be reviewed on a case by case basis.

The rent deferral scheme has now come to an end and tenants have been advised that rents are now due and reminder letters are being issued. At present, however, legal action is not being taken against tenants in arrears.

At the time of the interim report, it was hoped that all deferred rent and other COVID-19 related arrears would be cleared by the end of the current financial year. However, there have been two further national lockdowns since then meaning that some arrears are now likely to remain unpaid until 2021/22.

All outstanding invoices have now been raised and the overall level of debt remains comfortably within the £200,000 figure allowed for bad debts.

**Level of Assurance**

Based on the findings of the audit we have determined that good assurance can be given on the action taken to date.

**Executive Summary**

No issues were found.

A more detailed audit review of Estates Income is planned for 2021/22.

Internal Audit Service/March 2021

## Audits Completed in 2020/21 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
<b>Audits Brought Forward from 2019/20 – Total 1, Completed 1 (100%)</b>					
ICT Governance 2019/20	3	3	0	0	Substantial
<b>Governance Audits – Planned 9, Completed 8 (89%)</b>					
Benefits	6	4	2	0	Substantial
Business Rates	5	4	1	0	Substantial
Council Tax	4	3	1	0	Substantial
Creditors	3	2	1	0	Substantial
Debtors	4	2	2	0	Substantial
ICT Governance 2020/21	3	2	1	0	Substantial
Main Accounting	4	3	1	0	Good
Treasury Management	7	3	4	0	Substantial
<b>High/Medium Risk Audits – Planned 10, Completed 8 (80%)</b>					
Business Support Grants	1	1	0	0	Good
Car Park Income - Pre-Lockdown	1	1	0	0	Good
CIL Income COVID Risks – Interim	1	1	0	0	Good
Estates Income COVID Risks - Interim	1	1	0	0	Good
Estates Income COVID Risks - Final	1	1	0	0	Good
Joint Waste – Central Admin (Part 1)	1	1	0	0	Good
Joint Waste – Central Admin (Part 2)	1	1	0	0	Good
Risk Management of COVID-19	1	1	0	0	Substantial
<b>Total: 16 Audit Reports (18)</b> <i>Excluding audits brought forward</i>	<b>44</b> 100%	<b>31</b> 70.5%	<b>13</b> 29.5%	<b>0</b> 0%	
Good/Substantial Assurance	16 (16)		100% (88.9%)		
Limited/Minimal Assurance	0 (2)		0% (11.1%)		
<b>Other Work Completed (No Report Required) – Planned 4, Completed 3 (75%)</b>					
Cyber Security and Remote Working	Consultancy work				
ERP System - HR/Self-Service - Audit Advice	Consultancy work				
Exit Strategy for the Return to Business As Usual	Consultancy work (30% complete)				
Health & Safety COVID-19 Risks	Consultancy work (20% complete)				
<b>Audit Work Not Completed at Year End – Total 3</b>					
Payroll	Work in progress (95% complete)				
CIL Income COVID Risks – Final	Work in progress (75% complete)				
Unspecified Audit Work	50% used for counter fraud work				
<b>Total Work Planned 2020/21</b>	23 (28)		<b>Percentage of Plan Completed</b>		
<b>Total Work Completed 2020/21</b> <i>Excluding audits brought forward</i>	20.7 (23.0)		90.0% (82.1%)		

*Previous year's performance italicised and in brackets.*

\* In the absence of a single Audit Plan covering the whole of 2020/21, the contents of the plans produced for Quarters 2 to 4 are combined here for evaluation purposes.

## Summary of Progress on Recommendations Made up to 31 December 2020

**Old Years - Audit Recommendations 2018/19 and 2019/20**

Previous quarter's performance shown in brackets

Risk	Issued	Implemented	Work-in-Progress	Not Started
High	3	3 (3)	0 (0)	0 (0)
Medium	71	66 (63)	5 (7)	0 (1)
Low	39	37 (34)	2 (4)	0 (1)
<b>Total</b>	<b>113</b>	<b>106 (100)</b>	<b>7 (11)</b>	<b>0 (2)</b>
	<b>93.8%</b>	<b>(88.5%)</b>	<b>6.2%</b>	<b>(9.7%)</b>
			<b>0%</b>	<b>(1.8%)</b>

Breakdown of outstanding audit recommendations for 2018/19 and 2019/20 by Head of Service:

**Deborah Kenneally (Neighbourhood Services)**

- Car Park Income (2019/20) - issued 27/09/19 (1 Medium)

**Robin Vennard (Resources)**

- Procurement (2018/19) – issued 05/10/18 (1 Medium)
- Council Tax (2018/19) – issued 04/01/19 (1 Low)
- ICT Network Security (2018/19) – issued 16/01/19 (1 Low)
- Creditors (2018/19) – issued 12/03/19 (1 Medium)
- ICT Governance (2018/19) – issued 12/04/19 (1 Medium)
- Creditors (2019/20) – issued 21/04/20 (1 Medium)

Long Outstanding Recommendations

**Current Year - Audit Recommendations 2020/21 (up to 31 December 2020)**

Previous quarter's performance shown in brackets

Risk	Issued	Implemented	Work-in-Progress	Not Started
High	0	0 (0)	0 (0)	0 (0)
Medium	5	5 (1)	0 (0)	0 (0)
Low	4	4 (2)	0 (0)	0 (0)
<b>Total</b>	<b>9</b>	<b>9 (3)</b>	<b>0 (0)</b>	<b>0 (0)</b>
	<b>100%</b>	<b>(100%)</b>	<b>0%</b>	<b>(0%)</b>
			<b>0%</b>	<b>(0%)</b>

## Whistleblowing Activity 2020/21

A total of 34 whistleblowing cases were reported to the Audit Manager in 2020/21. This is a 61% increase on the previous financial year, but much of the growth can be attributed to COVID-19-related activity, including a one-off exercise to encourage the reporting of unlicensed food businesses.

The cases received in 2020/21 are made up of emails and webforms sent to the [audit@rother.gov.uk](mailto:audit@rother.gov.uk) mailbox (31) or letters received by the Audit Manager (3). 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:

<b>Allegation</b>	<b>Number of Cases</b>
Benefit/Council Tax Fraud	14
Unregistered Food Businesses	8
Housing Issue/Tenancy Fraud	5
COVID-19 Business Support Grant Fraud	3
Business Rates Fraud	2
Planning Enforcement Issue	2
COVID-19 Restrictions Rule Breaking	1
Environmental Health – Licensing/Noise Nuisance Issue	1
Member Conduct Issue	1
Person Falsely Presenting as Homeless	1
<b>Total</b>	<b>38</b>

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. The Member conduct issue was referred to the Monitoring Officer but proved to be unfounded.