

## Rother District Council

<b>Report to:</b>	Audit and Standards Committee
<b>Date:</b>	27 September 2021
<b>Title:</b>	Internal Audit Report to 30 June 2021
<b>Report of:</b>	Gary Angell, Audit Manager
<b>Purpose of Report:</b>	To report on Internal Audit activity in the first quarter of 2021/22 and to provide a progress update on the implementation of audit recommendations made in earlier periods.
<b>Officer</b>	
<b>Recommendation(s):</b>	It be <b>RESOLVED</b> : That the Internal Audit report to 30 June 2021 be noted.

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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. 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. With an annual Audit Plan once more in place and disruption from the COVID-19 pandemic reducing, the operation of the Internal Audit team has now returned to a near 'business as usual' basis in the current financial year, albeit with certain limitations due to remote working.
4. Progress on the 2021/22 Audit Plan is currently running about a month behind target. This is largely due to delays experienced in completing certain audits, a recent office move, and additional time required for Government grant work. However, It is hoped to be able to catch up once the holiday season is over and client availability improves.

### Summary of Activity to 30 June 2021

5. Three audit reports were issued in the quarter. An overview of the findings arising from each of these audits is given in the Executive Summaries which are reproduced in Appendix A.
6. All of these audits provided good or substantial assurance on those areas reviewed.

7. Other activity during the quarter included providing advice on the adequacy of the governance arrangements for Alliance Homes (Rother) Limited, the coordination of an additional data upload for the National Fraud Initiative, counter fraud work/whistleblowing referrals, and the completion of weekly Government returns for Business Support Grants to assist our colleagues in Finance.

### 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 progress on the older year recommendations has been slow, with no cases having been resolved in the latest quarter. The Chief Executive is aware of this situation and has reminded the relevant Heads of Service of the need to ensure all outstanding items are resolved as soon as possible.
10. The position regarding the recommendations made in 2020/21 is far more positive, with most being implemented within a reasonable timescale.

### Conclusion

11. The operation of the Internal Audit team is now largely back to normal, with three audits completed in the first quarter of 2021/22.
12. Progress on the older audit recommendations remains slow but is being actively monitored.

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:	A – Audit Reports issued during Quarter to 30 June 2021 B – Summary of Progress on Recommendations Made up to 31 December 2020
Relevant Previous Minutes:	AS21/08
Background Papers:	None.
Reference Documents:	None.

**DATA PROTECTION 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>Policies and Procedures</b> – Relevant policies, guidance and procedures have been written and suitable training provided in order for the Council to be compliant with the UK General Data Protection Regulation (UK-GDPR) and Data Protection Act (DPA) 2018.	<b>P</b>
<b>Data Control</b> – All processing of personal data complies with the seven principles of UK-GDPR and there is a lawful basis for processing.	<b>P</b>
<b>Subject Access and Freedom of Information Requests</b> – A system is in place for responding to formal requests for personal data to ensure compliance with the DPA 2018.	<b>M</b>
<b>DPA Notification</b> – The Information Commissioner has been sent a notification detailing the activities where personal information is processed.	<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.

Several control issues were however identified, notably:

- Not all of the forms currently used by the Council to collect personal data make reference to data protection legislation or explain how the data will be used and processed;
- A separate policy document must be produced for special category data (i.e. personal data revealing ethnicity, religious beliefs, health, etc) and the departments which hold and process this type of data needs to be better identified.

- It is currently unclear whether Alliance Homes (Rother) Ltd, a business wholly owned by the Council, needs to be registered separately with the Information Commissioner's Office.

Recommendations were also made regarding the completeness and accuracy of certain documentation, and the need to remind managers of the importance of processing information requests within statutory deadlines.

### **Executive Summary**

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

Internal Audit Service  
June 2021

## ESTATES INCOME AUDIT

Head of Service: Ben Hook

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

Overall Level of Assurance: **SUBSTANTIAL**

### Purpose and Objectives

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

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

### 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>Rent/Licence Income</b> – The correct rent/licence fees are received in respect of all non-operational investment properties.	<b>P</b>
<b>Business Rates</b> – The business rates liability for all non-operational investment properties is correctly set up.	<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. This assessment reflects the fact the vast majority of Estates income is being billed and collected. However, the audit highlights the need for improved control in several areas notably:

- **Lease Renewals and Rent Reviews** – At the time of the audit, there were over 50 cases where the lease had either expired or where a rent review was overdue. It was subsequently found that correspondence regarding ongoing lease renewals and rent reviews is not always promptly followed up to ensure cases move forward. A better system is therefore required to ensure that progress is actively monitored, and all outstanding cases concluded as soon as possible.
- **Tenancy Records** – A significant number of discrepancies were found between the tenancy details recorded on the ePIMS (asset register) database, and the billing data held by Finance. Reference to other Estates records however showed that most tenants are being billed correctly. This means that the problem is not the quality of the instructions issued to Finance but rather the fact that changes to occupancy details, rent amounts and lease expiry dates are not always promptly entered in the Estates team's central record. Action therefore needs to be taken to bring the ePIMS database up to date and to ensure that it is properly maintained from now on.

- **Business Rates Liability** – Some inconsistencies were found between Estates records and those held by the Revenues team. A few of these have resulted in the Council paying business rates when the liability should have been taken on by the tenant, but all have since been corrected. More thorough checking of the business rate liability before notifying the Revenues team will help to reduce this type of error.

The impact of the COVID-19 pandemic will no doubt have played a part in all the above issues. For example, it is easy to see how things could be overlooked or delayed when most staff are working remotely, and some tenants have been unable to operate during the various lockdown periods.

It should also be recognised that the Estates team has been heavily involved in project work relating to the Council's Property Investment Strategy which has had an impact on resources.

### **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  
June 2021

**LAND CHARGES AUDIT**

Head of Service: Tim Hickling

Officer(s) Responsible for Implementing Recommendations: Christine Hyszka and Trish Triggle

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**).

<b>Registration</b> – A Local Land Charges Register is held and is kept up to date.	<b>M</b>
<b>Collection and Receipting of Fees</b> – All search fee income is collected and accounted for.	<b>M</b>
<b>Payments and Refunds</b> – All payments and refunds are authorised and correctly calculated.	<b>M</b>
<b>Service Performance</b> – There is a sound system of control over service performance and budget.	<b>P *</b>

\* This control objective is only shown as partially met because of the delays currently experienced in the completion of land search requests. This is a direct result of the unprecedented demand for land searches created by the stamp duty holiday, but the situation is expected to improve once this concession comes to an end.

**Level of Assurance**

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

Only one minor issue was found regarding the reconciliation of BACS payments.

**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  
June 2021

## Summary of Progress on Recommendations Made up to 31 March 2021

### 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 (66)	5 (5)	0 (0)
Low	39	37 (37)	2 (2)	0 (0)
<b>Total</b>	<b>113</b>	<b>106 (106)</b>	<b>7 (7)</b>	<b>0 (0)</b>
		<b>93.8%</b> (93.8%)	<b>6.2%</b> (6.2%)	<b>0%</b> (0%)

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)

### Audit Recommendations 2020/21

Previous quarter's performance shown in brackets

Risk	Issued	Implemented	Work-in-Progress	Not Started
High	0	0 (0)	0 (0)	0 (0)
Medium	8	8 (5)	0 (0)	0 (0)
Low	10	9 (4)	1 (0)	0 (0)
<b>Total</b>	<b>18</b>	<b>17 (9)</b>	<b>1 (0)</b>	<b>0 (0)</b>
		<b>94.4%</b> (100%)	<b>5.6%</b> (0%)	<b>0%</b> (0%)