

Rother District Council

Report to: Audit and Standards Committee

Date: 6 December 2021

Title: Internal Audit Report to 30 September 2021

Report of: Gary Angell, Audit Manager

Purpose of Report: To report on Internal Audit activity in the second quarter of 2021/22 and to provide a progress update on the implementation of audit recommendations made in earlier periods. Details of other recent developments are also included for Members' consideration.

Officer

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

- 1) the Internal Audit report to 30 September 2021 be noted; and
 - 2) the proposal to replace the 3-year Strategic Audit Plan with standalone, annual audit plans 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. The Council's Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards (PSIAS). 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. Progress on the 2021/22 Audit Plan is still running a few weeks behind schedule, but the position has improved since the last quarter and continues to do so.

Summary of Activity to 30 September 2021

4. Two 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.
5. Both audits provided substantial assurance on those areas reviewed.
6. Several audits were also nearing completion at the end the quarter and have since been issued – these include reviews of the Grounds Maintenance Contract, the Blackfriars Project and Income Management. The Executive

Summaries for these reviews and any other audit reports completed in the third quarter will be included in the next progress report.

Implementation of Audit Recommendations

7. 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.
8. From this it can be seen that six of the older year recommendations remain outstanding. Three of these (Council Tax, ICT Network Security and ICT Governance) are now at an advanced stage and are all scheduled to be completed by March 2022 at the latest. However, progress on the other three cases (Procurement and the two Creditor recommendations) remains slow, and this is due in part to resourcing issues. The Chief Executive has been informed of the situation and is monitoring progress. However, the Head of Service responsible for all six issues will soon be retiring meaning that the responsibility for resolving these outstanding matters will now fall to the relevant line managers.
9. As for the current year recommendations, almost half of these have already been implemented and work has begun on all other cases.

Forward Planning

10. Every three years Internal Audit has traditionally produced a Strategic Audit Plan setting out the audits it intends to carry out over the next three-year period. It has always been the case that the second and third years of this plan have been subject to change due to the emergence of new risks or activities not foreseen at the time the plan was drafted. However, the pace of change has only increased in recent years with the Council regularly embarking on new projects and initiatives to meet its corporate aims and objectives.
11. The need for a more responsive, adaptable approach to audit planning was brought into sharp focus during the COVID-19 pandemic, but, even in normal times, the rigid structure of a Strategic Audit Plan model does not cope well with major change. This can lead to delays in auditing important new areas due to other commitments.
12. With the new Strategic Audit Plan due to be reported to this committee next quarter, now would seem to be an opportune moment for Members to consider approving a different approach to audit planning. It is therefore proposed that the 3-year Strategic Audit Plan be dropped in favour of standalone, annual audit plans. The Audit Manager would continue to use a risk assessment to determine what audits are included in the annual plan but the move away from the existing model would provide greater flexibility for the inclusion of new areas, and possibly even allow time for some short, quick turnaround reviews, similar to those utilised during the pandemic, focusing on specific issues. Such an approach would not only allow Internal Audit to make better use of its limited resources, but also enable it to target its assurance where it is most needed.

Risk Management Co-ordination

13. Owing to the imminent retirement of the Assistant Director Resources, the Audit Manager has now taken on responsibility for Risk Management Policy and for collating and reporting on updates to the Corporate Risk Register. However, it is important to emphasise that the Audit Manager's role will be limited to that of Risk Management Co-ordinator and it will not include any responsibility for managing risk. This remains the responsibility of Management.
14. This approach is in accordance with PSIAS performance standard 2120.C3 which states that, "*When assisting management in establishing or improving risk management processes, Internal Auditors must refrain from assuming any management responsibility by actually managing risks*". Conformance with this standard is a necessary safeguard to ensure the Audit Manager's independence and objectivity is not impaired by his involvement in the Risk Management process.
15. The Audit Manager's new role will however enable him to facilitate and advise on the evaluation of risk, to suggest improvements to the Risk Management process, and ultimately act as a Risk Management champion. The Audit Manager will also be encouraging regular reviews of the Corporate Risk Register, but the ultimate responsibility for its content, and all actions to mitigate the risks identified, will remain with Senior Management.

Conclusion

16. Progress on the 2021/22 Audit Plan is improving with two audits completed in the latest quarter.
17. Progress on the older audit recommendations remains slow but it is hoped that at least half of the remaining cases will be completed soon.
18. The report proposes a new approach to audit planning which should better meet the Council's needs.
19. The Audit Manager has recently taken on responsibility for Risk Management Co-ordination but not for the management of risk, which remains the responsibility of Management.

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 September 2021 B – Summary of Progress on Recommendations Made up to 30 June 2021
Relevant Previous Minutes:	AS21/25

Background Papers:	None.
Reference	None.
Documents:	

WASTE CONTRACT AUDIT – RDC CLIENT CONTROL

Head of Service: Deborah Kenneally

Officer(s) Responsible for Implementing Recommendations: Anna Evett and Andrew Mead

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

This audit solely focuses on the arrangements for monitoring the performance of the Waste Contractor (Biffa) in respect of services provided to this Council.

It does not cover the letting of the contract, contractor payments, the uplift of the contract sum, nor the application of liquidated damages – all of which are the responsibility of the Joint Waste Central Admin Team now based at Wealden District Council.

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 Compliance – The performance of the contract is adequately monitored to ensure compliance with the terms of the contract.	P
Budgetary Control – Refuse Collection, Street & Beach Cleansing and Recycling budgets are monitored and controlled.	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 issues found relate to:

- **Cleansing of roads exceeding a 40 mph limit** – Rother officers were asked to provide measurements for all trunk roads in the district at the contract tender stage so that Biffa could factor in the cost of the additional safety measures required for this type of road. It was reasonably assumed by officers that the term 'trunk road' would only include those roads managed by Highways England - i.e. the A259 and A21. However, Biffa's interpretation appears to include any road where the speed limit exceeds 40mph and it has capped the level of service provided on all such

roads at 100 km per year, based on the measurement supplied for trunk roads. As a consequence, Rother may not be receiving the level of service expected on some roads with a speed limit exceeding 40 mph. The Council should request that all roads are kept clean in accordance with the level of service specified in the contract, otherwise it may need to be reimbursed for any work which is not carried out.

- **Bulky Waste Charges** – The charge for bulky waste collections (up to 3 items) was increased in 2021/22, but this change is yet to be reflected on the Council's website. This means that customers are currently underpaying for this service.

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
August 2021

HOUSING TEMPORARY ACCOMMODATION AUDIT

Head of Service: Joe Powell

Officer(s) Responsible for Implementing Recommendations: Joe Powell, Kathryn Harlow and Emma Donnelly

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**).

Management are taking action to secure sufficient temporary accommodation to meet its responsibilities under the Homelessness Reduction Act and the quality of temporary accommodation provided to clients is of an adequate standard.	P *
All temporary accommodation provided for the homeless is correctly allocated and paid for, and the costs incurred are recovered where appropriate.	P
All expenditure on temporary accommodation is contained within budget.	P

* Although the control objective was not met on this occasion, the overall picture regarding the availability of temporary accommodation is much better than was seen at the last audit in November 2018. This is mainly due to the implementation of the Temporary Accommodation Investment Strategy, and the situation should continue to improve as more Council-owned accommodation is acquired.

Level of Assurance

Based on the findings from the audit we have determined that substantial assurance can be given on the governance arrangements. This is a good outcome given the many challenges the Housing team has faced over the last 18 months as a result of the COVID-19 pandemic.

The main issues found relate to:

- **Property Inspections** – The Council should cease using any temporary accommodation with an unsatisfactory Electrical Installation Condition Report (EICR) certificate until such time the landlord can prove remedial works have been carried out by a qualified electrician.

- **Benefit Claims** – Regular checks should be carried out by Housing officers to ensure that the Benefit claims for temporary accommodation have been processed otherwise the weekly rent paid for temporary accommodation may not be recovered.

Other issues were also highlighted regarding the need to obtain competitive quotes for the management of Council-owned temporary accommodation, and to ensure that removal and storage costs are recovered.

Executive Summary

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

Internal Audit Service
September 2021

Summary of Progress on Recommendations Made up to 30 June 2021

Audit Recommendations 2018/19 and 2019/20 and 2020/21

Previous quarter's performance shown in brackets

Risk	Issued	Implemented	Work-in-Progress	Not Started
High	3	3 (3)	0 (0)	0 (0)
Medium	79	75 (74)	4 (5)	0 (0)
Low	49	47 (46)	2 (3)	0 (0)
Total	131	125 (123)	6 (8)	0 (0)
		95.4% (93.9%)	4.6% (6.1%)	0% (0%)

Note – All audit recommendations made in 2020/21 have now been implemented.

Breakdown of outstanding audit recommendations by Head of Service:

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 2021/22

Risk	Issued	Implemented	Work-in-Progress	Not Started
High	0	0	0	0
Medium	7	3	4	0
Low	6	3	3	0
Total	13	6	7	0
		46.2%	53.8%	0%