

Rother District Council

Report to: Audit and Standards Committee

Date: 20 June 2022

Title: Internal Audit – Annual Report and Opinion 2021/22

Report of: Audit Manager

Purpose of Report: To summarise the work undertaken by Internal Audit in 2021/22; 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 2021/22 be noted; and
- 2) the Audit Manager’s opinion on the control environment (paragraph 37) be approved.

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 Deputy Chief Executive’s Directorate. 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 2022, 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.

Summary of Activity in Quarter 4

6. Eight audit reviews were completed in the final quarter of 2021/22. An overview of the findings arising from these audits is given in Appendix A.
7. Five of these audits provided good assurance on the overall governance arrangements. However, three audits (Creditors, BACS/BACSTEL-IP Computer System, and Debtors) received a limited assurance rating meaning that improvements in controls or in the application of controls are required. The reason(s) why these audits received this assessment are outlined below:
 - **Creditors** – The limited assurance rating was not due to a specific issue. It is a consequence of the number of issues found.
 - **BACS/BACSTEL-IP Computer System** – This was given a limited rating because there was nobody with overall responsibility for managing the BACS process when the review took place. Responsibility has since been assigned to the Financial Systems Administrator.
 - **Debtors** – This received a limited assurance rating as there was no legal debt recovery service in place at the time of the review. Wealden District Council has since added a new member of staff to the Legal Services Team to deal with debt recovery work.

Overall Performance in 2021/22

8. Appendix B provides a summary of all audit reports completed in 2021/22, 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 2021/22 have already been reported to this Committee at previous meetings.
9. This summary shows 91.3% of the 2021/22 Audit Plan was completed and only two planned audits (ICT Governance and Payroll) were still outstanding at the end of the financial year. Both of these audits have since been completed and good/substantial assurance was obtained in each case.
10. Internal Audit's overall performance in 2021/22 is therefore comparable to that achieved in the previous financial year.

Implementation of Audit Recommendations

11. 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.
12. The situation regarding the old year recommendations has not changed since the last quarter, with three recommendations still outstanding. Progress is being made in all of these cases, but the issues highlighted by the recommendations are yet to be fully resolved.

13. Good progress continues to be made on the 2021/22 recommendations, with almost two-thirds already completed and work having commenced in all remaining cases.

Counter Fraud Work

14. In addition to compliance work, Internal Audit also allocates time each year to undertake counter fraud duties. This work primarily focuses on council tax and business rates. In 2021/22, it identified three properties which had remained unbanded for council tax purposes, two business where small business rate relief was being wrongly applied, and two unrated business premises. All of these cases were followed up with the help of colleagues in the Revenues and Benefits Team and an additional £30,147 of revenue income is now being collected as a result.
15. Counter fraud work is also carried out on the Community Infrastructure Levy (CIL) to identify any cases where the development has commenced without notifying the Council, or exemptions that may no longer be appropriate. A number of cases have already been found and passed to the new CIL Officer in the Planning Department for investigation. However, no additional income has so far been collected as a result of this work as these cases are yet to be followed up.
16. The Audit Manager also coordinates the annual National Fraud Initiative (NFI) data matching exercises. However, this work did not result in any financial savings in 2021/22.

Other Financial Savings

17. 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. Savings totalling £41,104 were identified in 2021/22. This figure is comprised of one case where temporary accommodation charges were not being covered by the customer's benefit claim due to a system glitch (£25,121), four cases where the business rate liability was being incorrectly incurred in respect of the Council's commercial properties (£12,588), and two duplicate invoice payments which have since been recovered (£3,395).

Quality Assurance and Improvement Programme

18. 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.
19. 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 quality assessment
 - supervision and the review of all Internal Audit output
 - obtaining client feedback

20. The Audit Manager’s latest self-assessment of his Team’s compliance with the Standards (Review of Internal Audit 2021/22) was approved by Members on 21 March 2022 (Minute AS21/47 refers). The review only identified one new issue and concluded that there is a high level of effectiveness overall.
21. The Team’s first external quality assessment 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”.
22. As more than five years have elapsed since the last external quality assessment a further review is now due. Consequently, the Audit Manager is currently in the process of obtaining competitive quotes to carry out another review this financial year. In parallel to this, the Audit Manager is also in discussion with the Internal Audit departments in our neighbouring authorities to explore the possibility of carrying out the work on a reciprocal basis. Hopefully, the best way forward will be determined by the time this Committee next meets.
23. Quality assurance questionnaires are used to capture client feedback. Two different questionnaires are currently used: one to obtain immediate feedback from line management at exit meetings (once the fieldwork is complete and draft audit report has been issued and discussed); and the other to get the Service Manager’s overall opinion on the quality of all audit reports issued to them in the previous quarter. Questionnaire recipients are invited to rate the service provided as either ‘good’, ‘fair’ or ‘poor’ and are also encouraged to comment where improvement is required.
24. A summary of the responses received in 2021/22 is shown in the table below.

Questionnaire Type	Responses to Individual Questions					
	Good		Fair		Poor	
Exit Meeting (Line Manager)	105	100%	0	0%	0	0%
Service Manager Meeting	57	100%	0	0%	0	0%
Totals	162	100%	0	0%	0	0%

25. All of the feedback received was very positive indicating a high level of satisfaction with the quality of the Internal Audit Service.

Performance Measures

26. 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 2021/22 together with the actual results for the year.

Performance Indicator	Target	Actual
Audit Plan – Percentage of governance audits completed.	100%	77.8%
Audit Plan – Percentage of overall audit plan completed.	90%	91.3%
Audit Assignments – Final reports issued within 15 days of second draft report.	90%	90%

Audit Recommendations – Percentage of “high” risk recommendations accepted by management.	100%	100%
Satisfaction/Feedback – Overall percentage of customers rating the Internal Audit Service as “Good” or “Fair”.	90%	100%

27. The governance audit target was not met on this occasion because the ICT Governance and Payroll audits were still in progress at year end as a result of overruns on earlier audits. However, both have since been completed and the results will be reported to this Committee at the next meeting.
28. All other targets have been met or exceeded.

Conformance with the Public Sector Internal Audit Standards

29. The results of the 2017 external quality assessment 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 Chief Finance Officer (as 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 this Committee at its next meeting.
31. The work carried out by Internal Audit in 2021/22 did highlight some concerns regarding the internal control environment but only one audit (BACS/BACSTEL-IP Computer System) resulted in a high risk recommendation being made. There is no need to include this point in the Annual Governance Statement as the issue that resulted in this recommendation has since been addressed.
32. Two other areas (Creditors and Debtors) were also considered for inclusion in the Annual Governance Statement because of their limited assurance rating. However, neither are currently considered significant concerns. This is because the Creditors audit identified a collection of issues but no single overriding concern, and the issue which gave rise to the Debtors audit assessment (i.e. no legal debt recovery service) is now being dealt with.

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.
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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 2021/22 (Appendix B) shows that three audit reports (15%) received a “limited” assurance rating. This may seem like a marked increase on the previous year, but it should be noted that only one of the 69 control objectives examined during the period had not been “met” at least in part.
36. The quarterly Internal Audit activity reports submitted to this Committee have also shown that the vast majority of the expected controls are in place 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 2021/22 is therefore that it is adequate and effective.

Whistleblowing Activity 2021/22

38. An update on the Whistleblowing Policy activity in 2021/22 is provided in Appendix D.
39. In summary, a total of 26 whistleblowing cases were reported to the Audit Manager in 2021/22. As in previous years, the vast majority of these focused on either Benefit/Council Tax Fraud or Housing Issue/Tenancy Fraud. All cases were initially reviewed by the Audit Manager and then either referred to the relevant Council officer for further investigation or reported to the appropriate authority.
40. Further details on the Whistleblowing arrangements can be found on the Council’s [website](#).

Conclusion

41. The Internal Audit Team continues to perform well and the overall results of its work in 2020/21 have enabled the Audit Manager to give a positive opinion on the Council’s control environment. The Team’s counter fraud and compliance work has also led to the identification of £71,251 worth of savings/additional income during the year.

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

Chief Executive: Malcolm Johnston

Report Contact Officer:	Gary Angell, Audit Manager
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Appendices:	<ul style="list-style-type: none"> A – Audit Reports issued during Quarter to 31 March 2022 B – Audits Completed in 2021/22 and Overall Performance Against the Audit Plan C – Summary of Progress on Recommendations Made up to 31 December 2021 D – Whistleblowing Activity 2021/22
Relevant Previous Minutes:	AS17/14 Internal Audit – Peer Review AS21/47 Review of Internal Audit 2021/22
Background Papers:	None.
Reference Documents:	None.

VAT AUDIT

Service Manager: Antony Baden

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**).

VAT Returns – VAT returns are submitted on a timely basis and prepared correctly.	M
Identification & Classification – All VAT transactions are correctly classified and correct rates applied.	M
Accounting Arrangements – The Council accounts for VAT on all taxable activity at the correct rate at the correct time.	M
VAT Records – VAT is accounted for and reclaimed within the regulations issued by HMRC.	M
Refunds – Product codes for refunds on the U4BW system are set up with a VAT code which corresponds with the original payment/invoice.	M
Exempt Income – VAT incurred on exempt activities is not reclaimed where it exceeds the 5% partial exemption threshold.	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
January 2022

CREDITORS AUDIT

Service Manager: Antony Baden

Officer(s) Responsible for Implementing Recommendations: Ola Janowicz, Noureen Safdar and Angie Edwards

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**).

Orders and Authorisation – Orders for goods and services are properly raised, authorised and confirmed in accordance with the Financial Procedure Rules.	P
Invoice Processing – Legitimate invoices are promptly paid once the goods or services have been received. Payments are made to the correct supplier for the correct amount.	P
Payment – All payments are properly authorised and run totals agreed.	M
Cheque Control – All cheque usage is controlled and recorded.	M
Construction Industry Scheme (CIS) – The Council fully complies with CIS regulations and monitors all qualifying expenditure including spending on capital project building works.	P

Level of Assurance

Based on the findings from the audit we have determined that only limited assurance can be given on the overall governance arrangements owing to the number of issues found at this review which include several matters that are still outstanding from earlier reports.

The main issues found at this review were:

- **List of Approvers** – Audit checks found a number of anomalies in the active approval limits currently on the U4BW system. These included officers who have left the Council, one Hastings BC employee with Rother DC approval rights and one officer whose limits had not been revoked following a change in role. The list of approvers was last reviewed and agreed by senior management in October

2019. This should be done at least annually, and approval limits reviewed on a regular basis to ensure that they are only granted to authorised officers.

- **Invoices paid without a purchase order** – Many invoices are now routinely processed without a purchase order being raised. Only invoices from suppliers appearing on the Exempt Suppliers List (e.g. utility companies, builders' merchants and temporary accommodation providers) should be paid in this way as it bypasses standard controls. Failure to raise a purchase order increases the risk of overspends, fraud and error, as well as the likelihood of duplicate payments being made. Officers were reminded of the rules for ordering goods and services following the last audit, but this has had little impact. Further action is therefore required to enforce the use of purchase orders.
- **Orders that remain open once fulfilled** – Invoices can be registered (and paid) against old purchase order numbers if they are allowed to remain open. This impedes budgetary control and increases the risk of fraud and error. It is therefore recommended that a report, detailing all fully delivered purchase orders, be produced on a regular basis and reviewed so that completed orders can be manually closed to prevent them from being reused. Such a report already exists as it was written following a similar recommendation made at the last audit, however it is not currently being run and checked.
- **Supplier Masterfile Changes** – Reports showing changes to supplier bank details are not being promptly checked by management to validate the changes made. It is important that this is done given that local authorities are frequently targeted by fraudsters for bank mandate fraud.
- **Construction Industry Scheme (CIS) Monitoring** – All expenditure relating to CIS suppliers is monitored each month to check that the total spend on construction does not exceed £3 million in any 12 month period. Should the Council exceed this threshold, all construction payments will need to be separately processed in accordance with HMRC rules. However, it is not easy, at present, to identify all relevant activity as some works which would not normally fall under CIS (such as tree felling) may be brought into the scheme if the work contributes to the overall delivery of a construction project. Greater awareness of the CIS rules is therefore required within the Accountancy Team to ensure that all relevant expenditure is identified and included in the total spend.

Two medium risk recommendations are also still outstanding from previous audits. Both of these relate to improvements required to the controls for the approval of additional expenditure.

Note – Both of these issues have since been closed, unresolved.

Executive Summary

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

Internal Audit Service
February 2022

BACS/BACSTEL-IP COMPUTER SYSTEM AUDIT

Service Manager: Malcolm Johnston

Officer(s) Responsible for Implementing Recommendations: Malcolm Johnston, Tom Alexander and Ola Janowicz

Overall Level of Assurance: **LIMITED**

Purpose and Objectives

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

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

Background Information

Overall responsibility for administering and processing BACS payments used to sit within the IT department. However, in early 2020, both the officers responsible for administering the BACS system and the main BACS processor took voluntary redundancy. The timing of their departure also coincided with the commencement of the COVID-19 pandemic and quick decisions needed to be made to ensure these systems could continue to operate in the event of a lockdown. Consequently, certain aspects of the BACS process are now handled by staff in different service areas.

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**).

Proper control exists over the submission of data to BACS.	N
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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. Whilst the operational side of BACS processing is working well, this negative assurance rating reflects the fact that there was nobody with overall responsibility for managing the BACS process when the review took place (see below).

The main issues found relate to:

- **Ownership** – The responsibility for BACS processing and support is currently split across three different service areas (i.e. Revenues & Benefits, IT Infrastructure and Finance) but, at the time of the audit, no-one had overall responsibility for managing the BACS process. The value of the BACS files generated for both inward and outward payments is significant, and their timely processing is key to the Council's operations. If the system were to fail this could cause serious disruption. This matter was therefore raised with the Chief Executive who has since agreed with the Chief Finance Officer that overall responsibility for managing

and co-ordinating all BACS activity will now sit with the Financial Systems Administrator.

- **Change Control** – Updates to the software used to transmit payment and direct debit files to BACS are not currently applied to a test system first. Instead a snapshot of the server is taken prior to an upgrade so that the system can be rolled back if there are any problems. However, the snapshot is only saved for two weeks whereas some BACS jobs are run on a monthly basis.
- **Access Control** – The Finance Deputy Systems Administrator is currently setup as both a Primary Security Contact (administrator) and Additional Contact (processor) for the BACS system. As there should be a separation of duties between these roles, access for this officer should be restricted to one user group only.

Other minor issues were also identified regarding the need (a) to remove or deactivate the user accounts for officers who no longer work for the Council, and (b) to keep better records of the smart cards currently in circulation.

Executive Summary


Overall, the control objectives are considered to have only been partially met. We have made one high and four medium/low risk recommendations to management in order to improve the governance arrangements. The high risk recommendation and management's response to it will be included in the quarterly report to the Audit and Standards Committee.

Internal Audit Service
February 2022

BACS/BACSTEL-IP COMPUTER SYSTEM AUDIT

High Risk Recommendations and Management Responses

The recommendations below arise from audit findings which carry a **High** risk and which have resulted in the control objective not being met (**N**). Management's response to the recommendation is also included and where the recommendation or an alternative action which will satisfy the control objective is agreed, an implementation date is shown. Progress against these recommendations will be included in the quarterly report to Audit and Standards Committee.

Audit Ref	Finding/Risk	Recommendation	Risk	Management Response
1.1	<p>Finding</p> <p>At present there is no-one in the Council with overall responsibility for managing the BACS process.</p> <p>Risk</p> <p>Lack of supervisory oversight could lead to poor overall control of the system increasing the risk of disruption and financial loss.</p>	<p>There should be a nominated manager who has overall responsibility for the BACS process. This is to ensure that BACS files continue to be processed efficiently and a sound system of control is maintained.</p>	<p>High</p> 	<p>The Chief Executive has agreed with the Chief Finance Officer that overall responsibility for managing and co-ordinating all BACS activity will now sit with the Financial Systems Administrator.</p> <p>Agreed Implementation Date</p> <p>28 February 2022</p> <p>Responsible Officer</p> <p>Malcolm Johnston</p>

COUNCIL TAX AUDIT

Service Manager: Chris Watchman

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.

Background Information

The impact of the COVID-19 pandemic continues to be felt on the collection and recovery of Council Tax in 2021/22.

Most Visiting Officer inspections are still suspended at present, apart from urgent inspections and those that can be carried out without the need to enter the property. However, a new software package and new procedures are being introduced which should facilitate improvements to the recording and monitoring of inspections once they resume.

Recovery action has recommenced but the primary goal this year has been to monitor the collection of the 2020/21 and 2021/22 Council Tax debt because two years of formal recovery action has been rolled into one. This has meant that the Recovery Team has been exceptionally busy at certain times of the year. In addition, Members have asked officers to take a more cautious approach to debt recovery to take into account the financial hardships experienced as a result of the pandemic as well as the toll on mental health. This has resulted in officers spending more time ascertaining taxpayers' personal circumstances before setting up arrangements to pay in order to ensure these are affordable and realistic. Enforcement agents have also been asked to take a more cautious approach to debt recovery to allow for the fact that the pandemic has had serious financial implications for many families and individuals.

Control Objectives

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

Valuation and Liability – All taxable properties and liable persons are identified, and exemptions, discounts and disregards are correctly applied.	M
Billing – 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.	M
Collection and Refunds – There is a sound system for the collection of income and the refund of overpayments.	M

Recovery and Enforcement – All arrears are promptly identified, and effectively pursued in accordance with statutory requirements/laid down procedures. All write-offs are valid and authorised.	M
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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
February 2022

BUSINESS RATES AUDIT

Service Manager: Chris Watchman

Officer(s) Responsible for Implementing Recommendations: Chris Watchman

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.

Background Information

The impact of the COVID-19 pandemic continues to be felt on the collection and recovery of Business Rates in 2021/22.

As with Council Tax, most Visiting Officer inspections for Business Rates are still suspended at present, with the exception of urgent inspections and those that can be carried out without the need to enter the property.

Recovery action has recommenced, but many businesses have continued to receive Government assistance throughout 2021/22 in the form of reduced Business Rates, meaning that current year debts are still lower than in normal times.

Control Objectives

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

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

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 largely been met and it was only necessary to make one low risk recommendation to management to further enhance the governance arrangements.

Internal Audit Service
February 2022

BENEFITS AUDIT

Service Manager: Chris Watchman

Overall Level of Assurance: **GOOD****Purpose and Objectives**

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

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

Control Objectives

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

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

Level of Assurance

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

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
March 2022

MAIN ACCOUNTING AUDIT

Service Manager: Antony Baden

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**).

Completeness of Records – All transactions are promptly recorded in the General Ledger and bank reconciliations are regularly carried out to ensure that they are correct.	M
Journals – All journal entries are complete, accurate and properly authorised.	M
Budgetary Control – All expenditure and income is closely monitored and controlled.	M
Year End Provisions – Adequate provisions are made for outstanding liabilities and income due in the final accounts.	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
March 2022

DEBTORS AUDIT

Service Manager: Chris Watchman

Officer(s) Responsible for Implementing Recommendations: Rebecca Algar

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**).

Billing Arrangements – Debtor invoices are promptly and correctly raised for all sums owed to the Council.	M
Collection, Debt Recovery and Refunds – 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.	P
Suspense Account – Unallocated payments are posted to a suspense account and promptly investigated and cleared.	M
Monitoring of Arrears – Debt collection performance is monitored.	P

Level of Assurance

Based on the findings from the audit we have determined that only limited assurance can be given on the overall governance arrangements. This assessment is not due to any failing on the part of the RDC officers whose systems are well controlled and managed, but rather a reflection of the fact that Legal Services has not provided a legal debt recovery service since December 2021.

The service stopped because the person who previously took legal action on RDC debts left Wealden DC at this time and is yet to be replaced. No further referrals have been made to Legal Services since then, and all monitoring of existing cases has also ceased because none of the remaining members of the Legal Services Team currently have access to the U4BW Debtors module.

Whilst the current lack of any legal debt recovery service is most unsatisfactory, it is understood that Legal Services are now in the process of recruiting an additional person to deal with Rother debts and are actively working with the Council to improve communication. No recommendation is therefore made at this time, but the situation will continue to be monitored by RDC officers until it is resolved.

The only other issue found relates to the need to improve the monitoring of aged debts.

Executive Summary

Overall, the control objectives are considered to have largely been met apart from the debt recovery issue, and it was only necessary to make one low risk recommendation to management to further enhance the governance arrangements.

Internal Audit Service
March 2022

Position Update on Legal Debt Recovery Service

Legal Services have now appointed a new Team member, and she has made a start on the debt recovery work. Further action is still required to get everything up and running again but the Finance Officer responsible for Debtors and the new Legal Services officer are in regular contact.

Appendix B

Audits Completed in 2021/22 and Overall Performance Against the Audit Plan

Audit	Control Objectives (Number)	Control Objectives Met	Control Objectives Met In Part	Control Objectives Not Met	Assurance Rating
Audits Brought Forward from 2020/21 – Total 2, Completed 2 (100%)					
Payroll 2020/21	6	4	2	0	Substantial
CIL Income COVID Risks – Final	1	1	0	0	Good
Governance Audits – Planned 9, Completed 7 (77.8%)					
Benefits	6	6	0	0	Good
Business Rates	4	4	0	0	Good
Council Tax	4	4	0	0	Good
Creditors	5	2	3	0	Limited
Debtors	4	2	2	0	Limited
Main Accounting	4	4	0	0	Good
Treasury Management	7	5	2	0	Substantial
High/Medium Risk Audits – Planned 11, Completed 11 (100%)					
BACS/BACSTEL-IP Computer System	1	0	0	1	Limited
Data Protection	4	1	3	0	Substantial
Estates Income	2	0	2	0	Substantial
Grounds Maintenance Contract	4	3	1	0	Substantial
Housing Temporary Accommodation	3	0	3	0	Substantial
Income Management	3	3	0	0	Good
Land Charges	4	3	1	0	Good
Pollution Control	4	3	1	0	Substantial
Value Added Tax (VAT)	6	6	0	0	Good
Waste Contract - RDC Client Control	2	1	1	0	Substantial
Works Contract – Blackfriars Project	2	1	1	0	Substantial
Total: 20 Audit Reports (16)	69	48	20	1	
<i>Excluding audits brought forward</i>	100%	69.6%	29.0%	1.4%	
Summary of Assurance					
Good/Substantial Assurance	17 (16)		85% (100%)		
Limited/Minimal Assurance	3 (0)		15% (0%)		
Other Work (No Report Required) – Planned 3, Completed 2 (66.7%)					
ERP System - Implementation/Ongoing Advice	Consultancy work				
Legal Services VFM	Postponed pending outcome of SLA review				
New Initiatives - Audit Advice	Consultancy work				
Audit Work Not Completed at Year End – Total 2					
ICT Governance 2021/22	Work in progress (63.3% complete)				
Payroll 2021/22	Work in progress (44.0% complete)				
Total Work Planned 2021/22					
	23 (23)		Percentage of Plan Completed		
Total Work Completed 2021/22	21 (20.7)		91.3% (90%)		
<i>Excluding audits brought forward</i>					

Previous year's performance italicised and in brackets.

Summary of Progress on Recommendations Made up to 31 December 2021

Old Years – 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	77	(77)	2	(2)	0	(0)
Low	49	48	(48)	1	(1)	0	(0)
Total	131	128	(128)	3	(3)	0	(0)

97.7% (97.7%) **2.3%** (2.3%) **0%** (0%)

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

Breakdown of outstanding audit recommendations by Service Manager:

Antony Baden (Chief Finance Officer)

- Procurement (2018/19) – issued 05/10/18 (1 Medium)

Graham McCallum (ICT Manager & Data Protection Officer)

- ICT Network Security (2018/19) – issued 16/01/19 (1 Low)
- ICT Governance (2018/19) – issued 12/04/19 (1 Medium)

Latest Year – Audit Recommendations 2021/22 (up to 31 December 2021)

Previous quarter's performance shown in brackets

Risk	Issued	Implemented		Work-in-Progress		Not Started	
High	0	0	(0)	0	(0)	0	(0)
Medium	17	11	(6)	6	(4)	0	(0)
Low	15	10	(5)	5	(4)	0	(0)
Total	32	21	(11)	11	(8)	0	(0)

65.6% (57.9%) **34.4%** (42.1%) **0%** (0%)

Whistleblowing Activity 2021/22

A total of 26 whistleblowing cases were reported to the Audit Manager in 2021/22, which is down slightly from the previous financial year.

The cases received in 2021/22 are made up of emails and webforms sent to the audit@rother.gov.uk mailbox (23) 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:

Allegation	Number of Cases
Benefit/Council Tax Fraud	13
Housing Issue/Tenancy Fraud	11
Planning Enforcement Issue	3
Environmental Health – Infestation/Noise Nuisance Issue	1
False Injury Claim	1
Member Conduct Issue	1
Scam Phone Calls	1
Total	31

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. Where possible, 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 a complaint about the handling of a Parish Council matter and was referred to the Monitoring Officer.