

Rother District Council

Report to: Audit and Standards Committee

Date: 19 June 2023

Title: Internal Audit – Annual Report and Opinion 2022/23

Report of: Audit Manager

Purpose of Report: To summarise the work undertaken by Internal Audit in 2022/23; 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 2022/23 be noted; and
 - 2) the Audit Manager's opinion on the control environment (paragraph 40) 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 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 2023, 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. Five audit reviews were completed in the final quarter of 2022/23. An overview of the findings arising from these audits is given in Appendix A.
7. All of these audits provided substantial assurance on the overall governance arrangements.

Overall Performance in 2022/23

8. Appendix B provides a summary of all audit reports completed in 2022/23, 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 2022/23 have already been reported to this Committee at previous meetings.
9. This summary shows that only 73.6% of the 2022/23 Audit Plan was completed. Whilst this may seem like a disappointing result when compared to our performance in previous years, this needs to be viewed in light of the challenges faced by the Internal Audit Team during the year. For example, we encountered a higher than usual volume of the audits with serious control issues which led to audit overruns, and our progress in the second half of the year was hampered by long term absences both inside and outside of the Internal Audit Team. Three planned audits had to be dropped in order to accommodate this situation (see Appendix B for further information) and two Governance audits (Debtors and ICT Governance) were still in progress at the end of the financial year.

Review of Capital Projects

10. At the Audit and Standards Committee meeting on 5 December 2022, Members requested that the Council carry out an urgent review of all Capital Projects in light of the current financial situation. Following on from the information reported at the last meeting, the Director – Place and Climate Change has now provided a more detailed update on the current position of all projects in the Capital Programme. This can be found in Appendix C.

Implementation of Audit Recommendations

11. Each quarter, Members are updated on the progress made on implementing the audit recommendations reported at previous meetings. Appendix D shows a summary of the current position.

Old Years: Audit recommendations made in 2018/19 (2) and 2021/22 (5)

12. The number of old year recommendations has only reduced by one since the last quarter, meaning there are seven recommendations currently outstanding.
13. In line with Members' wishes, those officers with longstanding recommendations which showed little or no signs of movement in the last nine months were asked to give reasons for the delay. However, the very act of

escalating the matter, first to the Senior Leadership Team, and then to Members, appears to have had the desired effect of motivating some officers to take action where no progress had previously been made.

14. An update on the two longest outstanding recommendations, one of which (Procurement) has shown some recent movement, is provided in Appendix D. An update on the 2021/22 Estates Income recommendation is also given as the Audit Manager is concerned the focus has been on replacing the ePIMS asset management system with an in-house solution, rather than updating and maintaining the tenancy records as per the audit recommendation.

Latest Year – Audit recommendations made in 2022/23 (up to 31 December 2022)

15. Steady progress continues to be made on the 2022/23 recommendations, with three quarters of them already implemented and work underway in most of the remaining cases.

Counter Fraud Work

16. 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 and the Community Infrastructure Levy (CIL). However, before any savings/additional income can be realised we are reliant on colleagues in Revenues and Benefits, and Planning to follow up the cases we have referred to them. A total of 20 cases were referred for further investigation in 2022/23 (14 council tax and business rates and 6 CIL) but this has only generated £5,588 worth of additional income to date as the majority of the cases are yet to be pursued. None of the council tax and business rates cases referred were concluded during the year due to a combination of resourcing issues (now resolved) and a marked increase in the time taken by the Valuation Office Agency (VOA) to band/rate properties. The need to take action on CIL referrals has also been an issue for some time but Planning are now starting to address this point. We are therefore hopeful that the savings/additional income generated in the next financial year will be far greater because of all the referrals in the pipeline.
17. 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 2022/23.

Other Financial Savings

18. 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 £50,320 were identified in 2022/23. This figure is mostly comprised of two items; one in respect of a CIL liability notice which had been overlooked (£28,795) meaning that no demand notice was produced upon commencement of works; the other was an error found at the Payroll audit regarding an overpayment of the pension contributions to East Sussex County Council (£19,400). Both issues have since been rectified.

Risk Management Co-ordination

19. The Audit Manager was responsible for facilitating all strategic risk management activity in 2022/23. This included maintaining the Risk Management Policy and collating and reporting on updates to the Corporate Risk Register. It did not, however, include any responsibility for identifying and managing the risks he reported on. This remained with Senior Management throughout so as not to compromise the Audit Manager's operational independence or prejudice his ability to provide an objective opinion on the Council's control environment.
20. During the year the Audit Manager (with the assistance of Zurich Municipal), oversaw a number of improvements to the format and scoring of the Corporate Risk Register, and completely revised and updated the RDC Risk Management Policy which now includes consideration of risk appetite for the very first time.
21. With effect from April 2023, the role of Risk Management Co-ordination passed to the Corporate Programme and Improvement Manager who hopes to further enhance the Council's risk management processes by building on the progress made to date.

Quality Assurance and Improvement Programme

22. 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.
23. 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 (or Peer Review)
 - supervision and the review of all Internal Audit output
 - obtaining client feedback
24. The Audit Manager's latest self-assessment of his Team's compliance with the Standards (Review of Internal Audit 2022/23) was approved by Members on 30 March 2023 (Minute AS22/59 refers). The review identified no new action points for 2023/24 and concluded that there is a high level of effectiveness overall.
25. The Team's first Peer Review was completed in April 2017 and a further review has recently been undertaken, the detailed findings of which are reported elsewhere on this agenda. However, no significant issues were found at either review, and both concluded that Rother Internal Audit Service "generally conforms" with the Standards.
26. 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.

27. A summary of the responses received in 2022/23 is shown in the table below.

Questionnaire Type	Responses to Individual Questions					
	Good		Fair		Poor	
Exit Meeting (Line Manager)	51	91%	5	9%	0	0%
Service Manager Meeting	41	98%	1	2%	0	0%
Totals	92	94%	6	6%	0	0%

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

Performance Measures

29. 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 2022/23 together with the actual results for the year.

Performance Indicator	Target	Actual
Audit Plan – Percentage of governance audits completed.	100%	66.7%
Audit Plan – Percentage of overall audit plan completed.	90%	73.6%
Audit Assignments – Final reports issued within 15 days of second draft report.	90%	93%
Audit Recommendations – Percentage of "high" risk recommendations accepted by management.	100%	50%*
Satisfaction/Feedback – Overall percentage of customers rating the Internal Audit Service as "Good" or "Fair".	90%	100%

* Only two high risk recommendations were made.

30. This shows that only two targets were met or exceeded on this occasion.
31. The targets for governance audits and overall completion of the audit plan were not met because of the issues already outlined in paragraph 9 above. The target for high risk recommendations was not met because a recommendation made at the Property Investment audit to urgently review the financial viability for the Barnhorn Green site was not accepted by the Director – Place and Climate Change.

Conformance with the Public Sector Internal Audit Standards

32. The results of the 2023 peer review (reported elsewhere on the agenda) 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

33. 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 Interim Chief Finance Officer (as Section 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.
34. The work carried out by Internal Audit in 2022/23 has highlighted concerns in a number of areas, namely; Procurement, Capital Programme, Property Investment, CIL and Public Conveniences Cleaning Contract. The following provides an update on each of these areas.

Procurement – All audit recommendations were accepted but we are unlikely to see any major improvement in compliance with Procurement Procedure Rules until such time all Council employees/agency staff with approval rights have received Procurement training. Some training has been provided since the audit, but most staff are still awaiting the rollout of further training by the East Sussex Procurement Hub.

Capital Programme – Management have given assurance that most of the issues raised at the audit have now been addressed. The level of control exercised over capital expenditure is important and this will continue to be reviewed by Internal Audit as part of the 2023/24 Audit Plan.

Property Investment – A high risk recommendation was made because of concerns about the financial viability of the Barnhorn Green development. However, the need for an urgent and detailed review of this project was not accepted by Senior Management. Consequently, this remains an area of concern.

CIL – A number of the audit recommendations have now been implemented but progress on Internal Audit referrals and drafting a CIL Enforcement Policy has been slow, and late payment interest is yet to be applied.

Public Conveniences Cleaning Contract – All of the issues identified at the audit have now been addressed and this is no longer an area of concern.

35. Whilst many of the above issues have been addressed, some areas of concern remain.

Opinion on the Control Environment

36. 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.

Rating	Description
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.

37. 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.
38. In forming an overall opinion, Internal Audit findings need to be set in context and viewed corporately. On the one hand, the summary of the audit reports completed in 2022/23 (Appendix B) shows that five audit reports (33%) received a “limited” assurance rating (which is a significant increase on the previous year, which was already running higher than usual at 15%). On the other, only four of the 64 control objectives examined during the period had not been “met” at least in part.
39. The quarterly Internal Audit activity reports submitted to this Committee have also shown that, with the exception of two audits (i.e. Capital Programme and CIL), the vast majority of the expected controls are in place and most of the “limited” assurance ratings given in 2022/23 were a result of the number of issues found rather than a complete failure of the internal control environment.
40. 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 2022/23 is therefore that it is adequate and effective. However, concern is expressed that this opinion may change in future years if the number of limited/minimal assurance ratings continue to rise.

Whistleblowing Activity 2022/23

41. An update on the Whistleblowing Policy activity in 2022/23 is provided in Appendix E.
42. In summary, a total of 13 whistleblowing cases were reported to the Audit Manager in 2022/23. 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.
43. Further details on the Whistleblowing arrangements can be found on the Council’s [website](#).

Conclusion

44. The Internal Audit Team has had a challenging year but the overall results of its work in 2022/23 have enabled the Audit Manager to give a positive opinion on the Council’s control environment.

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

Interim Chief Executive:	Lorna Ford
Report Contact Officer:	Gary Angell, Audit Manager
e-mail address:	gary.angell@rother.gov.uk
Appendices:	<p>A – Audit Reports issued during Quarter to 31 March 2023</p> <p>B – Audits Completed in 2022/23 and Overall Performance Against the Audit Plan</p> <p>C – List of Capital Projects and Review Position</p> <p>D – Summary of Progress on Recommendations Made up to 31 December 2022</p> <p>E – Whistleblowing Activity 2022/23</p>
Relevant Previous Minutes:	AS17/14 Internal Audit – Peer Review AS22/59 Review of Internal Audit 2022/23
Background Papers:	None.
Reference Documents:	None.

CREDITORS AUDIT

Service Manager: Antony Baden

Officer(s) Responsible for Implementing Recommendations: Aleksandra Janowicz and Ian Curtis

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**).

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.	M
Payment – All payments are properly authorised and run totals agreed.	P
Cheque Control – All cheque usage is controlled and recorded.	N/A
Construction Industry Scheme (CIS) – The Council fully complies with CIS regulations and monitors all qualifying expenditure including spending on capital project building works.	M

NB - Cheque Control was not reviewed in this audit as no cheques for creditor payments have been issued since May 2021.

Level of Assurance

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

The main issue found relates to the checking of BACS remittance confirmation reports. Management need to check these reports promptly to allow time for the BACS run to be stopped should there be concerns about the legitimacy of any of the payments included in it. However, the audit found that most reports are either checked after payment has already been made or not at all*. Management now accepts that these

reports should be reviewed as a matter of priority and will take steps to ensure that all future reports are promptly checked by one of the Principal Accountants.

In addition, failure by some departments to raise purchase orders for all goods and services invoiced is still an ongoing issue. Consequently, Payments Officers have now been instructed to insist that a purchase order is raised in support of all invoice payments except those where the supplier’s name is included on the Exempt Suppliers List.

The only other issue found during the audit was minor in nature and was dealt with in the report.

* Resourcing and workload issues have contributed to the failure of this control. The Creditors team has been under-resourced since September 2022 and one of the Principal Accountant posts also became vacant in early November 2022. A replacement Principal Accountant is now in place and a new Trainee Accountant has recently been appointed to ease the pressure on the Creditors team, although she is yet to start work.

Executive Summary

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

Internal Audit Service
January 2023

Levels of Assurance:	
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.

COUNCIL TAX AUDIT

Service Manager: Chris Watchman

Officer(s) Responsible for Implementing Recommendations: Chris Watchman, Clare Watchman and Rebecca Olorunda

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**).

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.	P

Level of Assurance

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

Two main issues found which relate to:

- **Supervisory checks** – The audit found that reports listing circumstance codes (which can be used to suppress recovery action) had not been closely checked by management for some time. This could mean that cases are missed and recovery action stalls. Management acknowledged that these checks should be more detailed but workload and resources issues within the Revenues team has meant other work priorities have taken precedence. In particular, the Energy rebate scheme, introduced at short notice by government, caused significant additional work and meant that staff needed to be diverted from normal duties. It

is hoped that full checks on these reports will resume once the officer who previously undertook them is well enough to return to work.

- **Write-offs** – Examples were found of write-offs which had not been approved by the Revenues & Benefits Manager in accordance with Financial Procedure Rules. However, the cases highlighted were in respect of Debt Relief Orders where it would be standard practice to write off the debts and all have since been approved.

Other recommendations/advisories were also made regarding a few minor procedural issues to help improve internal control.

Executive Summary

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

Internal Audit Service
March 2023

Levels of Assurance:	
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.

BUSINESS RATES AUDIT

Service Manager: Chris Watchman

Officer(s) Responsible for Implementing Recommendations: Chris Watchman, Clare Watchman and Rebecca Olorunda

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**).

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.	P

Level of Assurance

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

The main issue found is that reports listing circumstance codes (which can be used to suppress recovery action) are not being closely monitored by management. Leaving a circumstance code in place for longer than necessary can result in follow-up recovery being delayed. This same point was also raised at the latest Council Tax audit. Management acknowledged that these checks should be more detailed but workload and resources issues within the Revenues team has meant other work priorities have taken precedence. In particular, the Energy rebate scheme, introduced at short notice by government, caused significant additional work and meant that staff needed to be diverted from normal duties. It is hoped that full checks on these reports will resume once the officer who previously undertook them is well enough to return to work.

The only other recommendation made concerned a minor procedural issue.

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
March 2023

Levels of Assurance:

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.

BENEFITS AUDIT

Service Manager: Chris Watchman

Officer(s) Responsible for Implementing Recommendations: Caroline Betts

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**).

New Applications and Changes of Circumstances – All applications are promptly and properly processed.	P
Benefit Assessment – Benefits are properly due and are calculated correctly.	M
Payment – Rent allowances are promptly paid to those for whom they are intended.	Not reviewed
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 substantial assurance can be given on the governance arrangements.

This assessment reflects the fact that workload and resourcing issues are currently having a negative effect on processing times. This situation is made particularly challenging by the high volume of Universal Credit notifications received each month. No audit recommendation is however made regarding this point as management are already well aware of the issue and are taking steps to address it.

The only other issue found was minor in nature and is dealt with in the report.

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
March 2023

Levels of Assurance:

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.

PAYROLL AUDIT

Service Manager: Maria Benford

Officer(s) Responsible for Implementing Recommendations: Maria Benford and Kirsty Goldsmith

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**).

Authority for Payment – Pay and related costs are only incurred in respect of staff employed in authorised posts. All payments to new employees are calculated correctly and employees leaving the Council are promptly removed from the live payroll and their final salary payment correctly calculated.	P
Pay Awards and Other Salary Increases – Basic pay is correctly calculated in accordance with local agreements and all subsequent grading changes/increments are formally costed and approved.	M
Other Amendments to Pay – All other variations to pay must be authorised, complete, accurate and not previously processed.	M
Deductions – Statutory deductions are correctly applied, accounted for and paid over to relevant body in accordance with legislation and government/superannuation scheme requirements.	M
Payment – All salaries payments are prepared and issued appropriately.	M
Security of Data – All computer records are protected against unauthorised access.	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 main issues found relate to:

- **Moratoria of New Posts** – No evidence was seen at the audit to confirm that Senior Leadership Team (SLT) had formally approved two new posts. SLT should formally approve all moratoria for new positions and evidence of approval should be retained on file by Human Resources. The Human Resources Manager advised that the approval of moratoria is currently under discussion at SLT level and this has meant that on occasions the agreed process has not been followed in full. It is hoped that a new process will be agreed later in the year once a new Chief Executive is in post.

- **Starter Salary Checks** - The checking of reports detailing commencing salaries of new starters had lapsed. Monthly reports detailing the starting salaries of all new employees should be checked by Human Resources to confirm they are correct. Following the audit, this important check has now resumed.

The only other issues found during the audit were minor in nature and were dealt with in the report.

Executive Summary

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

Internal Audit Service
 April 2023

Levels of Assurance:	
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.

Audits Completed in 2022/23 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%)					
ICT Governance 2021/22	3	1	2	0	Substantial
Payroll 2021/22	6	6	0	0	Good
Governance Audits – Planned 9, Completed 6 (66.7%)					
Benefits	5	4	1	0	Substantial
Business Rates	4	3	1	0	Substantial
Council Tax	4	3	1	0	Substantial
Creditors	4	2	2	0	Substantial
Payroll	6	5	1	0	Substantial
Treasury Management	7	6	1	0	Substantial
High/Medium Risk Audits – Planned 11, Completed 9 (81.8%)					
Building Maintenance	6	5	1	0	Substantial
Capital Programme	4	1	1	2	Limited
Community Infrastructure Levy	7	4	2	1	Limited
Cyber Security	3	1	2	0	Substantial
Homelessness Prevention Initiatives	2	1	1	0	Substantial
Procurement	1	0	1	0	Limited
Property Investment	5	3	1	1	Limited
Public Conveniences Cleaning Contract	4	2	2	0	Limited
Reprographics Sales Income	2	0	2	0	Substantial
Total: 15 Audit Reports (20)	64	40	20	4	
<i>Excluding audits brought forward</i>	100%	62.5%	31.3%	6.2%	
Good/Substantial Assurance	10 (17)		66.7% (85%)		
Limited/Minimal Assurance	5 (3)		33.3% (15%)		
Other Work (No Report Required) – Planned 2, Completed 2 (100%)					
New HR/Payroll System - Consultancy		Consultancy work			
New Initiatives - Audit Advice		Consultancy work			
Audit Work Not Completed at Year End – Total 5					
Debtors 2022/23		Work in progress (92% complete)			
ICT Asset Management		Moved to Audit Plan 2023/24			
ICT Governance 2022/23		Work in progress (30% complete)			
Licensing		Moved to Audit Plan 2023/24			
Main Accounting		No longer required in existing form			
Total Work Planned 2022/23	22 (23)		Percentage of Plan Completed		
Total Work Completed 2022/23 <i>Excluding audits brought forward</i>	16.2 (21)		73.6% (91.3%)		

Previous year's performance italicised and in brackets.

The following information was supplied by the Director – Place and Climate Change on 24/05/23.

Capital Project	Review Position
Acquisitions, Transformation and Regeneration	
Other Schemes	
Corporate Document Image Processing System	A corporate review will need to be undertaken and a program of works scoped to bring the remaining departments onboard. Planning/Environmental Health currently use their own systems. A Corporate Postal Mail Service project is required to scan post that is received at the town hall to make it viewable by all departments - digital mail box. Housing are on the list to transfer over to the corporate document imaging, but this will need to run as a project to scope and then to manage the migration.
Rother Transformation ICT Investment	Costs for digital and cloud are starting to increase particularly cloud data usage & storage (both up and down stream charges). A corporate digital investment programme will be undertaken for all service areas as we look to introduce automation for processes and drive efficiency and reduce error. Key funding purchases are need for software such as process mapping. A new planning system would be required as Ocella is coming to end of life in Jan 2027.
Community Grants	Budget resets each financial year. Monitored grants for the spend against award. Balance offset by Rother Community Lottery Proceeds.
Cemetery Entrance	Project now complete, enabling the CLH project to progress (see row 21). End of defects inspection May 22. Cost of new entrance to be (partly) reconciled by sale of land to Bexhill CLT as per earlier Cabinet authority. Anticipating transfer in next three months. Receipt to RDC is anticipated to be c£87,000.
Development of Town Hall Bexhill	This scheme has been put on hold with projected final spend reported to Full Council. A decision on progression of this scheme will be a matter for the new Council and a review will be undertaken at that point.
Ravenside Roundabout	No funding currently allocated to this scheme. RDC officers & Cllrs working with National Highways to first eradicate ragwort and then clear roundabout of weeds and tidy as phase 1 of the project and as part of Highways responsibility. Funding options continue to be explored with National Highways to develop some form of structure/sculpture on the roundabout but without success to date.
CIL Scheme 1 Village Hall Energy Project	CIL Funded - Currently at Stage 1 of delivery which is Village Hall assessments, which are due for completion by June 2023. Scope of capital works will be determined at stage 2.
UK Shared Prosperity Fund	Externally funded from DLUHC over 3 years. Year 1 has now been rolled into year 2 (current year) all funding to be spent by end March 2025 - Rye Fisheries scheme takes up most of the capital allocation, £173k has been agreed and is in

Capital Project	Review Position
UK Shared Prosperity Fund (cont.)	development. All £603k of Rural Prosperity Funding is capital, to be allocated through a grant scheme and spent by April 2025.
Property Investment (PI)	
Beeching Road Hotel and Food store Development	Currently at heads of terms stage and in negotiation with a food store provider and hotel provider to ascertain final costs and funding structure. Delegated authority to agree has been given to the Property Investment Panel, which will consider the final terms prior to proceeding. A budget of £15m has been agreed by Council subject to final terms. Both the food store provider and hotel provider are refining their cost estimates to feed back to RDC for financial appraisal. They are also collaborating on scheme design/layout due to shared car parking and circulation areas.
PIS - Beeching Park Estate	Complete and spent
PIS - Beeching Road 18-40 (Creative Workspace)	This scheme is substantively complete; works to rectify guttering and water ingress has been complete, monitoring before final retention is paid, expected Autumn 2023.
Barnhorn Green GP Surgery and Industrial Development	A planning application has been submitted and is due to be considered in June 2023. A financial review of the whole scheme continues and will be presented to Cabinet/Full Council Autumn 2023.
Mount View - NHS Mental Health Hospital	Capital outlay has been spent on land acquisition. A capital receipt is expected following the on-sale of the phase 1 land to ES NHS Partnership Trust. Additional preliminary discussions have been had with other partners regarding the use of plot 3 at the site.
PIS - Buckhurst Place	Acquisition of Sainsbury's complete.
Housing Development Schemes	
Community Led Housing Scheme - CHF	Bexhill CLT have obtained planning permission to redevelop Cemetery Lodge & land for 6x social rent units. Cabinet authority has been awarded to use s106 funds (£200k) to support the development. Sale of Cemetery Lodge to CLT is underway, expected to complete Q2 2023/24 and start on site Q3 2023/24. A CLH scheme is also progressing with Marsham CLT for Land at Fairview (Guestling/Pett) where cabinet authority has been given to dispose of the land.
Blackfriars Housing Development - Infrastructure only	The Blackfriars site and homes England funded road continues to develop and is being revised to incorporate ESCC highways/other regulatory standards, including embankments, drainage, and substation designs. The costs have increased due to design changes, higher than anticipated construction works, ground conditions and inflation increases on the housing plans. The revised figures will be presented to Cabinet and Council in July 2023.

Capital Project	Review Position
RDC Housing Company Limited funding	Funding of c£2.9m has been facilitated so far and a Loan Funding agreement is in draft form to facilitate future funding.
RDC Housing Company share investment	The Council currently has a £1 Share only in Rother DC Housing Company Ltd.
Development of council owned sites	The approved capital budget to explore feasibility of new housing developments on council owned sites continues to be used to good effect, having been used on both the King Offa Way and Old Lydd Rd developments. If planning is achieved, a request is then submitted for the scheme to join the main Capital Programme (such as Old Lydd Road and King Offa) all spend allocated to that project is transferred to these new Capital Cost code allowing for the feasibility funds to be re-imbursed.
King Offa Residential scheme	Land transfer completed with ESCC in February 23. Outline planning permission awaiting S106 to be scheduled for end of May. Initial Brown Field Land Release Fund works have been successfully procured with demolition to start in mid-June. Initial facilitating works have been undertaken by the Estates Team. Delivery route to be confirmed by Autumn 2023 with ongoing market research being undertaken by officers.
Mount View Street Development - Housing	No Project or Funding agreed. Land is held for development of housing and commercial floorspace, in line with the 2015 outline planning consent covering the overall Worsham development. The remainder of the site that was acquired by RDC is earmarked for development by the NHS of an in-patient mental healthcare hospital.
Camber, Old Lydd Road	Planning approval agreed at Committee in March 2023, Section 106 expected to be completed by end of June. Initial Brown Field Land Release Fund works now scheduled for delivery winter 2023, with delivery route confirmed by end of summer 2023.
Housing and Community Services	
De La Warr Pavilion - Capital Grant	This is an annual grant that will continue for the foreseeable future. There will be a review of De La Warr Pavilion funding following the completion of the Levelling up Fund works in 2026/27.
Land Swap re Former High School Site	Acquisition of former High School site completed on 2 nd March 2023. Completion of sales of RDC land occupied by ESCC under CPO for the Bexhill-Hastings Link Road remains outstanding.
Bexhill Leisure Centre - site development	On hold for Cllr decision on way forward with leisure centre provision in Bexhill and in line with Health & Wellbeing: Leisure Facility Strategy. Current operator contract end date of 31 March 2024
Fairlight Coastal Protection	Ring fenced funds left over from Environment Agency Fairlight Coast Protection project to support ongoing capital costs of Rockmead/Fairlight well system into the medium term.
Disabled Facilities Grant	Researching options to go paperless, meeting with ESCC to look at BCF spend.

Capital Project	Review Position
Sidley Sports and Recreation	BMX track, jump park and skatepark project completed.
New bins	Funds to provide new waste containers to Rother residents.
Improvements to Northiam Recreation Ground s106	No review as yet undertaken.
Bexhill Promenade - Protective Barriers	Project completed.
Housing - Temporary Accommodation Purchase	Audit in September, paper being prepared for Cabinet for further investment.
Bexhill Promenade - Shelter 1	Project completed.
Bexhill Promenade - Outflow pipe	East Kent Engineering Partnership (EKEP) progressing this project on behalf of RDC for work to start on replacing the pipe in the Autumn 2023. MMO license applied for and still awaiting licence. Work unable to start until this has been granted and can take up to 12 months. EKEP to start contract procurement in June 2023 in readiness.
Bexhill Leisure Centre - refurbishment	If this is the £140K set aside to improve aspects of Bexhill Leisure centres post COVID then this project is complete. There is £30k left of which there remains an outstanding commitment to be paid of c£16k.
Capital - Northiam Cemetery Extension – S106	Funds passed in full to Northiam PC.
Strategy & Planning	
Payments to Parishes - CIL	No review required.
Resources	
ICT Infrastructure Replacement Programme	The budget for this currently is £12,000 p.a. for 2023/24 and 2024/25 however the organisation will need to look at a large scale renewal starting in 2023/24 as the majority of laptop issued during Covid will need to be replaced (as they should be replaced every 3 years when their warranty expires). Approximately £250,000 would be needed to complete a whole laptop estate renewal and suggest this program is phased and budgeted for 2023/34 (£100k), 2024/25 (£48k) and 2025/26 (£51k). The approximate cost therefore p.a. is around £50k.
New website development	New website completed 2020 but will need continual investment and maintenance as we increase its self service capabilities. We are seeing an increase in traffic spikes to key webpages and the hosting cost will now dynamically increase to deal with the volume.
Invest To Save Initiatives (Financial Stability Prog)	No review as yet undertaken.

Summary of Progress on Recommendations Made up to 31 December 2022

Old Years: Audit recommendations made in 2018/19 (2) and 2021/22 (5)

Previous quarter's performance shown in brackets.

Risk	Issued	Implemented	Work-in-Progress	Not Started
High	4	4 (4)	0 (0)	0 (0)
Medium	64	58 (58)	6 (5)	0 (1)
Low	46	45 (44)	1 (2)	0 (0)
Total	114	107 (106)	7 (7)	0 (1)
		93.9% (93.0%)	6.1% (6.1%)	0% (0.9%)

Note – All audit recommendations made in 2019/20 and 2020/21 have been resolved.

Breakdown of outstanding audit recommendations by Service Manager:

Mark Adams (Head of Digital and Customer Services) *

- ICT Governance (2018/19) – issued 12/04/19. Recommendation to produce a new ICT Disaster Recovery Plan (Medium)

Update from the ICT Manager on 24/05/23 – “A Disaster Recovery Plan including documenting the business-critical systems along with their priority for recovery, will be completed by 19 June [2023].”

- Data Protection (2021/22) – issued 25/06/21 (2 Medium & 1 Low) – *In progress.*

Duncan Ellis (Chief Finance Officer)

- Procurement (2018/19) – issued 05/10/18. Recommendation to formalise an SLA for the service provided by the East Sussex Procurement Hub (Medium).

Update from the Interim Chief Finance Officer on 23/05/23 – “The agreement has now been drafted by the Wealden Legal Team and was sent to the Interim Chief Finance Officer on 23 May. A meeting was subsequently arranged with the Procurement Business Partnership Manager for 24 May to enable the draft to be discussed and for any additional amendments to be agreed prior to a final review by the Wealden Legal Team. The final agreement is expected to be completed in June 2023.”

- Creditors (2021/22) – issued 01/02/22 (1 Medium) – *In progress.*

Joe Powell (Head of Housing and Regeneration) *

- Estates Income (2021/22) – issued 30/06/21. Recommendation to update the tenancy details stored on the ePIMS asset register database to correct the discrepancies found at the audit and to ensure it is properly maintained from now on (Medium).

Update from the Property Investment and Regeneration Manager on 18/05/23 – “A new Business Support Officer is now in post and is familiarising herself with the ePIMS system to enable her to update records. The Property Investment and Regeneration Manager will need to provide the relevant information to enable her to populate the system.” [No target date specified.]

* **These managers have only recently taken on responsibility for these recommendations, having previously worked in other roles.**

Summary of Progress on Recommendations Made up to 31 December 2022

Latest Year – Audit recommendations made in 2022/23 (up to 31 December 2022)

Previous quarter's performance shown in brackets.

Risk	Issued		Implemented		Work-in-Progress		Not Started	
High	2	(2)	1	(1)	1	(1)	0	(0)
Medium	29	(13)	21	(8)	6	(2)	2	(3)
Low	17	(6)	14	(5)	2	(0)	1	(1)
Total	48	(21)	36	(14)	9	(3)	3	(4)
			75.0%	(66.7%)	18.8%	(14.3%)	6.2%	(19.0%)

Whistleblowing Activity 2022/23

A total of 13 whistleblowing cases were reported to the Audit Manager in 2022/23, which is down significantly from the previous financial year.

The cases received in 2022/23 are made up of emails and webforms sent to the audit@rother.gov.uk mailbox (12) or letters received by the Audit Manager (1). 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	6
Housing Issue/Tenancy Fraud	3
Planning Enforcement Issue	3
Environmental Health	2
Total	14

Note - One whistleblowing referral covered two separate issues.

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.

One of the Benefit/Council Tax Fraud cases identified above relates to a property in rural Rother where the occupants had evaded Council Tax for ten and a half years by not declaring their presence. A backdated Council Tax demand will be sent to them once the VOA has banded the property.