

## Rother District Council

<b>Report to:</b>	Audit and Standards Committee
<b>Date:</b>	2 October 2023
<b>Title:</b>	Internal Audit Report to 30 June 2023
<b>Report of:</b>	Gary Angell, Audit Manager
<b>Purpose of Report:</b>	To report on Internal Audit activity in the first quarter of 2023/24 and to provide a progress update on the implementation of audit recommendations made in earlier periods.
<b>Officer Recommendation(s):</b>	It be <b>RESOLVED</b> : That the Internal Audit report to 30 June 2023 be noted.

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### Introduction

1. The Council is required to ensure that it has reliable and effective internal control systems in place. The adequacy of these systems is tested by both Internal and External Audit.
2. The Council's Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards. It is a requirement of these Standards that we report to the Audit and Standards Committee on audit matters and any emerging issues not only in relation to audit, but also to risk management and corporate governance.

### Summary of Activity in Quarter 1

3. Three audit reviews were completed in the first quarter of 2023/24 although two of these related to audits brought forward from the previous financial year. All provided substantial assurance. An overview of the findings arising from these audits is given in Appendix A.

### Implementation of Audit Recommendations

4. Each quarter, Members are updated on the progress made on implementing the audit recommendations reported at previous meetings. Appendix B shows a summary of the current position.
5. Five of the 'old years' recommendations now remain. This is a reduction of two since the previous quarter and progress is now being made in most of the remaining cases. The only recommendation that has not moved forward this quarter is the Procurement recommendation. The Interim Deputy Chief Executive has provided the following progress update on this recommendation.

*“Although a meeting was held between the Interim Deputy Chief Executive and the Procurement Business Partnership Manager on 24 May 2023, unfortunately the expected draft agreement was not shared at that point as the form of the agreement is potentially being changed from a Service Level Agreement (SLA) to an Inter Authority Agreement (IAA) as the Wealden legal team feel that is*

*more appropriate for the way the services are provided. There were however a number of agreements reached at that meeting that will inform and shape the IAA. At the time of writing the Wealden legal team are in the process of finalising the draft agreement and are hoping to share it with us for review by mid-September 2023 so a further update might be available by the time the Committee meets on 2 October 2023.”*

6. Good progress continues to be made on the 2022/23 recommendations, with over three quarters of the issues raised now resolved.

## Conclusion

7. All audits completed in the first quarter of 2023/24 provided substantial assurance.
8. Progress is now being made on most ‘old years’ audit recommendations.

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

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Appendices:	A – Audit Reports issued during Quarter to 30 June 2023 B – Summary of Progress on Recommendations Made up to 31 March 2023
Relevant Previous Minutes:	AS23/11
Background Papers:	None.
Reference Documents:	None.

**DEBTORS AUDIT 2022/23**

Service Manager: Chris Watchman

Officer(s) Responsible for Implementing Recommendations: Wendy Swain

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

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

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

**Control Objectives**

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

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

**Level of Assurance**

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

The main issue found relates to the need for better communication with the Estates section regarding the billing of commercial rents. Regular meetings used to be held to discuss rent review and lease end dates, but these have stalled in recent months due to resourcing issues in Estates. Action has since been taken to schedule further meetings to ensure that the debtors are correctly billed.

The report also highlights a number of supervisory checks that have not been carried out for many months due to the absence of the Revenues Team Leader. These include checking the validity of credit notes, reviewing debts where recovery action is on hold, and monitoring arrears. No specific issues were found at the audit as result of these checks not taking place, but Management may wish to consider preparing a list of Sundry Debtor management duties to aid in providing alternative cover in the event of another long term absence.

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## Executive Summary

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

Internal Audit Service  
May 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.

**ICT GOVERNANCE AUDIT 2022/23**

Service Manager: Mark Adams

Officer(s) Responsible for Implementing Recommendations: Graham McCallum

Overall Level of Assurance: **SUBSTANTIAL**

**Purpose and Objectives**

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

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

**Control Objectives**

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

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

**Level of Assurance**

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

The Rother ICT network is generally well controlled and protected, and the overall assurance rating would have been higher had it not been for the fact that a longstanding audit recommendation to produce a new IT Disaster Recovery (DR) Plan has still not been fully implemented.

NB - A draft DR plan was produced shortly prior to the issuing of this report but the document seen was incomplete and further work will be required before it can be relied upon in the event of a disaster.

**Executive Summary**

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

Internal Audit Service  
July 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.

## RISK MANAGEMENT AUDIT

Service Manager: Anna Evett

Officer(s) Responsible for Implementing Recommendations: Anna Evett/Jo Harrison

Overall Level of Assurance: **SUBSTANTIAL**

### Audit Comment

*The Audit Manager had responsibility for co-ordinating risk management at the Council until April 2023 when the Corporate Programme and Improvement Manager took over this role. In order to comply with the Public Sector Internal Audit Standards, the Audit Manager has had no involvement in writing or reviewing the report or this executive summary. The work has been carried out independently by the Senior Auditor. The Audit Manager has, however, been contacted as an “audit client” so that information can be obtained to help evaluate the effectiveness of the controls in place.*

### Purpose & Objectives

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

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

### Control Objectives

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

<b>Policy and Responsibilities</b> – Management takes ownership of the risk management process and its responsibilities have been clearly defined.	<b>M</b>
<b>Risk Assessment</b> – Procedures are in place to ensure all risks that could impact on the achievement of Council objectives have been identified.	<b>M</b>
<b>Risk Mitigation</b> – Appropriate management action is being taken to reduce risk to an acceptable level.	<b>P</b>
<b>Monitoring Performance</b> – Risk management activity is monitored and reviewed on a regular basis.	<b>M</b>
<b>Audit and Standards Committee</b> – Risk management, control and governance processes are overseen by the Audit & Standards Committee.	<b>M</b>

### Level of Assurance

Based on the findings from the audit we have determined that substantial assurance can be given on the governance arrangements subject to the comments made below. The main issues found relate to:

- the need for Service Managers and Heads of Service to maintain up to date service risk registers in their area of responsibility,
- the need to remind risk managers that mitigating measures detailed in the Corporate Risk Register should be in place rather than aspirational or assumed.

It should be noted that project risk registers have not been reviewed as part of this audit. Instead, these will be reviewed as part of the Corporate Project Management audit to be undertaken later this year.

The overall risk management framework in place was found to be good and effective. However, some managers need to further engage in the process to effectively mitigate against risks for which they are responsible.

**Executive Summary**

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

Internal Audit Service  
June 2023

<b>Levels of Assurance:</b>	
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.



## Summary of Progress on Recommendations Made up to 31 March 2023

### Old Years: Audit recommendations made in 2018/19 (2) and 2021/22 (4)

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	60 (58)	4 (6)	0 (0)
Low	46	45 (45)	1 (1)	0 (0)
<b>Total</b>	<b>114</b>	<b>109 (107)</b>	<b>5 (7)</b>	<b>0 (0)</b>
		<b>95.6%</b> (93.9%)	<b>4.4%</b> (6.1%)	<b>0%</b> (0%)

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

Breakdown of long 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).
- Data Protection (2021/22) – issued 25/06/21. (1) Recommendation to determine which Council systems hold special category data and to confirm that there is a lawful basis for processing such data (Medium) and (2) Recommendation to establish if privacy notices still need to be produced for certain processes (Low).

#### Aleksandra Janowicz (Interim 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).

#### 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).

\* The Procurement recommendation is still being managed by Duncan Ellis, the Interim Deputy Chief Executive.

## Last Year – Audit Recommendations 2022/23

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	35 (29)	29 (21)	6 (6)	0 (2)
Low	26 (17)	19 (14)	5 (2)	2 (1)
<b>Total</b>	<b>63 (48)</b>	<b>49 (36)</b>	<b>12 (9)</b>	<b>2 (3)</b>
		<b>77.8%</b> (75.0%)	<b>19.0%</b> (18.8%)	<b>3.2%</b> (6.2%)