

## Rother District Council

<b>Report to:</b>	Audit and Standards Committee
<b>Date:</b>	25 March 2024
<b>Title:</b>	Internal Audit Report to 31 December 2023
<b>Report of:</b>	Gary Angell, Audit Manager
<b>Purpose of Report:</b>	To report on Internal Audit activity in the third quarter of 2022/23 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 31 December 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.

### Current Position

3. Progress on the 2023/24 Audit Plan is still a bit behind schedule, but the Audit Manager remains confident that the majority of the work on the Governance audits should be completed by 31 March 2024.

### Summary of Activity to 31 December 2023

4. Six audit reports were issued in the quarter. An overview of the findings arising from each of these audits is given in the Executive Summaries which are reproduced in Appendix A. All provided Good or Substantial assurance.

### Implementation of Audit Recommendations

5. 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.
6. There are currently 12 recommendations in the 'Old Years' section. Most of these relate to 2022/23, but four older recommendations still remain outstanding, and none of these have moved forward in the last quarter. For example, the Council is still waiting for Legal Services to produce a draft Service Level Agreement (SLA) or Inter Authority Agreement (IAA) for the East Sussex

Procurement Hub but nothing has so far been forthcoming despite multiple requests for them to produce this document over the past six months. It is also noted that the second draft of a new Disaster Recovery Plan, which was produced in October 2023, still requires further work before it can be finalised.

7. The Audit Manager met with the Head of Digital and Customer Services and IT Manager on 28 February 2024 to discuss his concerns about the apparent lack of progress made on many of the recommendations still outstanding in their service area. These included the ICT Governance (Disaster Recovery Plan issue), two Data Protection issues and some recommendations from other more recent audits. This resulted in a number of action points and a commitment to resolve the oldest recommendations by the time that Members consider this report. A verbal update on whether or not this has been achieved will be provided at the meeting.
8. The Audit Manager also intends to discuss all longstanding recommendations with the Senior Leadership Team in the near future to promote further progress in this area.
9. The current year position has seen a slight dip in performance. This can be wholly attributed to the unusually high volume of new recommendations added since the June quarter as a result of the many issues found at the ICT Asset Management, Blackfriars Spine Road Project and Housing Company Governance audits. Good progress is however being made in respect of most of these recommendations, although a number of them are yet to be fully resolved. These cases are shown as 'work-in-progress'.

### Audits Planned Next Quarter

10. The audits scheduled to take place in the first quarter of 2024/25 are yet to be determined. They will be selected from the new Audit Plan once it has been approved elsewhere on this agenda.

### Conclusion

11. Six audits were issued this quarter. All received Good or Substantial assurance.
12. The number of longstanding audit recommendations is slowly decreasing, but the progress made on these still needs to be improved.

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:	Lorna Ford
Report Contact Officer:	Gary Angell, Audit Manager
e-mail address:	<a href="mailto:gary.angell@rother.gov.uk">gary.angell@rother.gov.uk</a>

Appendices:	A – Audit Reports issued during Quarter to 31 December 2023 B – Summary of Progress on Recommendations Made up to 30 September 2023
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Relevant Previous Minutes:	AS22/45
Background Papers:	None.
Reference Documents:	None.

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**CORPORATE PROGRAMME MANAGEMENT AUDIT**

Service Manager: Nicola Mitchell

Officer(s) Responsible for Implementing Recommendations: Nicola Mitchell

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**).

<p><b>Project Management Toolkit</b> – A Corporate Programme project management toolkit is available to assist officers in managing projects effectively and efficiently; this is used for all major corporate projects.</p>	<p><b>M</b></p>
<p><b>Business Case</b> – All Corporate Programme projects have a comprehensive business case; project aims are clearly stated and an analysis of the various options to deliver them has been carried out; a thorough assessment of the strengths and weaknesses of the project has been undertaken; the project has been costed using real world comparisons and with the input and assistance of the Accountancy Team; the business case is reviewed and approved by the Senior Leadership Team and Members, where appropriate.</p>	<p><b>P</b></p>
<p><b>Risk Management</b> – Corporate Programme project risks are identified, evaluated, and recorded in a project risk register; the risk register records the mitigating actions and controls in place to reduce project risks; the risk register is monitored and reviewed throughout the project.</p>	<p><b>M</b></p>
<p><b>Procurement</b> – Project expenditure is in accordance with the Council’s Procurement Procedure Rules.</p>	<p><b>M</b></p>
<p><b>Budgetary Control</b> – Costs and funding arrangements are monitored throughout the project; actual and projected overspends are reported to the Chief Finance Officer and Members in accordance with Financial Procedure Rules.</p>	<p><b>P</b></p>
<p><b>Project Slippage</b> – Project timescales for implementation are realistic at the outset and continually monitored to ensure key project milestones are met.</p>	<p><b>M</b></p>

**Post Implementation Review** – All projects in the Corporate Programme are subject to a post implementation review on completion, to identify key learning points which can be used to improve procedures for future projects.

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:

- **Project Funding** – Some projects had been approved even though the funding arrangements were unclear or unknown at the time the project scoping document was produced. The report therefore recommends that the Programme Board should consider only approving projects once the costs and funding arrangements are known and approved.
- **Overspends** – The reason for project overspends is reported to the Programme Board. However, the full extent of the overspend is not always properly quantified. The report recommends that project overspends should be quantified and reported in detail to the Programme Board as part of the project close out process. It is especially important that the Board is made aware of the ongoing revenue funding implications of overspends which are financed through borrowing.
- **Borrowing Costs** – The cost of borrowing has risen significantly over the last 18 months due to increasing interest rates. However, this risk does not appear on the risk registers for many of the high value projects which are reliant on borrowing for at least part of their funding. The report recommends that project managers should be reminded of the importance of monitoring interest rates to allow for early intervention if increased borrowing costs affect a project’s viability. The risk of rising interest rates should be included in risk registers.

**Executive Summary**

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

Internal Audit Service  
October 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.

**SECTION 106 AGREEMENTS - INCOME COLLECTION AUDIT**

Service Manager: Kemi Erifevieme

Officer(s) Responsible for Implementing Recommendations: Kemi Erifevieme

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**).

Systems are in place to identify financial obligations within Section 106 agreements once they become due.	<b>P</b>
Sums are billed promptly as and when they become due and are correctly calculated considering any uplift or overage clauses within the agreement.	<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 only issues found relate to:

- **Record Keeping** – Full and up to date details of all Section 106 financial obligations should be entered on the Ocella system, but a few cases were identified where this had not been done. A recommendation is made for management to ensure all such obligations are entered on the system, including any subsequent amendments, and for a second officer to check that this has been done correctly.
- **Collection of Funds** – Where payment of Section 106 funds are dependent on development milestones (e.g. a percentage of the development completed, sale of fifth dwelling etc), the onus is currently on the developer to advise the Council when sums are due. Consequently, cases could be missed, although no instances of this were identified at the audit. A recommendation is made for management to introduce a process that allows for proactive monitoring of all live Section 106 developments, with a view to identifying when sums fall due.

One possible solution to both these issues would be the creation of a designated Section 106 Monitoring Officer role. This is something that management are willing to explore as it would enable them to assign responsibility for the recording and updating of all Section 106 obligations, and the proactive monitoring of Section 106 developments, to a specific officer. However, if this role does not come to fruition, then an alternative solution will need to be found.

**Executive Summary**

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

Internal Audit Service  
November 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.

**TEMPORARY ACCOMMODATION INVESTMENT AUDIT**

Service Manager: Joe Powell

Officer(s) Responsible for Implementing Recommendations: Kathryn Harlow

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>Strategy</b> – There is a temporary accommodation investment strategy which outlines the criteria for the procurement of property which has been approved by Members.	<b>M</b>
<b>Acquisition</b> – All property acquisitions are within the approved budget, meet the requirements of the strategy and any grant conditions, are subject to due diligence, health and safety, and financial appraisal checks and are duly authorised.	<b>P</b>
<b>Property Management</b> – Properties purchased for temporary accommodation are kept in a good state of repair and meet safety standards.	<b>M</b>
<b>Rental Income</b> – All rental income is collected and accounted for.	<b>P</b>
<b>Performance</b> – All Council-owned temporary accommodation is fully utilised.	<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 only issues found relate to:

- **Financial Appraisal** – A full financial appraisal is not currently carried out prior to the purchase of each property, although Accountancy have advised that this will now be done moving forward. To ensure consistency of approach, the report recommends that the methodology for calculating financial appraisals should be agreed, documented, and communicated to all relevant officers. This had already



been acted upon before the report was issued, and a template spreadsheet has been produced for the financial appraisal of future purchases.

- **Rent Records** – There are potential issues with the integrity of the data on the Alto (Property management) system as discrepancies were found between the Cash Book records of rent received and the actual rent recorded as paid on the Academy system. The Housing team provided evidence from other datasets in the Alto system showing that rent receipts have been fully recorded and are up to date for all cases queried. However, it is unclear whether the initial Cash Book data extracted from Alto was incorrect due to human error, or there are data integrity issues with the software itself. The report therefore recommends that management should liaise with the software provider to ensure the integrity of the data held in the system can be relied upon for the monitoring of rent.

**Executive Summary**

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

Internal Audit Service  
November 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.

## 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**).

<b>New Applications and Changes of Circumstances</b> – All applications are promptly and properly processed.	<b>M</b>
<b>Benefit Assessment</b> – Benefits are properly due and are calculated correctly.	<b>M</b>
<b>Payment</b> – Rent allowances are promptly paid to those for whom they are intended.	<b>M</b>
<b>Overpayments</b> – 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.	<b>M</b>
<b>Reconciliation</b> – Benefit payments are correctly applied and regularly reconciled to the main accounting system.	<b>M</b>
<b>System Administration</b> – The computer system is kept up-to-date and access to benefit records, system parameters and creditor masterfile records are suitably restricted.	<b>M</b>

### 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  
December 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.

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**COMMUNITY INFRASTRUCTURE LEVY (FOLLOW UP) AUDIT**

Service Manager: Jeff Pyrah

Officer(s) Responsible for Implementing Recommendations: Aaron Sams

Overall Level of Assurance: **SUBSTANTIAL**

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**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 in place. When the Community Infrastructure Levy was last audited in 2022/23, only limited assurance could be given owing to the number of issues found, particularly in respect of collection and enforcement. A total of nine recommendations were made at that audit for improvements in control. The sole purpose of this latest review is to evaluate if those recommendations have now been implemented.

**Audit Findings**

Good progress has been made since the 2022/23 audit report was issued on 25 October 2022, with five recommendations fully implemented and three other issues partially resolved.

Notable improvements include the checking of CIL calculations, the monitoring of instalments, regular reviews of overdue Demand Notices followed by enforcement action where appropriate, the application of surcharges and late payment interest, (where applicable), and checking of restrictions before CIL receipts are distributed. The drafting of an internal CIL enforcement policy is also underway.

**Level of Assurance**

It is pleasing to report that there has been a marked improvement in control since the 2022/23 audit and based on the findings of this review we have determined that substantial assurance can now be given on the governance arrangements.

The main issues still outstanding relate to:

- **Enforcement Action on Old Debts** – There are five cases where CIL was raised prior to May 2021 but where no recent action has been undertaken to recover these debts. Given the time that has elapsed since these invoices were raised and the last recovery action was taken, it is recognised that it will be a challenge to move these cases forward and legal advice may need to be sought.
- **Enforcement Action on Cases Referred by Internal Audit** – The Principal CIL Officer has focused his efforts on one case to date, and this has so far resulted in a part payment of almost £14,000. There is potential to further increase CIL receipts quite significantly with more proactive action of this type. However, it is recognised that these cases are more likely to be disputed and they will therefore be more time consuming than processing standard cases.

*Note – The Planning Policy Manager recognises the importance of taking enforcement action in both the above instances. However, the current workload of the Principal CIL Officer is close to capacity, and it is likely that further resources would be required to work through these and other enforcement cases.*

- **Second Person Check of Liability Notices** – Checks were introduced following the 2022/23 audit, but these have stopped now that the Planning Business Support Manager is no longer involved in the process and the Principal CIL Officer has become more familiar with the calculation of CIL liability. The absence of a second person check does not mean that errors will be made, but if they are, they are unlikely to be spotted and rectified.

**Executive Summary**

Owing to the improvements made since the last audit, the control objectives of the original 2022/23 report are now considered to have largely been met.

No new recommendations are made as a result of this review, but two medium and one low risk recommendations are yet to be fully implemented, primarily due to the resourcing issue highlighted above.

Internal Audit Service  
December 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.

### CAR PARK INCOME AUDIT

Service Manager: Deborah Kenneally

Officer(s) Responsible for Implementing Recommendations: Lynsey Goodwill and Hayley Cornford

Overall Level of Assurance: **GOOD**

#### Purpose and Objectives

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

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

#### Control Objectives

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

<b>Cash Collection Contract</b> – The Council’s car park cash collection arrangements are covered by a suitably worded contract.	<b>M</b>
<b>Other Car Park Income Contracts</b> – The collection of car park income via mobile phone apps, card payments made at the machines and/or any other on-site arrangements are covered by suitably worded contracts.	<b>M</b>
<b>Income Collection and Security</b> – All approved car parking charges are collected, the income accounted for, and recovery action taken in respect of unpaid standard charge notices. Arrangements exist to ensure the security of cash collected, and the safety of staff.	<b>M</b>
<b>Contract Payments</b> – All contract payments are correct.	<b>P *</b>
<b>Budgetary Control</b> – All income and expenditure is correctly accounted for, and the budget monitored and controlled.	<b>M</b>

\* This control objective is only shown as partially met because the charges invoiced by the cash collection contractor had not been agreed for a number of months at the start of the audit. This work had stalled due to other priorities but was resolved during the audit. Action has also been taken to make the checks easier in future.

#### 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.

The only issued raised were minor in nature and these were all dealt with in the report.

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## Executive Summary

Overall, the control objectives are considered to have largely been met and it was only necessary to make three low risk recommendations to management to further enhance the governance arrangements.

Internal Audit Service  
December 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.

## Summary of Progress on Recommendations Made up to 30 September 2023

**Old Years: Audit recommendations made in 2018/19 (2), 2021/22 (2) and 2022/23 (8)**

*Previous quarter's performance shown in brackets.*

Risk	Issued	Implemented	Work-in-Progress	Not Started
High	6	5 (5)	1 (1)	0 (0)
Medium	99	92 (91)	7 (8)	0 (0)
Low	72	68 (64)	4 (6)	0 (0)
<b>Total</b>	<b>177</b>	<b>165 (162)</b>	<b>12 (15)</b>	<b>0 (0)</b>
		<b>93.2% (91.5%)</b>	<b>6.8% (8.5%)</b>	<b>0% (0%)</b>

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

Breakdown of the five oldest (pre-2022/23) 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).

### Duncan Ellis (Interim Deputy Chief Executive)

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

## Current Year – Audit Recommendations 2023/24 (up to 30 September 2023)

*Previous quarter's performance shown in brackets.*

Risk	Issued	Implemented	Work-in-Progress	Not Started
High	4 (0)	1 (0)	3 (0)	0 (0)
Medium	21 (1)	8 (0)	10 (1)	3 (0)
Low	8 (3)	4 (2)	4 (1)	0 (0)
<b>Total</b>	<b>33 (4)</b>	<b>13 (2)</b>	<b>17 (2)</b>	<b>3 (0)</b>
		<b>39.4% (50.0%)</b>	<b>51.5% (50.0%)</b>	<b>9.1% (0%)</b>