
Subject: QUARTERLY INTERNAL AUDIT UPDATE REPORT

Meeting and Date: Governance Committee – 29th July 2021

Report of: Christine Parker – Head of Audit Partnership

Decision Type: Non-key

Classification: Unrestricted

Purpose of the report: This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance Committee meeting, together with details of the performance of the EKAP to the 30th June 2021

Recommendation: That Members note the update report.

1. Summary

This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance Committee meeting.

2. Introduction and Background

- 2.1 For each Audit review, management has agreed a report, and where appropriate, an Action Plan detailing proposed actions and implementation dates relating to each recommendation. Reports continue to be issued in full to each member of Corporate Management Team, as well as an appropriate manager for the service reviewed.
- 2.2 Follow-up reviews are performed at an appropriate time, according to the status of the recommendation, timescales for implementation of any agreed actions and the risk to the Council.
- 2.3 An Assurance Statement is given to each area reviewed. The assurance statements are linked to the potential level of risk, as currently portrayed in the Council's risk assessment process. The assurance rating given may be Substantial, Reasonable, Limited or No assurance.
- 2.4 Those services with either Limited or No Assurance are monitored and brought back to Committee until a subsequent review shows sufficient improvement has been made to raise the level of Assurance to either Reasonable or Substantial. A list of those services currently with such levels of assurance is attached as Annex 2 to the EKAP report.
- 2.5 The purpose of the Council's Governance Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent review of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.
- 2.6 To assist the Committee meet its terms of reference with regard to the internal control environment an update report is regularly produced on the work of internal audit. The purpose of this report is to detail the summary findings of completed audit reports and follow-up reviews since the report submitted to the last meeting of this Committee.

SUMMARY OF WORK

- 2.7 There have been twelve internal audit assignments completed during the period, which are summarised in the table in section 2 of the report.
- 2.8 In addition eight follow-up reviews have been completed during the period, which are detailed in section 3 of the quarterly update report.
- 2.9 For the three-month period to 30th June 2021, 117.44 chargeable days were delivered against the target of 290, which equates to 40.5% plan completion.

3 Resource Implications

- 3.1 There are no additional financial implications arising directly from this report. The costs of the audit work will be met from the Financial Services 2020-21 revenue budgets.
- 3.2 The financial performance of the EKAP is currently on target at the present time.

Appendices

Appendix 1 – Internal Audit update report from the Head of the East Kent Audit Partnership.

Background Papers

- Internal Audit Annual Plan 2021-22 - Previously presented to and approved at the 11th March 2021 Governance Committee meeting.
- Internal Audit working papers - Held by the East Kent Audit Partnership.

Contact Officer: Christine Parker, Head of Audit Partnership



INTERNAL AUDIT UPDATE REPORT FROM THE HEAD OF THE EAST KENT AUDIT PARTNERSHIP.

1. INTRODUCTION AND BACKGROUND

1.1 This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance Committee meeting, together with details of the performance of the EKAP to the 30th June 2021.

2. SUMMARY OF REPORTS:

Service / Topic		Assurance level	No. of Recs.	
2.1	Receipt & Opening of Tenders	Substantial	C H M L	0 0 0 0
2.2	Environmental Protection Complaints	Substantial	C H M L	0 0 0 3
2.3	Treasury Management	Substantial	C H M L	0 0 0 0
2.4	EKS Key Performance Indicators	Substantial	C H M L	0 0 1 1
2.5	CCTV	Substantial	C H M L	0 2 6 3
2.6	EKS ICT Disaster Recovery	Reasonable	C H M L	0 3 5 1
2.7	Planning Enforcement	Reasonable	C H M L	0 1 1 3
2.8	Land Charges	Reasonable	C H	0 2

			M L	2 3
2.9	Ottaway House Project – Post Implementation Review	Not Applicable		
2.10	HRA Stock Reconciliation	Not Applicable		
2.11	EKS/Civica – Housing Benefit Quarterly Testing (2020-21 Quarter 4)	Not Applicable		
2.12	Kearsney Abbey Project – Post Implementation Review	Not Applicable		

2.1 Receipt & Opening of Tenders – Substantial Assurance

2.1.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the controls established to ensure that the Council's procedures for the receipt and opening of tenders are in accordance with Contract Standing Orders and ensure the probity of the tendering procedure.

2.1.2 Summary of Findings

The area under review has some linkage with Corporate Priority 4 (Smarter Council) and, in particular, the objective of *'Delivering good, value for money, services'* and the 2020 aim to *'Keep tight control of spend, with management of assets, procurement and income'*. The area under review also has some linkage with Corporate Risk No. 8: *Corporate governance and ethical standards are not maintained resulting in a lowering in public perception of the Council.*

The Council has been solely using an online e-procurement system for its procurement activities since 2015. The 'Kent Business Portal' is hosted by a company called 'Proactis' and subcontracted to Dover District Council by KCC along with other district authorities in Kent.

The primary findings giving rise to the Substantial Assurance opinion in this area are as follows:

- Roles, responsibilities and standards for the receipt and opening of tenders are set out in Contract Standing Orders.
- Tenders are only opened by the Procurement Manager and the Senior Procurement Officer.
- Only the Officer set up with the 'verifier' role (eTendering system role/description) may open a tender after the return date. The system records the officer, date and time of any tender opening.
- The system records the response version, date, time and who submitted the response.
- The system locks the tender submissions until after the expiry of the tender return date, where after they can be opened and viewed. The system also retains a log for all activity against each tender opportunity.
- Tenders are opened shortly after the tender return date (which is usually set to coincide with the evaluation timetable where applicable).

- System authorisation controls and user profiles are used effectively and consistently in line with approved roles and responsibilities.
- System access controls are adequately controlled, managed and deployed.
- No tender responses are visible/accessible to Officers (irrespective of their role) until after the tender deadline. After which tender returns are provided to the evaluation member/panel as appropriate.
- The system records late tenders separately from those received on time.
- Tender submissions are version controlled up until the tender deadline. No tender (after the tender deadline has expired) can be amended by the bidder.

2.2 Environmental Protection Complaints – Substantial Assurance

2.2.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Council has an effective system for investigating and responding to environmental protection complaints in the following areas:

- Dust;
- Smoke;
- Odour;
- Fumes;
- Animals;
- Noise;
- Accumulations ;
- Filthy and verminous premises; and
- Drainage.

2.2.2 Summary of Findings

The majority of complaints dealt with by the Environmental Protection Team are statutory nuisances under the Environmental Protection Act 1990. Other legislation may also apply and may be utilised where they don't require as high a burden of proof such as, Antisocial Behaviour Crime and Policing Act 2014, Prevention of Damage by Pests Act 1949, Public Health Act 1936 and Building Act 1984, Control of Pollution Act 1974.

Officers decide the best course of action based on the type and level of nuisance to ensure a proportionate response based on the principles engage, explain, encourage, and enforce.

The primary findings giving rise to the Substantial Assurance opinion in this area are as follows:

- Clear and comprehensive policies and procedures are in place and applied by officers,
- Advisory and enforcement action is taken in line with the Council policies and procedures,
- A good management trail of actions taken, and correspondence issued and received is maintained, and
- Where necessary officers consult with other departments and external bodies.

Scope for improvement was however identified in the following areas:

- The Services enforcement policy and procedures should refer accurately to current data protection legislation,
- Regular reporting on outstanding recharge works invoices should be requested for effective monitoring, and
- The opportunity to review the retention of hard copy notices issued by the Council should be reviewed with Legal Services, to limit unnecessary storage of hard copy documents.

2.3 Treasury Management – Substantial Assurance

2.3.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the various Treasury Management matters within the remit of the accountancy office are performed effectively & efficiently, in furtherance of the Council's Policies.

2.3.2 Summary of Findings

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

CIPFA defines treasury management as:

“The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

The primary findings giving rise to the Substantial Assurance opinion in this area are as follows:

- The annual treasury management strategy is included as part of the annual budget which is approved by Cabinet and Council.
- Use of external advisors (Arlingclose) for investment decisions, follow approved counter party limits, any payments made through the bankline system subject to two people authorising them.
- Use of external advisers who provide regular updates on the credit ratings of institutions, and provide a month recommended counter party list.

- Treasury Management strategy includes a table of the types of institutions the Council can invest in as advised by the Treasury Advisors.
- All counter parties and institutions have maximum limits set which should not be exceeded this is decided in consultation with our Treasury Advisors.
- Cash flow is monitored daily, and quarterly reports are presented to the Governance Committee.
- All details of investments are saved in the daily banking folder in teams.
- Documents are held online and only accessible via Council systems.
- Regular reconciliations are carried out on the main accounting system (T1) to ensure investments/ loan transactions have been recorded correctly. Spreadsheets are used to record transactions as they are made.
- Quarterly Treasury Management report presented to the Governance Committee with a year-end report also presented to Cabinet and Council.
- All loan transactions are carried out in accordance with Contract Standing Orders, Financial Regulations and the Prudential Code.
- An up-to-date borrowing policy is maintained, and its contents reviewed regularly and agreed by the Strategic Director (Corporate Resources); this is included in the annual Treasury Management Strategy.
- Loans are arranged through a broker or the PWLB, both organisations have details of staff that have the authority to borrow on behalf of the Strategic Director (Corporate Resources);. PWLB borrowing would only be done in conjunction with the Strategic Director (Corporate Resources); – who has to sign the application form.
- The Loans Register is reconciled quarterly.
- The PWLB loans are repaid by direct debit, most are interest only. The HRA self-financing loan is repayment of principal and loan and is reconciled against a schedule annually.
- All loans raised and all loan repayments are made direct to and from the Council's bank.
- The financial information system is updated promptly with all loan transactions.

2.4 EKS Key Performance Indicators – Substantial Assurance

2.4.1 Audit Scope

The audit will examine and evaluate the procedures and controls established by management, to include

- a) Ascertain the key performance indicators that are in place to be measured and the periods produced, from the current contract.
- b) Establish how these key performance indicators are calculated.
- c) Using the base data recalculate a sample of the key performance indicators to ensure that they are accurate and correct.
- d) Where there are any differences in the results ensure that there are no approved adjustments to the figures.
- e) Note that all the key performance indicators are produced by CIVICA except for the “accuracy of housing benefit processing” which is produced by EK Services.
- f) Ascertain what management information is produced from these key performance indicators and who sees this.
- g) Identify and evaluate any significant failures in the use of the key controls, and provide relevant recommendations regarding risk in a report to management.

2.4.2 Summary of Findings

The partner councils entered into an agreement with CIVICA in 2018 for them to undertake the Customer Service, Council Tax, Business Rates and Housing Benefit administration on behalf of the three councils and EK Services.

Part of that agreement was the production and reporting of key performance indicators so that CIVICA could be monitored on their outcomes on behalf of each of the services being supplied.

The primary findings giving rise to the Substantial Assurance opinion in this area are as follows:

- There is a contract in place which clearly sets out the key performance indicators that will be used to monitor the services provided.
- The key performance indicators are produced and supplied on a monthly basis to the management of EKS and CIVICA and the client officers at the partner councils in the form of a performance report.
- There are regular meetings that take place, and these include the discussion of performance data.

The following potential weaknesses were identified during the audit process:

- There is potential scope for the improvement of two of the performance indicators which relate to Freedom of Information requests and complaints.
- Consideration should be given to re-introducing the annual report / performance report for EK Services to the EK Services Committee.

2.5 CCTV – Substantial Assurance

2.5.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the CCTV operation is undertaken in accordance with the Code of Practice and all prevailing legislation such as the Data Protection Act and the Human Rights Act.

2.5.2 Summary of Findings

The CCTV system operated by Dover District Council comprises of 61 Cameras being deployed across Dover, Deal, Sandwich and Aylesham. Governance of this system is via a Code of Practice. An investment of £450,000 was made to upgrade this system and it has now become fully digital.

The Council has obtained full third-party surveillance camera commissioners' certification which expires on the 30 May 2024 which was carried out by the National Security Inspectorate (NSI) on 30 May 2019.

Details of the CCTV system can be found on the Council's CCTV pages of their website, which are up to date and detail a map of camera locations across the district.

The primary findings giving rise to the Substantial Assurance opinion in this area are as follows:

- There is an up to date Code of Practice available on the website for all to review;
- There are up to date procedures for CCTV control operators to follow;

- A sharing protocol is in place between the Council and it's partners;
- An annual report is being produced and available to download via the CCTV pages of the Council's website; and
- Independent reviews of the Council's CCTV system are being undertaken via the Surveillance Camera Commissioner who issue a certificate of compliance and the East Kent Audit Partnership, previous audit 2017/18 – Substantial Assurance.

Scope for improvement was however identified in the following areas:

- Management of the visitors' log, seizure log and seizure forms require improvement to ensure all details are being accurately recorded.

2.6 EKS ICT Disaster Recovery – Reasonable Assurance

2.6.1 Audit Scope

The audit will examine and evaluate the procedures and controls established by management, to include

- Review the Service Level Agreement / relevant documents which detail the processes expected by the partners to be put into place by EK Services regarding their ICT function.
- Ascertain what disaster recovery strategy / policy has been drawn up by EK Services and when and how this has been approved and whether this integrates with the partner's business continuity plans.
- Evaluate the disaster recovery strategy / policy and compare this to other best practice examples for ICT.
- Establish if partner systems have been ranked as being critical or non-critical business processes.
- Ascertain if testing is undertaken of the disaster recovery strategy, either in part or as a whole.
- Establish if there is a clear understanding of what ICT disaster recovery is the responsibility of the partners, if this is applicable.
- Review any internal guidance in place regarding the disaster recovery processes including any training for relevant officers and access to documentation off site.
- Ascertain how often the disaster recovery strategy is reviewed and updated.
- Ensure backups are stored off site in the case of loss of building access.
- Identify and evaluate any significant risks to the service and give advice on any control improvements in a report to management.

2.6.2 Summary of Findings

EK Services maintains three data centres that support around 1500 users across the partner councils. Information systems can fail and the only way to protect valuable data from being lost is to have an appropriate backup and recovery system in place. In order for disaster recovery processes to be effective management must provide commitment:

- In terms of providing appropriate resources.
- To the identification of requirements and the planning and implementation of standby arrangements.
- To the testing of the disaster recovery arrangements and the need to report on the results and make changes to the plan as appropriate.

- To the need to update the plan in the light of changing systems, people, responsibilities and external events.
- Staff numbers.

In order to prepare and manage an emergency situation ICT have a Disaster Recovery Strategy and Business Continuity Plan in place, which should be approved by all three partner councils, reviewed annually and include all critical systems. Expectations for day to day services are being managed by a Service Level Agreement.

The primary findings giving rise to the Reasonable Assurance opinion in this area are as follows:

- ICT Disaster Recovery is being recognised and managed via a disaster recovery plan. This is updated on an annual basis and reported to each client officer;
- Business Continuity for ICT Services is being managed via a plan and is updated annually. Partner Councils are expected to manage their own BC plans for services and should include all known ICT systems within them;
- Responsibilities for all ICT services have been adequately documented through the service catalogue;
- A Service Level Agreement is in place with a total systems failure being recognised as a high priority with faults expected to be fixed within 2 hours, if not then both the Disaster Recovery and Business Continuity Plans are to be invoked; and
- Horizon scanning and risks are adequately being documented through the Vulnerability Management Programme and reported through the Corporate Information Governance Group (CIGG).

Scope for improvement was however identified in the following areas:

- Business Impact Assessments need to be undertaken to ensure all systems have been assessed and ranked for each service area of the partner councils;
- A desk top exercise needs to be undertaken to test the disaster recovery process in full and highlight any weaknesses and training needs; and
- To ensure openness and transparency is occurring and for all partner councils to remain up to date with the ICT service and its processes and to ensure risks are being adequately managed; management reporting to the East Kent Services Committee needs to be occurring.

2.7 Planning Enforcement – Reasonable Assurance

2.7.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Council's procedures for planning enforcement is in accordance with prevailing legislation and best practice.

2.7.2 Summary of Findings

Planning Enforcement involves the investigation of alleged breaches of planning control and where a breach of planning control is identified; the aim is to resolve these using the most appropriate action in accordance with policy and legislation. This is the first audit on the service. A planning enforcement benchmarking exercise was carried out during this audit and is featured below for information: -

The primary findings giving rise to the Reasonable Assurance opinion in this area are as follows:

- The Planning Enforcement Action Plan (the main policy document) is a very good document that sets out the approved planning enforcement processes;
- There are a host of procedures in place that support the main policy;
- Enforcement cases are being processed correctly;
- Correspondence, records and decisions are well documented and securely stored; and
- Complaints made about the service are dealt with correctly.

Scope for improvement was however identified in the following areas:

- Historically the Council has had no planning enforcement performance indicators in place which could weaken governance arrangements and affect transparency;
- The Council does not currently have any benchmarking data in relation to the enforcement services it provides when compared to other local authorities;
- The Council needs to update its Planning Enforcement Register online.

2.8 Land Charges – Reasonable Assurance

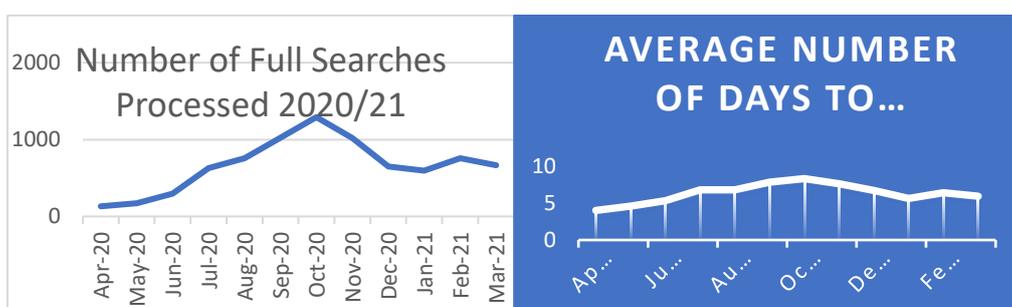
2.8.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Council maintains an efficient and effective Land Charges function in accordance with prevailing legislation.

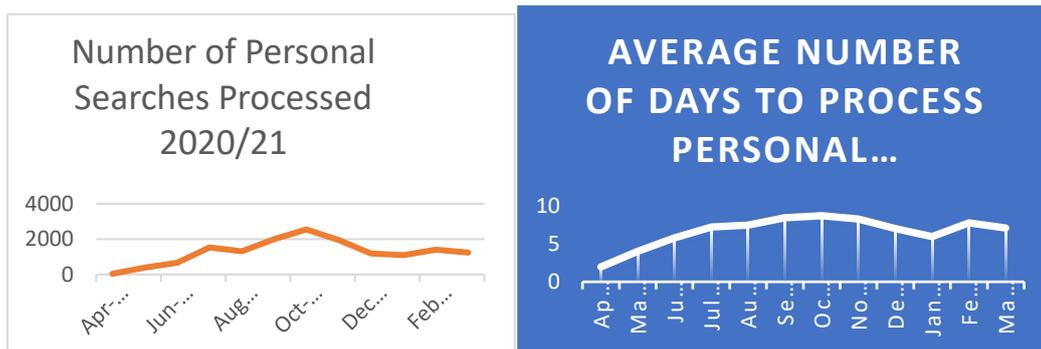
2.8.2 Summary of Findings

A Local Land Charges Register is a statutory requirement Under the Local Land Charges Act 1975. It is the duty of the Local Authority to register charges brought into existence by them or by another originating authority. The Council administered two types of searches 'personal searches' and 'official' / 'full' searches. Personal searches are a free of charge service and full official search attracts a fee which is calculated using a cost neutral exercise. During 2020/21 the number of search requests increased largely due to people moving homes fuelled by the 'race for space' and a stamp duty holiday which is set to end on 30th September 2021. Below is an analysis of performance during 2020/21 and illustrates how performance is affected by the number of searches received: -

Official Searches Performance - 2020/21



Personal Searches Performance - 2020/21



The primary findings giving rise to the Reasonable Assurance opinion in this area are as follows:

- Processes in place to ensure information entered on to the register is accurate and processed quickly are working effectively;
- Processes in place to ensure searches are carried out accurately and as efficiently as possible are working effectively;
- The information held on the GIS system (the register) is accurate, secure, easily identifiable, and relatively ease to download and transfer (when required);
- The audit trail of applications and searches plus fees paid is good; and
- Income collection and reconciliation routines are working effectively.

Scope for improvement was however identified in the following areas:

- The Council must undertake a cost neutral exercise during 2021/22 in preparation for fees and charges 2022/23;
- The Council must publish specific information online in accordance with Paragraph 9 of the Local Authorities (England) (Charges for Property Searches) Regulations 2008;
- There are three written procedures that should be introduced and documented to help improve transparency and resilience within the team; and
- The Council needs to engage as soon as possible with HM Land Registry to ensure it has a sufficient plan in place for the effective transfer of responsibility and data from 2023.

2.9 Ottaway House Project PIR – Not Applicable

2.9.1 Audit Scope

To provide an independent assessment of the lessons learned regarding the Project Management processes employed for the capital project from the start to delivery.

2.9.2 Summary of Findings

In May 2019, the Cabinet initially agreed to purchase eight new build one-bedroom flats in Dover for £800k which then increased to £880k in June 2019 after alterations were agreed to the final required design spec. The total final cost of the project which includes survey, legal and design costs was £925k which was within the £942k approved budget envelope. The eight one-bedroom flats have a combined estimated

value of £960k. The acquisition cost was funded from a combination of HRA borrowing from the General Fund and a grant from the Homes England Move-On Fund.

The property is arranged in the style of the four storey Victorian houses in the area, with the appearance of a semi-detached property with two flats on each floor. The units are occupied on a short-term basis by people moving on from specialist housing but who still require some low level 'floating' support while they wait to be rehoused permanently. The accommodation is provided for a maximum of two years after which time it is envisaged that occupants will be able to move into permanent accommodation and live independently.

Project Information:

This project is far more straight forward when compared to other recently reviewed projects like the Dover District Leisure Centre and the Kearsney Abbey Projects. This is because many of the risks were transferred to reputable third parties involved in the delivery of the project as part of the agreements in place. The estimated valuation of the properties was first evaluated by 'Ray Robson Surveyors', the employer's agent was 'Martello' and the design and construction was completed by Karlee Construction Ltd after being approved by CMT and then the Cabinet. The surveyor and the Employer's Agent were appointed through a transparent and well managed procurement process. A breakdown of how the project was funded is set out below: -

Homes England Move on Fund	- £280k	(Grant Funding)
HRA Funding	- £580k	(Borrowing from General Fund)
HRA Funding (legal fees etc.)	- £65k	(Borrowing from General Fund)
Total Spend	- £925k	

Various information was examined to independently and objectively determine the effectiveness of the project management processes and controls employed which included an examination of: -

- Bids and reports to Homes England Move on Fund;
- Procurement documentation produced / retained;
- CMT / Cabinet Reports and Minutes;
- Contractual and Legal documents produced / retained;
- Budget management information; and
- Documentation and audit trail retained for each project stage.

A summary of the project strengths are summarised below: -

- The simplicity of the project meant that the project team could remain very small with some support from senior management;
- The agreement to pay Karlee Construction Ltd 10% up front and 90% on completion was a very successful control and meant that the risk of significant delays and quality related issues was sufficiently minimised;
- The nature of the acquisition and agreed scope with Karlee Construction Ltd meant that the risks relating to the project fell almost entirely on the contractor;
- The procurement processes were transparent and correctly followed which resulted in the appointment of quality consultants and contractors;
- The audit trail of documentation was excellent for audit, oversight, and assurance purposes;
- Decision making was taken at the correct time and at the correct level; and
- The financial assumptions and budget level agreed was sound.

There were no control improvements identified that could have helped the Council achieve a better outcome for this project.

2.10 Housing Revenue Account Stock Reconciliation – Not Applicable

2.10.1 Summary of Findings

An exercise was undertaken to match and reconcile the HRA and leasehold properties (stock held as per housing system records) to properties insured by the Council, using interrogation software.

The reconciliation identified the following:

- One HRA property was identified as being missed off the insurance schedule. In the event of damage however, the Council is able to claim under its Capital additions insurance policy element which covers the Council for individual properties up to the value of £10m in any one location.
- No leasehold properties were identified as being uninsured.
- Nine properties insured under the Leasehold policy had in fact been bought back in the last 5 months however, the Insurance Officer had not been informed. Whilst all the properties remained insured it was found that following a change of officer responsibility the Insurance Officer was missed off the Legal property acquisitions email distribution list, this has now been resolved.
- For two properties the address was misquoted on the insurance schedules.

These matters have now been rectified on the Council's insurance schedules.

2.11 EK Services/Civica – Housing Benefit Quarterly Testing (Quartet 4 of 2020-21) – Not Applicable.

2.11.1 Introduction

Over the course of 2020/21 financial year the East Kent Audit Partnership completed a sample check of Council Tax, Rent Allowance and Rent Rebate and Local Housing Allowance benefit claims.

2.11.2 Findings

For the fourth quarter of 2020/21 financial year (January to March 2021) 27 claims including new and change of circumstances of each benefit type were selected by randomly selecting the various claims for verification.

A fail is categorised as an error that impacts on the benefit calculation. However, data quality errors are still to be shown but if they do not impact on the benefit calculation then for reporting purposes the claim will be recorded as a pass.

2.11.3 Audit Conclusion

For this period twenty-seven benefit claims were checked and no claims had a financial error and there was only one data quality error (3.70%).

For 2020/21 a total of ninety-five claims have been checked of which two (2.10%) had a financial error that impacted on the benefit calculation and two had a data quality error (2.10%).

2.12 Kearsney Abbey Project PIR – Not Applicable

2.12.1 Audit Scope

To provide an independent assessment of the lessons learned regarding the Project Management processes employed for the capital project from the start to delivery.

2.12.2 Summary of Findings

Background:

The 'Parks for People' Project at Kearsney Abbey and Russell Gardens commenced following a successful bid to the Heritage Lottery Fund (HLF) which was submitted by the Council in February 2014. The seven objectives of the project which formed the bid were: -

- *Restoring a rare example of garden design by the renowned landscape architect, Thomas Mawson, and promoting it as a major tourist attraction.*
- *Restoring the Festival of Britain open air theatre to bring new audiences to the parks, host community events, and generate income to reinvest in the parks.*
- *Interpreting the parks' heritage and celebrating their links with Dover's industrial past and the mills of the River Dour.*
- *Extending the cafe to create a multi-use venue with facilities to support new volunteering, training, and education programmes, and for events hire.*
- *Providing opportunities for people to get involved through volunteering, and for the community to take greater ownership by creating a 'Friends of Kearsney' group.*
- *Improving sustainable travel/access to, between, and within the parks.*
- *Raising standards to Green Flag status*

The project encountered a number of preventable and non-preventable problems and issues throughout the life of the project relating to cost, ecology, archaeology, contractor difficulties, defects, staff changes, relationship and communication difficulties, design issues, security issues and a global pandemic.

Project Information:

As at March 2021 the Kearsney Abbey Project is yet to be completed owing to a variety of complications which have meant project delays and additional costs. The most recent complication relates to the global pandemic and subsequently one of the contractors (Coombs Canterbury Ltd) going into administration during 2020. Therefore, the final costs relating to the project are still not finalised and are likely to be higher.

Original Round 2 Project Bid Cost	£3,660,000 w/out Volunteer cont
HLF Capital Grant	£3,115,000
DDC Original Match Funding (Dev Phase)	£294,000
DDC Increased Funding One Delivery Phase	£340,000
DDC Increased funding Two Delivery Phase	£350,000

- The expertise and professional competence and diligence needed to produce a well-informed, fully costed, fully planned piece of work that sets out a realistic project plan and set of costs should be carefully considered before submitting a bid or before approving a funding structure for a capital project;
- Project risk management guidance needs to be approved and put in place to support the project management guidance currently in place (but with no-one currently responsible for it). This will help project managers identify and evaluate project risks which will help keep costs under control and minimise or help foresee and plan for likely time delays during each stage of a project;
- Project risk management practices need to improve.

3.0 FOLLOW UP OF AUDIT REPORT ACTION PLANS:

3.1 As part of the period's work, eight follow up reviews have been completed of those areas previously reported upon to ensure that the recommendations previously made have been implemented, and the internal control weaknesses leading to those recommendations have been mitigated. Those completed during the period under review are shown in the following table.

Service/ Topic		Original Assurance level	Revised Assurance level	Original Number of Recs		No of Recs Outstanding	
a)	Statutory & Discretionary Disability Grants	Substantial	Substantial	C	0	C	0
				H	0	H	0
				M	0	M	0
				L	4	L	1
b)	Cemeteries	Reasonable	Reasonable	C	0	C	0
				H	0	H	0
				M	2	M	2
				L	3	L	1
c)	Risk Management	Reasonable	Reasonable	C	0	C	0
				H	4	H	1
				M	6	M	0
				L	0	L	0
d)	Car Parking & Enforcement	Substantial	Substantial	C	0	C	0
				H	4	H	2
				M	5	M	0
				L	2	L	1
e)	Counter Fraud Arrangements	N/A	N/A	C	0	C	0
				H	6	H	3
				M	0	M	0
				L	0	L	0

Service/ Topic		Original Assurance level	Revised Assurance level	Original Number of Recs		No of Recs Outstanding	
f)	Dog Control Services	Substantial	Substantial	C	0	C	0
				H	0	H	0
				M	0	M	0
				L	2	L	0
g)	Members' Code of Conduct & Standards Arrangements	Substantial	Substantial	C	0	C	0
				H	1	H	0
				M	2	M	0
				L	3	L	0
h)	EKHR – Employee Benefits in Kind	Reasonable /Limited	Reasonable /Limited	C	0	C	0
				H	4	H	3
				M	0	M	0
				L	0	L	0

3.2 Details of each of any individual high priority recommendations outstanding after follow-up are included at Annex 1 and on the grounds that these recommendations have not been implemented by the dates originally agreed with management, they are now being escalated for the attention of the s.151 Officer and Members of the Governance Committee – None this quarter.

The purpose of escalating outstanding high-risk matters is to try to gain support for any additional resources (if required) to resolve the risk, or to ensure that risk acceptance or tolerance is approved at an appropriate level.

e) Counter Fraud Arrangements:

The pilot was limited by the C19 pandemic with staff being redeployed, however it has been agreed to extend the arrangements, to continue to utilise the skills of the specialist investigators within the fraud team for a number of Tenancy Fraud and Right to Buy processes. The EKAP will continue to independently review the Council's Counter Fraud arrangements periodically as part of planned work.

h) EKHR – Employee Benefits-in-Kind:

At Dover District Council there should be a nominated officer responsible for monitoring the payroll exemptions and reviewing them on an annual basis or discussions should be held for this role to be included as part of the full payroll service that is stated in the EKHR Service Level Agreement.

An exercise also needs to be carried out to ensure that all the correct payroll exemptions are put in place

4.0 WORK-IN-PROGRESS:

- 4.1 During the period under review, work has also been undertaken on the following topics, which will be reported to this Committee at future meetings Climate Change, Officer Code of Conduct, Licensing, Housing Regulator Action Plan, CSO Compliance, and Playgrounds.

5.0 CHANGES TO THE AGREED AUDIT PLAN:

- 5.1 The 2021-22 Audit plan was agreed by Members at the meeting of this Committee on 11th March 2021.
- 5.2 The Head of the Audit Partnership meets on a quarterly basis with the Strategic Director (Corporate Resources) - Section 151 Officer to discuss any amendments to the plan. Members of the Committee will be advised of any significant changes through these regular update reports. Minor amendments are made to the plan during the course of the year as some high-profile projects or high-risk areas may be requested to be prioritised at the expense of putting back or deferring to a future year some lower risk planned reviews. The detailed position regarding when resources have been applied and or changed are shown as Annex 3.

6.0 FRAUD AND CORRUPTION:

- 6.1 Apart from some working in respect of grant frauds, there have been no other new or recently reported instances of suspected fraud or irregularity that required either additional audit resources or which warranted a revision of the audit plan at this point in time.

7.0 INTERNAL AUDIT PERFORMANCE

- 7.1 For the three-month period to 30th June 2021, 117.44 chargeable days were delivered against the target of 290, which equates to 40.5% plan completion.
- 7.2 The financial performance of the EKAP is currently on target at the present time.
- 7.3 The EKAP introduced an electronic client satisfaction questionnaire, which is used across the partnership. The satisfaction questionnaires are sent out at the conclusion of each audit to receive feedback on the quality of the service. Current feedback arising from the customer satisfaction surveys is featured in the Balanced Scorecard attached as Annex 4.

Attachments

Annex 1	Summary of High priority recommendations outstanding after follow-up.
Annex 2	Summary of services with Limited / No Assurances yet to be followed up.
Annex 3	Progress to 30 th June 2021 against the agreed 2020/21 Audit Plan.
Annex 4	Balanced Scorecard of performance indicators to 30 th June 2021.
Annex 5	Assurance Statements

SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING OR IN PROGRESS AFTER FOLLOW-UP – ANNEX 1

Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
<i>Risk Management – May 2021:</i>		
The Guide for Project Management document should be revised to include identifying risks and the ongoing monitoring of them as part of the project management process.	Discussions to be held over who is to have ownership of this process and the ongoing monitoring.	7. The Guide for Project Management document should be revised to include identifying risks and the ongoing monitoring of them as part of the project management process. Outstanding.
<i>Car Parking & Enforcement:</i>		
Ensure the retention schedule for the service is accessible and up to date, i.e. it includes all the services systems and processes. (e.g. smartfolio)	Will review and update records if required and ensure they are accessible. Proposed Completion Date 30 October 2020 Responsibility Transport & Parking Services Manager	We have been unable to find a copy of the retention schedule due to change in management – seeking this out Outstanding. New Proposed Completion Date 30 September 2021
Annually reconcile assets being held with property services.	We are liaising with Property Services about this list as we were not even aware of this list. We are putting a system in place whereby this is reviewed annually. The testing sheet used by Audit has been supplied to management as a starting point. Proposed Completion Date 01 April 2021 Responsibility Transport & Parking Services Manager	Outstanding. New Proposed Completion Date 30 September 2021

SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING OR IN PROGRESS AFTER FOLLOW-UP – ANNEX 1

Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
<i>Counter Fraud Arrangements Pilot – May 2021:</i>		
The councils should identify and quantify its fraud risk, which is essential to understanding specific exposures to risk, changing patterns in threats and the potential consequences to the councils and their service users.	<p>Responsibility s.151 Officers for Dover, Thanet, Canterbury</p>	<p>Agreed – ABC will undertake this as part of the next steps Outstanding. New Proposed Completion Date 30 September 2021</p>
The councils should make arrangements for the appropriate resources to support the counter fraud strategy.	<p>Responsibility s.151 Officers for Dover, Thanet, Canterbury</p>	<p>Agreed – Enter into a new agreement with ABC Outstanding. New Proposed Completion Date 30 September 2021</p>
The councils should collectively reconsider how they might share a resource to invest in counter fraud work, not only to work in accordance with best practice guidance, but to demonstrate their 'zero tolerance' to fraud, as set out in their strategies. Evidence from other councils is that this work will generate cashable savings over and above the costs invested.	<p>Responsibility s.151 Officers for Dover, Thanet, Canterbury</p>	<p>Agreed – Will achieve this with a new agreement with ABC Outstanding. New Proposed Completion Date 30 September 2021</p>
<i>EKHR – Employee Benefits in Kind (June 2021):</i>		
The next revision to the service level agreement should clarify who is responsible for the completion of the tax exemptions (i.e. EKHR or each authority) and who the responsible officer is.	<p>Discussions to be held with Client Officers to decide who is to take responsibility for the tax exemptions and this should be included in the next SLA document.</p> <p>Proposed completion date and responsibility: Sept 2020 -Head of EK Human Resources, HR Business Partners and Client Officers</p>	<p><u>Dover District Council</u></p> <p>No progress has been made in respect of this recommendation.</p> <p>Recommendation is still outstanding</p>

SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING OR IN PROGRESS AFTER FOLLOW-UP – ANNEX 1

Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
<p>At Dover District Council there should be a nominated officer responsible for monitoring the payroll exemptions and reviewing them on an annual basis or discussions should be held for this role to be included as part of the full payroll service that is stated in the EKHR Service Level Agreement.</p>	<p>Discussions to be held with Client Officers to decide who is to take responsibility for the tax exemptions and this will be included in the next SLA document.</p> <p>If the authorities are to take ownership, then a nominated officer should be put in place.</p> <p>Proposed completion date and responsibility:</p> <p>Sept 2020 -Head of EK Human Resources, HR Business Partners and Client Officers</p>	<p>No progress has been made in respect of this recommendation.</p> <p>Recommendation is still outstanding</p>
<p>An exercise needs to be carried out at Dover and Thanet District Councils to ensure that all the correct payroll exemptions are implemented.</p>	<p>Once ownership of the tax exemptions has been identified then the responsible person should carry out an exercise to ensure that the correct payroll exemptions are in place and have been approved by HMRC.</p> <p>Proposed completion date and responsibility:</p> <p>Sept 2020 -Head of EK Human Resources, HR Business Partners and Client Officers</p>	<p>No progress has been made in respect of this recommendation.</p> <p>Recommendation is still outstanding</p>

SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED			
Service	Reported to Committee	Level of Assurance	Follow-up Action Due
EKHR – Disclosure & Barring Service Checks	November 2020	Limited	WIP

PROGRESS AGAINST THE AGREED 2021-22 AUDIT PLAN.

DOVER DISTRICT COUNCIL:

Review	Original Planned Days	Revised Planned Days	Actual days to 30-06-2021	Status and Assurance Level
FINANCIAL SYSTEMS:				
Capital	10	10	0.35	Quarter 3
Creditors & CIS	10	10	0.18	Quarter 3
External Funding Protocol	10	10	0.18	Quarter 3
Main Accounting System	10	10	0.18	Quarter 3
Budgetary Control	10	10	0.18	Quarter 3
HOUSING SYSTEMS:				
Repairs & Maintenance	15	15	0	Quarter 4
Tenant H&S	10	10	0	Quarter 4
Rechargeable Works	10	10	0	Quarter 2
Tenancy & Estate Mgmt.	10	10	0.83	Work-in-Progress
GOVERNANCE RELATED:				
Cloud Computing/Digital	10	10	1	Brief issued
Officers Code of Conduct	10	10	8.40	Work-in-Progress
Project Management	10	10	0	Quarter 4
Corporate Advice/CMT	2	2	0	Work-in-Progress throughout 2021-22
s.151 Meetings and support	9	9	5.74	Work-in-Progress throughout 2021-22
Governance Committee Meetings and Reports	12	12	4.74	Work-in-Progress throughout 2021-22
2022-23 Audit Plan Preparation and Meetings	9	9	0	Quarter 4
POST IMPLEMENTATION REVIEWS:				
Ottaway House	10	10	10.63	Finalised – N/A
Main Accounting System (Tech 1)	5	5	0	Quarter 3
CONTRACT AUDITS:				
CSO Compliance	13	13	8.43	Work-in-Progress
Service Contract Mgmt.	10	10	0	Quarter 4
SERVICE LEVEL:				
Climate Change	10	10	1.86	Work-in-Progress

Review	Original Planned Days	Revised Planned Days	Actual days to 30-06-2021	Status and Assurance Level
CCTV	10	10	10.61	Finalised - Substantial
Contaminated Land, Air & Water Quality	10	10	2.51	Brief issued – Quarter 3
Grounds Maintenance	12	12	0.32	Brief issued
Licensing	12	12	4.73	Work-in-Progress
Phones, Mobiles & Utilities	10	10	0.37	Quarter 3
Garden Waste & Recycling Income	10	10	0.18	Quarter 3
OTHER				
Liaison with External Auditors	1	1	0	Work-in-Progress throughout 2021-22
Follow-up Work	15	15	4.97	Work-in-Progress throughout 2021-22
FINALISATION OF 2020-21- AUDITS				
Environmental Health Protection Requests	5	5	1.39	Finalised
Treasury Management			0.38	Finalised
Land Charges			10.68	Finalised
Playgrounds			2.52	Work-in-Progress
Housing Regulator Review			19.21	Work-in-Progress
Planning Enforcement			10.11	Finalised
Responsive Work:				
HRA Properties Data Match	0	0	2.69	Finalised
Staff Related Matter	0	0	4.09	Work-in-Progress
TOTAL	290	290	117.44	40.5% as at 30th June 2021

EKS, EKHR & CIVICA:

Review	Original Planned Days	Revised Planned Days	Actual days to 30/06/2021	Status and Assurance Level
EKS Reviews;				
Housing Benefits - Payments	15	15	0	Quarter 2
Housing Benefit Testing	15	15	0.14	Work in progress throughout 21-22
Council Tax	15	15	0	Quarter 4
Customer Services/Gateway	15	15	0	Quarter 3
KPIs	5	5	0.24	Quarter 2
ICT - Change Controls	15	15	0.14	Quarter 3
ICT – Procurement & Disposal	15	15	0	Quarter 4
EKHR Reviews;				
Payroll	15	15	4.4	Quarter 2
Employee Allowances & Expenses	15	15	0	Quarter 3
Leavers & Recruitment	15	15	0.17	Quarter 3
Other;				
Corporate/Committee	5	5	3.56	Work in progress throughout 21-22
Follow up	5	5	0	Work in progress throughout 21-22
Finalisation of 2020/21 Audits:				
Restart Grants	10	10	5.98	Finalised
ICT – Disaster Recovery			0.35	Finalised
Housing Benefits – Quarterly Testing 20-21			5.45	Finalised
ICT – Software Licensing			8.68	Finalised
Responsive Work:				
Housing Benefit – RBV Framework	0	0	0.95	Work-in-Progress
Total	160	160	30.04	18.78% as at 30th June 2021

EKAP Balanced Score Card 2020-21

<u>INTERNAL PROCESSES PERSPECTIVE:</u>	<u>2021-22 Actual</u>	<u>Target</u>	<u>FINANCIAL PERSPECTIVE:</u>	<u>2021-22 Actual</u>	<u>Original Budget</u>
	Quarter 1		Reported Annually		
Chargeable as % of available days	90%	80%	<ul style="list-style-type: none"> • Cost per Audit Day 	£	£356.35
Chargeable days as % of planned days			<ul style="list-style-type: none"> • Direct Costs 	£	£459,443
CCC	25.92%	25%	<ul style="list-style-type: none"> • + Indirect Costs (Recharges from Host) 	£	£10,945
DDC	40.50%	25%	<ul style="list-style-type: none"> • - 'Unplanned Income' 	£	Zero
TDC	18.84%	25%			
FHDC	22.94%	25%			
EKS	18.78%	25%			
Overall	25.75%	25%	<ul style="list-style-type: none"> • = Net EKAP cost (all Partners) 		£470,388
Follow up/ Progress Reviews;					
<ul style="list-style-type: none"> • Issued 	28	-			
<ul style="list-style-type: none"> • Not yet due 	21	-			
<ul style="list-style-type: none"> • Now due for Follow Up 	15	-			
Compliance with the Public Sector Internal Audit Standards (PSIAS) (see Annual Report for more details)	Partial	Full			

<u>CUSTOMER PERSPECTIVE:</u>	<u>2021-22 Actual</u>	<u>Target</u>	<u>INNOVATION & LEARNING PERSPECTIVE:</u>	<u>2021-22 Actual</u>	<u>Target</u>
	Quarter 1		Quarter		
Number of Satisfaction Questionnaires Issued;	17		Percentage of staff qualified to relevant technician level	75%	75%
Number of completed questionnaires received back;	7		Percentage of staff holding a relevant higher level qualification	39%	39%
	= 41 %		Percentage of staff studying for a relevant professional qualification	15%	N/A
Percentage of Customers who felt that;			Number of days technical training per FTE	1.4	3.5
• Interviews were conducted in a professional manner	100%	100%	Percentage of staff meeting formal CPD requirements (post qualification)	39%	39%
• The audit report was 'Good' or better	100%	90%			
• That the audit was worthwhile.	100%	100%			

Definition of Audit Assurance Statements & Recommendation Priorities

Cipfa Recommended Assurance Statement Definitions:

Substantial assurance - A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Reasonable assurance - There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

Limited assurance - Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

No assurance - Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

EKAP Priority of Recommendations Definitions:

Critical – A finding which significantly impacts upon a corporate risk or seriously impairs the organisation's ability to achieve a corporate priority. Critical recommendations also relate to non-compliance with significant pieces of legislation which the organisation is required to adhere to and which could result in a financial penalty or prosecution. Such recommendations are likely to require immediate remedial action and are actions the Council must take without delay.

High – A finding which significantly impacts upon the operational service objective of the area under review. This would also normally be the priority assigned to recommendations relating to the (actual or potential) breach of a less prominent legal responsibility or significant internal policies; unless the consequences of non-compliance are severe. High priority recommendations are likely to require remedial action at the next available opportunity or as soon as is practical and are recommendations that the Council must take.

Medium – A finding where the Council is in (actual or potential) breach of - or where there is a weakness within - its own policies, procedures or internal control measures, but which does not directly impact upon a strategic risk, key priority, or the operational service objective of the area under review. Medium priority recommendations are likely to require remedial action within three to six months and are actions which the Council should take.

Low – A finding where there is little if any risk to the Council or the recommendation is of a business efficiency nature and is therefore advisory in nature. Low priority recommendations are suggested for implementation within six to nine months and generally describe actions the Council could take.