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**Subject:** QUARTERLY INTERNAL AUDIT UPDATE REPORT

**Meeting and Date:** Governance Committee – 30<sup>th</sup> September 2021

**Report of:** Christine Parker – Head of Audit Partnership

**Decision Type:** Non-key

**Classification:** Unrestricted

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**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 31<sup>st</sup> August 2021

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**Recommendation:** That Members note the update report.

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## 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 has been one internal audit assignments completed during the period, which are summarised in the table in section 2 of the report.
- 2.8 For the five-month period to 31<sup>st</sup> August 2021, 165.26 chargeable days were delivered against the target of 290, which equates to 56.99% 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 31<sup>st</sup> May 2021.

**2. SUMMARY OF REPORTS:**

Service / Topic		Assurance level	No. of Recs.	
2.1	Tenant Health & Safety	Reasonable	C	1
			H	3
			M	2
			L	0

**2.1 Tenant Health & Safety – Reasonable Assurance**

2.1.1 Audit Scope

To provide assurance on the data integrity, procedures and controls established to ensure that all of the landlord mandatory and good practice health and safety compliance functions are operating as intended and that this is sufficient to meet the Housing Regulator's requirements placed upon the Council and there is a clear direction of travel to excellence.

2.1.2 Summary of Findings

The Council took back responsibility for the management of its housing stock and tenancies on 1st October. Since then, a large amount of work has been undertaken by officers to make improvements in the service to tenants and more importantly the safety of those tenants through improved levels of compliance. Significant improvements have already been made and continue to be made each month as evidenced through the monthly performance reporting process. The level of commitment by officers and management is clearly evident and can be seen in the ongoing improvements being made to the buildings which the Council is now directly responsible for.

Assurance levels for each area tested are as follows:

<b>Area</b>	<b>Assurance</b>
Data Management/Performance Reporting	Substantial
Policies	Substantial
Gas Safety	Substantial
Fire safety	Reasonable
Electrical Safety	Reasonable
Lifts	No assurance
Legionella	Substantial
Housekeeping	Reasonable
<b>Overall</b>	<b>Reasonable</b>

While no areas of significant concern were identified during the audit in most of the areas reviewed, several issues were identified involving lifts which affect the overall safety of tenants. Those issues have already been raised with the relevant officers, and works orders have already been raised with the lift maintenance contractor to ensure that outstanding defects on lifts are rectified as soon as possible. The audit has been given an overall assurance of Reasonable; which is a significant improvement on the position at the time of the self-referral to the Housing Regulator. Effective controls were found to be in place across other compliance workstreams such as:

- Suitably detailed policies are in place which have been approved by Cabinet.
- A large amount of work has been undertaken to ensure that performance data across work streams is being accurately reported.
- A suitably qualified contractor is in place for the management of gas appliances.
- All buildings with communal areas have a suitably detailed Fire Risk Assessment (FRA) in place.
- The amount of outstanding fire prevention work is decreasing month on month.
- All fire alarms are tested in accordance with the relevant standards on a quarterly basis.
- Emergency lighting is subject to both monthly and annual testing.
- Lifts are subject to 6 monthly independent examinations as required by LOLER regulations.
- Legionella Risk Assessments are in place for buildings where required and all tested were found to be in date.
- Legionella temperature testing is undertaken at the required intervals.
- The amount of outstanding Legionella prevention work is reducing month on month.
- Good arrangements are in place to liaise with the contractor responsible for the management of legionella, with the number of outstanding remedial works relating to Legionella being reduced each month.
- Sheltered schemes are subject to regular and suitably detailed inspections by the Independent Living Manager

1.3 A number of weaknesses were identified during the course of the audit such as:

- No checks are undertaken on the contractor responsible for weekly testing of fire alarms.
- Building zone plans are not sufficiently detailed in most buildings and are therefore considered of only limited use in the event of an emergency.

- Weaknesses were identified around the supervision of the lift maintenance contractor.
- While block inspections are completed on general needs blocks and contractors being notified of issued requiring their attention, limited or no checks are being undertaken to ensure that contractors have subsequently rectified the issues.

Incomplete or inaccurate data received from East Kent Housing has meant that performance data has at times been only partially accurate. Those inaccuracies have been identified by the large amount of work undertaken by officers to review all compliance certificates and documentation. That process of reviewing data and certificates means that officers are now in a position of being confident on the accuracy of the performance data being reported. Testing has been able to confirm that the performance data is now being accurately reported across all compliance workstreams.

### **3.0 FOLLOW UP OF AUDIT REPORT ACTION PLANS:**

3.1 There are no follow-ups to report this quarter.

### **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, 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 11<sup>th</sup> 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 five-month period to 31<sup>st</sup> August 2021, 165.26 chargeable days were delivered against the target of 290, which equates to 56.99% plan completion.

- 7.2 The financial performance of the EKAP is currently on target at the present time.
- 7.3 Thee 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 31<sup>st</sup> August against the agreed 2021/22 Audit Plan.  
Annex 4 Assurance statements

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

<b>Original Recommendation</b>	<b>Agreed Management Action, Responsibility and Target Date</b>	<b>Manager's Comment on Progress Towards Implementation.</b>
<i>None to report this quarter</i>		

<b>SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED</b>			
<b>Service</b>	<b>Reported to Committee</b>	<b>Level of Assurance</b>	<b>Follow-up Action Due</b>
EKHR – Benefits-in-kind	October 2020	Reasonable/Limited	WIP
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 31-08-2021	Status and Assurance Level
<b>FINANCIAL SYSTEMS:</b>				
Capital	10	10	4.04	Work-in-Progress
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
<b>HOUSING SYSTEMS:</b>				
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	1.12	Work-in-progress
<b>GOVERNANCE RELATED:</b>				
Cloud Computing/Digital	10	10	1	Brief issued
Officers' Code of Conduct	10	10	10.5	Finalised – Reasonable
Project Management	10	0	0	Postponed to accommodate unplanned work
Corporate Advice/CMT	2	2	.84	Work-in-Progress throughout 2021-22
s.151 Meetings and Support	9	9	7.48	Work-in-Progress throughout 2021-22
Governance Committee Meetings and Reports	12	12	6.40	Work-in-Progress throughout 2021-22
2022-23 Audit Plan Preparation and Meetings	9	9	0.86	Quarter 4
<b>POST IMPLEMENTATION REVIEWS:</b>				
Ottaway House	10	10	10.63	Finalised – N/A
Main Accounting System (Tech 1)	5	5	0	Quarter 3
<b>CONTRACT AUDITS:</b>				
CSO Compliance	13	13	9.88	Work-in-Progress
Service Contract Mgmt.	10	0	0	Postponed to accommodate unplanned work

Review	Original Planned Days	Revised Planned Days	Actual days to 31-08-2021	Status and Assurance Level
<b>SERVICE LEVEL:</b>				
Climate Change	10	10	2.43	Work-in-Progress
CCTV	10	10	10.61	Finalised - Reasonable
Contaminated Land, Air & Water Quality	10	10	2.58	Brief issued – Quarter 4
Grounds Maintenance	12	12	0.32	Brief issued
Licensing	12	12	13.24	Work-in-progress
Phones, Mobiles & Utilities	10	0	0.37	Postponed to accommodate unplanned work
Garden Waste & Recycling Income	10	10	0.18	Quarter 3
<b>OTHER</b>				
Liaison with External Auditors	1	1	0	Work-in-Progress throughout 2021-22
Follow-up Work	15	15	5.31	Work-in-Progress throughout 2021-22
<b>FINALISATION OF 2020-21- AUDITS</b>				
Environmental Health Protection Requests	5	5	1.39	Finalised - Substantial
Treasury Management			0.38	Finalised - Substantial
Land Charges			10.68	Finalised - Reasonable
Playgrounds			11.70	Draft Report
Tenant Health & Safety			20.26	Finalised - Reasonable
Planning Enforcement			10.11	Finalised - Reasonable
<b>Responsive Work:</b>				
HRA Properties Data Match	0	3	2.69	Finalised
Staff Enquiry	0	10	10.35	Finalised
Tech One Assistance	0	2	1.69	Finalised
Lessons Learned Review	0	5	5.02	Finalised
Exit Interview	0	2	1.18	Finalised
Homes England 21-22	0	8	1.33	Finalised
<b>TOTAL</b>	<b>290</b>	<b>290</b>	<b>165.26</b>	<b>56.99% as at 31<sup>st</sup> August 2021</b>

**EKS, EKHR & CIVICA:**

<b>Review</b>	<b>Original Planned Days</b>	<b>Revised Planned Days</b>	<b>Actual days to 31<sup>st</sup> August 2021</b>	<b>Status and Assurance Level</b>
<b>EKS Reviews;</b>				
Housing Benefits - Payments	15	15	0.61	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		Quarter 4
<b>EKHR Reviews;</b>				
Payroll	15	15	16.42	Quarter 2
Employee Allowances & Expenses	15	15	0	Quarter 3
Leavers & Recruitment	15	15	0.2	Quarter 3
<b>Other;</b>				
Corporate/Committee	5	5	4.03	Work in progress throughout 21-22
Follow up	5	5	0	Work in progress throughout 21-22
<b>Finalisation of 2020/21 Audits:</b>				
Days underdelivered in 2020/21				
Restart Grants			6.05	Finalised
ICT – Disaster Recovery			0.35	Finalised
Housing Benefits – Quarterly Testing 20-21	10	10	5.45	Finalised
ICT – Software Licensing			9.63	Finalised
Housing Benefits – RBV Framework			0.95	Finalised
<b>Total</b>	<b>160</b>	<b>160</b>	<b>44.19</b>	<b>27.62% as at 31<sup>st</sup> August 2021</b>

**(Note - From 1st September EKHR will be taken back in house by the three partner councils and the EKS plan will reduce by 32 days)**

## 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.