
Subject: QUARTERLY INTERNAL AUDIT UPDATE REPORT

Meeting and Date: Governance Committee – 29 September 2022

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 2022.

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 five internal audit assignments completed during the period, which are summarised in the table in section 2 of the report.
- 2.8 No follow-up reviews have been completed during the period.
- 2.9 For the three month period to 30th June 2022, 76.28 chargeable days were delivered against the target for the year of 300, which equates to 25.43% 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 2022-23 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 2022-23 - Previously presented to and approved at the 17th March 2022 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 2022.

2. SUMMARY OF REPORTS:

Service / Topic		Assurance level	No. of Recs.	
2.1	Sheltered Housing	Substantial	C H M L	0 0 2 1
2.2	Complaints Monitoring	Substantial	C H M L	0 0 0 0
2.3	EKS – Performance Indicators	Substantial	C H M L	0 1 0 0
2.4	Budgetary Control	Reasonable	C H M L	0 0 1 0
2.5	EKS - Housing Benefit Quarterly Testing 2021/22 Quarters 3 & 4	Not Applicable		

2.1 Sheltered Housing - Substantial Assurance

2.1.1 Audit Scope

The audit will review the Council's Sheltered Housing arrangements, controls and documentation surrounding the Scheme Managers' responsibilities to assist residents living in Sheltered Schemes promoting independence rather than creating dependency.

2.1.2 Summary of findings

The Council currently has six sheltered schemes across the district which are managed on a day-to-day basis by five Independent Living Managers (ILMs).

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

- Checklists are in place and completed each week by ILM's detailing the outcome of checks completed at each sheltered scheme.
- All ILM's are competent at completing the checks at sheltered schemes and provided with the equipment necessary to complete those checks.
- Suitable records are in place to detail which services residents have opted into or out of.
- Tenants are provided with suitably detailed and appropriately worded information on their responsibilities on safety checks inside of their own flats and what services the ILM can and cannot provide.
- All chargeable facilities provided to residents are charged in line with approved fees and charges.
- Wherever practical, suitable checks are undertaken on potential residents to confirm that independent living in a sheltered scheme meets their current needs.
- Where possible, suitable facilities are provided to enable mobility scooters to be stored safely.
- Work to make sheltered schemes ready for the digital phone switchover has commenced and is expected to be complete in advance of the digital switchover.

2.2 Complaints Monitoring – Substantial Assurance

2.2.1 Audit Scope

Ensure that the Council has effective arrangements in place (which are consistently adhered to across all organisational divisions) for the recording, monitoring, response to, escalation of, and learning from any complaints, comments or compliments received from stakeholders.

2.2.2 Summary of Findings

The Council aims to continually improve customer services and the effectiveness of the way they interact. Staff are empowered to deliver services to the public without constant reference to a line management structure.

The Council has a complaint procedure, which is set out in its Complaints Policy, and staff are encouraged to take ownership of complaints and be equipped to resolve them at the earliest possible opportunity.

Complaints and compliments are viewed as valuable feedback and, as a 'learning organisation' the Council endeavours to use the lessons learnt from feedback to improve the services it provides.

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

- The arrangements in place for monitoring informal and formal complaints, comments and compliments are sufficient.
- All complaints, comments and compliments are promptly and accurately recorded.
- The recording of compliments adequately assists the Council to build upon its strengths.

- Staff dealing with complaints are appropriately trained; the return of the Council's housing service and the general churn of staff turnover has identified a potential training need for the wider organisation and this will be addressed as part of the new Complaints Policy implementation.
- The Council's complaints process is authorised, regularly reviewed and appropriately publicised.
- There is an adequate feedback loop in place ensuring management receive and monitor all complaints and compliments which then drives service improvements in the future.
- There are clear escalation stages and protocols in place for formal and informal complaints handling.
- There are clearly documented timescales for dealing with complaints at each stage.

2.3 EKS Key Performance Indicators – Substantial Assurance

2.3.1 Audit Scope

To ensure that the controls over the production of the key performance indicators in respect of CIVICA are robust and sufficient to enable EK Services and the partner councils to have confidence in the data produced

2.3.2 Summary of Findings

There is a contract in place which sets out both the Service Standards and Key Performance Indicators (KPI's) within schedule 2. For the purposes of this audit only the KPI's have been reviewed which are detailed and set out within table 2H of this schedule. This details 6 Key Performance Indicators which are being reported on via Monthly Performance Monitoring Reports.

If a KPI fails to meet the set target there could be financial penalties to be applied, such penalties are highlighted within the Monthly Report but a decision on any exclusions are made by the Contract Strategic Board. Reasons and actions taken to remedy any unsatisfactory performance are also being reported on.

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

- Any changes to the Contract are being agreed and documented via the Contract Change Notification scheme as per the process detailed within Schedule 6: Change Control Procedure of the contract.
- The methodology and descriptors for each KPI can be found within Schedule 2 of the contract documentation; these are also being detailed within each monthly performance pack for managers to reference as necessary. Furthermore, there are detailed procedural notes for each KPI being held on file.
- Sufficient reporting of the key performance indicators to management is in place via Monthly Reports which were found to be clear, concise and easy to follow.

Scope for improvement was however identified in the following area.

- Testing identified some minor errors in the calculation process of two KPI's (KPI 02 and KPI 05) these did not affect the overall KPI results which were still found to be within the targets set. Management has been alerted to these minor

errors and the methodology/data input will be double checked moving forward to ensure correct values are reported for 2022/23.

2.4 Budgetary Control – Reasonable Assurance

2.4.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that budgetary control is exercised across the Council on a corporate wide basis.

2.4.2 Summary of Findings

A sound budget is essential to ensure effective financial control in any organisation and the preparation of the annual budget is a key activity at every council. Every council must have a balanced and robust budget for the forthcoming financial year and also a 'medium term financial strategy (MTFS)' which is also known as a Medium Term Financial Plan (MTFP).

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

- Budgets are controlled in accordance with SeRCOP (Service Reporting Code of Practice) and in accordance with CIPFA guidelines.
- The Budget and Policy Framework are sufficiently documented and applied.
- The financial governance arrangements in place, in terms of approval of the budget, are sufficiently applied.
- The budget is compiled directly within Tech 1 and so provides financial integrity of the figures
- The process and opportunity for identifying budget reductions and savings is managed effectively.
- The financial systems in place provide an effective management tool, to enable senior management to be kept fully informed of whether the Council will meet its required spending levels.
- The budget preparation process is well established and well documented with clear roles and responsibilities identified throughout.
- The budget monitoring systems in place provide reasonably reliable, accurate, timely and relevant information to management and are they in a format which can be easily understood but improvement is required in this area – see below.

Scope for improvement was however identified in the following areas:

- The Council is currently not using its main financial system (Tech 1) to its full extent as the budget monitoring reporting mechanism.
- The level of budget monitoring information reported is also very limited with few virements also being undertaken.

2.5 EKS Housing Benefits Quarterly Testing 2021/22 Quarters 3 & 4 – Not Applicable

2.7.1 Audit Scope

Over the course of 2021/22 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.

2.7.2 Summary of findings

For the third and fourth quarters of 2021/22 financial year (October 2021 to March 2022) forty-five claims including new and change of circumstances of each benefit type were selected by randomly selecting the various claims for verification.

A fail is now 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.

For this period forty-five benefit claims were checked none of the claims had a financial error or data quality error. For 2021/22 a total of seventy-five claims have been checked of which none had a financial error that impacted on the benefit calculation and none had a data quality error.

3.0 FOLLOW UP OF AUDIT REPORT ACTION PLANS:

- 3.1 No follow up reviews have been completed in the period. Consequently, there are no individual high priority recommendations outstanding after follow-up to be included at Annex 1 for 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 Food Safety, Absence Management, Tech 1 Post Implementation Review, Grounds Maintenance, Digital/Cloud Computing, Garden Waste, and HMO Licensing.

5.0 CHANGES TO THE AGREED AUDIT PLAN:

- 5.1 The 2022-23 Audit plan was agreed by Members at the meeting of this Committee on 17th March 2022.
- 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 There were 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 2022, 76.28 chargeable days were delivered against the target for the year of 300, which equates to 25.43% 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.

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 30th June 2022 against the agreed 2022/23 Audit Plan.
Annex 4 Balance Scorecard to 30th June 2022
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>None this Quarter</i>		

SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED			
Service	Reported to Committee	Level of Assurance	Follow-up Action Due
None			

**PROGRESS AGAINST THE AGREED 2022-23 AUDIT PLAN
DOVER DISTRICT COUNCIL**

Review	Original Planned Days	Revised Planned Days	Actual days to 30-06-2022	Status and Assurance Level
FINANCIAL SYSTEMS:				
Income, Cash Collection & Bank Rec.	10	10	0	Quarter 3
VAT	10	10	0	Quarter 3
Insurance & Inventories of Portable Assets	10	10	0	Quarter 3
HOUSING SYSTEMS:				
Housing Allocations	10	10	0	Quarter 2
Private Sector Housing	10	10	0.36	Work-in-Progress
Right to Buy	10	10	0.58	Work-in-Progress
Repairs & Maintenance	10	10	0	Work-in-Progress
Leasehold Services	12	12	0	Quarter 4
Sheltered Housing	10	10	9.59	Work-in-Progress
HR RELATED:				
Absence Management	10	10	0.18	Work-in-Progress
GOVERNANCE RELATED:				
GDPR, FOI & Information Mngmt.	12	12	0	Quarter 2
Complaints Monitoring	10	10	8.17	Finalised – Substantial
Scheme of Officer Delegations	10	10	0	Quarter 4
Corporate Advice/CMT	2	2	1.49	Ongoing
s.151 Meetings and Support	9	9	4.25	Ongoing
Governance Committee Meetings and Reports	12	12	3.66	Ongoing
2023-24 Audit Plan Preparation and Meetings	9	9	0	Quarter 4
COUNTER FRAUD & CORRUPTION:				
Counter Fraud and Corruption	10	10	0	Quarter 2
SERVICE LEVEL:				
Employee Health & Safety	10	10	0	Quarter 4
Safeguarding	10	10	0	Quarter 3
Port Health – Consultancy	10	10	5.40	Finalised – N/A
Port Health – Assurance	10	10	0	Quarter 4

Review	Original Planned Days	Revised Planned Days	Actual days to 30-06-2022	Status and Assurance Level
Climate Change	5	5	0	Quarter 3
Food Safety	10	10	0.18	Work-in-Progress
Planning Applications, Income & s106	12	12	0.23	Quarter 2
Corporate Plan, Local Plan & MTFP	10	0	0	Deferred
Building Control	10	10	0	Quarter 2
Waste Management	15	15	0	Quarter 2
OTHER:				
Liaison with External Auditors	1	1	0.25	Ongoing
Follow-up Work	15	15	2.21	Ongoing
FINALISATION OF 2021-22- AUDITS:				
Digital	5	15	9.91	Finalised – Reasonable
Environmental Protection			0.77	Finalised – Reasonable
CSO Compliance			0.14	Finalised – Reasonable
Grounds Maintenance			5.19	Finalised – Limited
Tenancy & Estate Management			0.45	Finalised – N/A
Budgetary Control			1.5	Finalised – Reasonable
Phones, Mobiles & Utilities			10.49	Finalised – Reasonable/Limited
Recruitment			4.73	Finalised – Reasonable
Main Accounting System – Post Implementation Review			0.38	Work-in-Progress
Garden Waste			6.36	Work-in-Progress
RESPONSIVE ASSURANCE:				
None this Quarter				
TOTAL	300	300	76.28	25.43%

**PROGRESS AGAINST THE 2022-23 AUDIT PLAN
EAST KENT SERVICES**

Review	Original Planned Days	Revised Planned Days	Actual days to 30-06-2022	Status and Assurance Level
EKS Re				
Business Rates	15	15	0.17	Quarter 2
Housing Benefit DHPs	15	15	0	Quarter 3
Housing Benefit Testing	15	15	16.44	Finalised - N/A
Debtors	15	15	0	Quarter 4
ICT – Data Management	15	15	0	Quarter 4
ICT – Network Security	15	15	0	Quarter 3
KPIs	5	5	7.04	Finalised - Substantial
Payroll	18	18	1.22	Work in progress
OTHER:				
Corporate/Committee	8	8	1.98	Ongoing
Follow Up	6	6	0.43	Ongoing
Finalisation of 2021/22 Audits:				
ICT Procurement & Disposal	1	1	1.22	Finalised - Substantial
Total	128	128	28.50	22.27%

Balanced Score Card 2022-23

Annex 4

<u>INTERNAL PROCESSES PERSPECTIVE :</u>	<u>2022-23 Actual</u>	<u>Target</u>	<u>FINANCIAL PERSPECTIVE:</u>	<u>2022-23 Actual</u>	<u>Original Budget</u>
	Quarter 1		Reported Annually		
Chargeable as % of available days	88%	90%	<ul style="list-style-type: none"> • Cost per Audit Day 	£	£
Chargeable days as % of planned days			<ul style="list-style-type: none"> • Direct Costs 	£	£
CCC	25.59%	25%	<ul style="list-style-type: none"> • + Indirect Costs (Recharges from Host) 	£	£
DDC	25.43%	25%	<ul style="list-style-type: none"> • - 'Unplanned Income' 	£	Zero
TDC	22.09%	25%			
FHDC	24.66%	25%			
EKS	22.26%	25%			
Overall	24.11%	25%	<ul style="list-style-type: none"> • = Net EKAP cost (all Partners) 		£
Follow up/ Progress Reviews;					
• Issued	12	-			
• Not yet due	12	-			
• Now due for Follow Up	19	-			
Compliance with the Public Sector Internal Audit Standards (PSIAS) (see Annual Report for more details)	Partial	Partial			

<u>CUSTOMER PERSPECTIVE:</u>	<u>2022-23 Actual</u>	<u>Target</u>	<u>INNOVATION & LEARNING PERSPECTIVE:</u>	<u>2022-23 Actual</u>	<u>Target</u>
	Quarter 1		Quarter 1		
Number of Satisfaction Questionnaires Issued;	11		Percentage of staff qualified to relevant technician level	61%	60%
Number of completed questionnaires received back;	11		Percentage of staff holding a relevant higher-level qualification	36%	36%
	= 100 %		Percentage of staff studying for a relevant professional qualification	14%	N/A
Percentage of Customers who felt that;			Number of days technical training per FTE	1.21	3.5
• Interviews were conducted in a professional manner	100%	100%	Percentage of staff meeting formal CPD requirements (post qualification)	50%	50%
• 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.