

This Report will be made public on 7 March 2023



Report Number **AuG/22/25**

To: Audit and Governance Committee
Date: 15 March 2023
Status: Non-Executive Decision
Corporate Director: Charlotte Spendley – Director – Corporate Services (S151)

SUBJECT: QUARTERLY INTERNAL AUDIT UPDATE REPORT FROM THE HEAD OF THE EAST KENT AUDIT PARTNERSHIP

SUMMARY: This report includes the summary of the work of the East Kent Audit Partnership (EKAP) since the last Audit and Governance Committee meeting together with details of the performance of the EKAP to the 31st December 2022.

REASONS FOR RECOMMENDATION:

The Committee is asked to agree the recommendations set out below because: In order to comply with best practice, the Audit and Governance Committee should independently contribute to the overall process for ensuring that an effective internal control environment is maintained.

RECOMMENDATIONS:

- 1. To receive and note Report AuG/22/25.**
- 2. To note the results of the work carried out by the East Kent Audit Partnership.**

1. INTRODUCTION

- 1.1 This report includes the summary of the work completed by the East Kent Audit Partnership (EKAP) since the last Audit and Governance Committee meeting.

2. AUDIT REPORTING

- 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 the relevant Heads of Service, 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. There are currently five reviews with such a level of assurance as shown in appendix 2 of the EKAP report.
- 2.5 The purpose of the Council's Audit and Governance Committee is to provide independent assurance of the adequacy of the risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements and to seek assurance that action is being taken to mitigate those risks identified.
- 2.6 To assist the Committee in meeting 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.

3. SUMMARY OF WORK

- 3.1. There have been two audit reports completed during the period. These have been allocated assurance levels as follows: one was Substantial and one was Substantial / Reasonable assurance. Summaries of the report findings are detailed within Annex 1 to this report.
- 3.2 In addition, five follow up reviews have been completed during the period. The follow up reviews are detailed within section 3 of the update report.

3.3 For the period to 31st December 2022 246.20 chargeable days were delivered against the planned target for the year of 350 days, which equates to achievement of 70.34% of the planned number of days.

4. RISK MANAGEMENT ISSUES

4.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Non completion of the audit plan	Medium	Low	Review of the audit plan on a regular basis
Non implementation of agreed audit recommendations	Medium	Low	Review of recommendations by Audit and Governance Committee and Audit escalation policy.
Non completion of the key financial system reviews	Medium	Medium	Review of the audit plan on a regular basis. A change in the external audit requirements reduces the impact of non-completion on the Authority.

5. LEGAL, FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

5.1 Legal Officer's comments (AK)

No legal officer comments are required for this report.

5.2 Finance Officer's Comments (CS)

Responsibility for the arrangements of the proper administration of the Council's financial affairs lies with the Director – Corporate Services (s.151). The internal audit service helps provide assurance as to the adequacy of the arrangements in place. It is important that the recommendations accepted by Heads of Service are implemented and that audit follow-up to report on progress.

5.3 **Head of the East Kent Audit Partnership comments (CP)**

This report has been produced by the Head of the East Kent Audit Partnership and the findings / comments detailed in the report are the service's own, except where shown as being management responses.

5.4 **Diversities and Equalities Implications (CP)**

This report does not directly have any specific diversity and equality implications however it does include reviews of services which may have implications. However none of the recommendations made have any specific relevance.

6. **CONTACT OFFICERS AND BACKGROUND DOCUMENTS**

- 6.1 Councillors with any questions arising out of this report should contact either of the following officers prior to the meeting.

Christine Parker, Head of the Audit Partnership
Telephone: 01304 872160 Email: Christine.parker@folkestone-hythe.gov.uk

Charlotte Spendley Director – Corporate Services (S151)
Telephone: 01303 853420 Email: Charlotte.spendley@folkestone-hythe.gov.uk

- 6.2 The following background documents have been relied upon in the preparation of this report:

Internal Audit working papers - Held by the East Kent Audit Partnership.

Attachments

Annex 1 – Quarterly Update Report from the Head of the East Kent 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 Audit and Governance Committee meeting, together with details of the performance of the EKAP to the 31st December 2022.

2. SUMMARY OF REPORTS

Service / Topic		Assurance level	No of recs	
2.1	Council Tax	Substantial	C	0
			H	0
			M	0
			L	0
2.2	Creditors	Substantial / Reasonable	C	0
			H	1
			M	2
			L	0

2.1 Council Tax – Substantial Assurance

2.1.1 Audit Scope

To ensure that Council Tax is set correctly, that billing is accurate, and payments are received when due.

2.1.2 Summary of Findings

Folkestone and Hythe District Council are responsible for the setting, billing and collection of Council Tax in the District.

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

- Council Tax is set in accordance with the relevant legislation.
- Parameters within the Council Tax system are extensively checked and reviewed before the billing process is started.
- Council Tax bills are checked to confirm they are in the correct format before the commencement of the billing process.

- Updates from the Valuation Office are actioned and reconciled to the Council Tax system on a regular basis.
- Established processes are in place for the processing of refunds, write offs and the recovery of outstanding arrears of council tax.

2.2 Creditors – Substantial / Reasonable Assurance

2.2.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established in the systems to ensure that creditors payments are valid, authorised, accurate, timely and properly recorded and meet Council guidelines and legislation.

2.2.2 Summary of Findings

The creditors staff process approximately 10,000 invoices a year. The value can range from £1 to many £1000s and to ensure the correct payment is processed all invoices must comply with the Council's payment rules and regulations.

Management can place a Substantial Assurance on the system of internal controls in operation for the day-to-day payment processes and a Reasonable Assurance for transparency, duplicate payment testing and records retention.

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

- Established processes and authorisation routines are in place for the creditors runs that are done twice a week.

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

- An exercise should be completed to ensure that the Council is reporting all the correct information as per the transparency legislation. This could also include other information that may be relevant to the Council that supports being open and transparent and it should also be easily accessible on the Council's website.
- An exercise needs to be carried out to ensure that the Corporate Retention Policy is being complied with and any invoices earlier than the period defined in the policy may be disposed of (both paper and electronic).

FOLLOW UP OF AUDIT REPORT ACTION PLANS

- 3.1 As part of the period's work five 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.

3.2

Service / Topic	Original Assurance level	Revised Assurance level	Original recs	Outstanding recs
FCWP	Reasonable	Reasonable	C 0 H 0 M 0 L 1	C 0 H 0 M 0 L 0
Councillors' Grants	Reasonable	Reasonable	C 0 H 2 M 2 L 0	C 0 H 0 M 1 L 0
E-Procurement	Reasonable	Reasonable	C 0 H 2 M 5 L 0	C 0 H 0 M 0 L 0
Right to Buy	Limited	Reasonable	C 1 H 3 M 0 L 1	C 0 H 0 M 0 L 0
Housing Data Integrity	N/A	N/A	C 0 H 1 M 1 L 0	C 0 H 0 M 0 L 0

- 3.3 Details of any individual critical or 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 Audit & Governance Committee (none this quarter).

The purpose of escalating outstanding high-priority recommendations which have not been implemented 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.

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: Members Allowances, Employee benefits in kind; Homelessness, Tenants Health & Safety and Fraud resilience.

5.0 CHANGES TO THE AGREED AUDIT PLAN

- 5.1 The 2022-23 audit plan was agreed by Members at the meeting of the Audit & Governance Committee on 16th March 2022.
- 5.2 The Head of the Audit Partnership meets on a regular basis with the Section 151 Officer or their deputy 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 Appendix 3.
- 5.3 A secondment has been arranged for 30 days to assist the Council in respect of contract procurement. As a result of this three audit reviews have been deferred to 2023/24.

6.0 FRAUD AND CORRUPTION

There are currently no reported incidents of fraud or corruption being investigated by EKAP on behalf of Folkestone-Hythe District Council.

7.0 INTERNAL AUDIT PERFORMANCE

- 7.1 For the period ended 31st December 2022 246.20 chargeable days were delivered against the planned target for the year of 350 which equates to achievement of 70.34% of the original planned number of days.
- 7.2 The financial performance of the EKAP for 2022-23 is on target.

Attachments

- Appendix 1 Summary of high priority recommendations outstanding after follow up.
- Appendix 2 Summary of services with limited / no assurances yet to be followed up.
- Appendix 3 Progress to 31st December 2022 against the 2022-23 Audit plan.
- Appendix 4 Balanced Scorecard to 31st December 2022.
- Appendix 5 Assurance Definitions.

SUMMARY OF CRITICAL /HIGH PRIORITY RECOMMENDATIONS OUTSTANDING AFTER FOLLOW-UP – APPENDIX 1		
Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager’s Comment on Progress Towards Implementation.
None		

SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED			
Service	Reported to Committee	Level of Assurance	Follow-up Action Due
Housing Planned Maintenance - Contracts	July 2022	No assurance	June 2023
Officers Interests	September 2022	Reasonable / Limited	June 2023
Contracts Management – Controls & Governance	December 2022	Limited	June 2023
Car Parking Income	December 2022	Substantial / Limited	June 2023
Garden Waste – Recycling Management	December 2022	Limited	June 2023

PROGRESS AGAINST THE AUDIT PLAN 2022/23

Review	Original Planned Days	Revised Planned Days	Actual To 31/12/2023	Status and Assurance level
FINANCIAL SYSTEMS:				
Bank Reconciliation	10	0	0	Deferred
Car Parking Income	10	16	16.56	Finalised – Reasonable / Limited
Council Tax	10	10	5.64	Finalised - Substantial
Creditors	10	10	10.28	Finalised – Substantial / Reasonable
Housing Benefit Admin & Assessment	10	10	0.28	Quarter 4
Housing Benefit Subsidy	10	0	0	Deferred
HOUSING SYSTEMS:				
Capital Programme Planned Repairs	10	0	0.57	Deferred
Housing Anti-Social Behaviour	10	0	0.38	Deferred
Improvement Grants & DFGs	10	10	0.16	Quarter 4
Tenants Health& Safety	10	10	4.21	Work in progress
Housing Contract Management	10	25	25.65	Finalised – No Assurance
New Build Capital Programme	10	10	0.73	Quarter 4
Responsive Repairs and Maintenance	10	10	0.19	Quarter 4
Right to Buy	10	10	10.19	Finalised - Limited
Tenancy & Estate management	10	0	0.19	Deferred
Tenancy Counter Fraud	10	10	0.77	Quarter 4
Homelessness	15	23	23.74	Draft report
TECHNOLOGY / CYBER:				
ICT Review	10	0	0.14	Deferred
CORPORATE GOVERNANCE:				
Otterpool Governance	10	2	1.57	Deferred
Whistleblowing	5	5	4.13	Work in progress
COUNTER FRAUD:				
Review	Original Planned Days	Revised Planned Days	Actual To 31/12/2022	Status and Assurance level
Fraud Resilience Arrangements	10	9	7.44	Work in progress
PROCUREMENT & CONTRACTS:				

Contract Management / CSOs	10	11	10.82	Finalised - Limited
ASSET MANAGEMENT:				
Asset Management	10	0	0	Deferred
SERVICE LEVEL:				
Corporate Responsive Repairs	10	0	0	Deferred
Members Allowances	10	8	5.14	Work in progress
Planning Income	10	10	0	Quarter 4
Garden Waste / Recycling Management	10	21	21.51	Finalised - Limited
PEOPLE MANAGEMENT:				
Employee Benefits in Kind	10	10	6.07	Work in progress
Recruitment	10	0	0.07	Deferred
OTHER:				
Committee Reports & Meetings	10	10	10.26	Ongoing
S151 Meetings & Support	10	10	10.85	Ongoing
Corporate Advice / CMT	5	8	8.73	Ongoing
Liaison with External Audit	1	1	1.33	Ongoing
Audit Plan Prep & Meetings	10	7	6.03	Ongoing
Follow Up Reviews	14	18	17.51	Ongoing
FINALISATION OF 2021-22 AUDITS:				
COVID Grants	10	1	0.54	Finalised - Reasonable
Freedom of Information		3	2.89	Work in progress
Housing Data Integrity		6	5.51	Finalised – N/A
RESPONSIVE ASSURANCE:				
Corporate Leak Investigation	0	5	3.05	Finalised – N/A
Officers' Interests	0	11	11.28	Finalised – Reasonable / Limited
Disposal of logs / white goods	0	6	6.85	Finalised – N/A
Fraud Presentation	0	1	1.15	Work in progress
Print to Post	0	3	3.79	Finalised – Not Applicable
Secondment		30	0	s.151 request
Total	350	350	246.20	70.34%

BALANCED SCORECARD

Appendix 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 3		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	74.52%	75%	<ul style="list-style-type: none"> • + Indirect Costs (Recharges from Host) 	£	£
DDC	70.16%	75%	<ul style="list-style-type: none"> • - 'Unplanned Income' 	£	Zero
TDC	75.24%	75%			
F&HDC	70.34%	75%			
EKS	60.05%	75%			
Overall	71.20%	75%	<ul style="list-style-type: none"> • = Net EKAP cost (all Partners) 		£
Follow up/ Progress Reviews;		-			
<ul style="list-style-type: none"> • Issued 	38	-			
<ul style="list-style-type: none"> • Not yet due 	25	-			
<ul style="list-style-type: none"> • Now due for Follow Up 	24				
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>	Actual	Target
	Quarter 3		Quarter 3		
Number of Satisfaction Questionnaires Issued;	52		Percentage of staff qualified to relevant technician level	61%	60%
Number of completed questionnaires received back;	31		Percentage of staff holding a relevant higher level qualification	36%	36%
	= 60%		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	3.90	3.5
<ul style="list-style-type: none"> • Interviews were conducted in a professional manner 	100%	100%	Percentage of staff meeting formal CPD requirements (post qualification)	50%	50%
<ul style="list-style-type: none"> • The audit report was 'Good' or better 	94%	90%			
<ul style="list-style-type: none"> • That the audit was worthwhile. 	97%	100%			

Appendix 5

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.