

Internal Audit Update

Gravesham Borough Council

For the period:

1 August – 30 September 2022

1. Introduction

- 1.1 The Audit & Counter Fraud Shared Service for Medway Council & Gravesham Borough Council was established on 1 March 2016. The team provides internal audit assurance and consultancy, proactive counter fraud and reactive investigation services, and the Single Point of Contact between both authorities and the Department for Work & Pensions Fraud & Error Service for their investigation of Benefits Fraud
- 1.2 The Public Sector Internal Audit Standards (the Standards) require that: *The chief audit executive must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board.*

2. Executive Summary

- 2.1 This report covers a short period of only two months and no audit reviews have been finalised during the period. However, four reviews have had fieldwork completed, meaning five are now going through the quality control process, three further reviews are currently underway and commencement of a number of others is being arranged with clients following approval of the Q3-Q4 plan. As a consequence of this work, plan delivery as at 30 September was 21% complete, with a further 17% underway. Full details of the individual reviews can be found in section 5 of this report.
- 2.2 Follow up of agreed recommendations has continued and performance as of 30 September stood at 88.6%, with 31 of 35 actions due in the period having been completed. Four remain outstanding and are being monitored in line with the agreed follow up process. Full details of the progress made in relation to action follow up can be found at section 8.
- 2.3 As reported in September, there has been some impact on planned resources due to sickness, and a vacancy for an Internal Auditor, resulting in a projected loss of approximately 43 days from the estimated 442 available at the start of the year.

3. Independence

- 3.1 The Internal Audit Charter was approved by the Finance & Audit Committee in February 2022 and sets out the purpose, authority, and responsibility of the Internal Audit team. The Charter sets out the arrangements to ensure the team's independence and objectivity through direct reporting lines to senior management and Members, and through safeguards to ensure officers remain free from operational responsibility and do not engage in any other activity that may impair their judgement. The work of the team during the period covered by this report has been free from any inappropriate restriction or influence from senior officers and/or Members.
- 3.2 Given the Head of Internal Audit & Counter Fraud's responsibilities for counter-fraud activities, the Internal Audit team cannot provide independent assurance over the counter-fraud activities of either council. Instead, independent assurance over the effectiveness of these arrangements will be sought from an external supplier of audit services on a periodic basis. The most recent of these reviews was undertaken by Tonbridge & Malling Borough Council in 2018-19.

4. Resources

- 4.1 The Internal Audit & Counter Fraud Shared Service reports to the Section 151 Officers of Medway Council and Gravesham Borough Council. The Internal Audit team consists of; the Head of Internal Audit & Counter Fraud (0.65FTE), one Internal Audit Manager, one Senior Internal Auditor, and six Internal Auditors (5.78FTE) (one post currently vacant).

- 4.2 The Shared Service Agreement sets out the basis for splitting the available resources between the two councils, approximately 64% for Medway, with the remaining 36% for Gravesham. The establishment at the beginning of 2022-23 was forecasted to provide a total of 1,219 days available for internal audit work (net of allowances for leave, training, management, administration etc.) with the share for Gravesham being 442 days.
- 4.3 Net staff days available for Gravesham for the period 1 August to 30 September 2022 amounted to 79.4 days and 68.8 days (87%) were spent on chargeable internal audit work. Of this chargeable time, 68 days (99%) was spent on audit assurance work and 0.8 days (1%) was spent on consultancy work. The current status and results of all work carried out are detailed at section 5 of this report.
- 4.4 A period of vacancy following the resignation of an Internal Auditor and the first two of three attempts to recruit being unsuccessful has affected the level of resources. A successful recruitment process for an apprentice has now been completed and a start date is awaited.
- 4.5 We are currently projecting a loss of approximately 43 days from the projected internal audit resource available at the start of the year.

5. Results of planned Audit & Counter Fraud work

- 5.1 The Internal Audit Plan Q1-Q2 2022-23 for Gravesham was approved by the Finance & Audit Committee in March 2022. The Plan is intended to provide a clear picture of how the council will use the Internal Audit resource, reflecting all work to be carried out by the team for Gravesham during the first six months of the financial year.
- 5.2 The table below provides details the progress of work undertaken as part of the Q1-Q2 2022-23 plan during the period.

2022-23 Internal Audit assurance work

Ref	Activity	Day budget	Days used	Current status	Opinion, summary of findings & recommendations made
1	IT Security & Access Controls	15		Fieldwork Underway	The review will consider the following Risk Management Objective: RMO1 - There are arrangements in place to ensure that access to the council's network is secure.
2	Communications Strategy	15		Fieldwork complete, in quality control	The review considered the following Risk Management Objective: RMO1 - Effective arrangements are in place to deliver the council's Communications Strategy 2020-2023.
3	NNDR Reliefs	15		Fieldwork Underway	The review will consider the following Risk Management Objective: RMO1 - Arrangements are in place for the administration of discretionary and mandatory NNDR relief.
4	Right to Buy			Terms of Reference being prepared	
5	Procurement Compliance	15		Fieldwork complete, in quality control	The review considered the following Risk Management Objective: RMO1 - Processes are in place to ensure the council complies with the requirements of the Public Contracts Regulations 2015 and the council's own Contracts Procedure Rules.
6	Planning Obligations	15		Fieldwork complete, in quality control	The review considered the following Risk Management Objectives: RMO1 - Planning obligations are appropriately used to ensure that development does not adversely impact the borough. RMO2 - Appropriate monitoring is undertaken of all planning obligation agreements.
7	Financial Planning and Budget Setting (General Fund)	15		Fieldwork Underway	The review will consider the following Risk Management Objectives: RMO1 - The council has an ongoing plan to balance the General Fund revenue budget both in the current year and going forward
8	Whistleblowing	15		Fieldwork complete, in quality control	The review considered the following Risk Management Objective: RMO1 - There are appropriate arrangements in place to manage whistleblowing.
9	Void Property Management	15		Fieldwork complete, in quality control	The review considered the following Risk Management Objective: RMO1 - There are appropriate arrangements for void properties to be managed.
10	Food Safety Inspections (rating scheme)	15		Fieldwork Underway	The review will consider the following Risk Management Objective: RMO1 - There are arrangements in place to ensure food safety inspections are conducted in line with the appropriate legislation.

Ref	Activity	Day budget	Days used	Current status	Opinion, summary of findings & recommendations made
11	Housing Development Strategy			Removed from Plan	Removal agreed at September 2022 meeting
12	Information Requests (FOI, SAR, EIR)			Removed from Plan	Removal agreed at September 2022 meeting

Other assurance activity

Ref	Activity	Day budget	Days used	Current status	Opinion, summary of findings & recommendations made
	Finalisation of 2021-22 Planned Work	20	70.4	Complete	All details provided in September update.
	Validation of Performance Data	10	8.6	Complete	All details provided in September update.
	Grant Validations	6	N/A	In progress	No activity in the period

Responsive assurance activity

Activity	Opinion, summary of findings & recommendations made
No activity during the period.	

Other consultancy services including advice & information

Activity	Opinion, summary of findings & recommendations made
Rosherville	A consultancy review is currently in progress but is not yet concluded.

6. Quality Assurance & Improvement Programme

- 6.1 The Standards require that: *The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. A Quality Assurance & Improvement Programme (QAIP) has been prepared to meet this requirement.* The Internal Audit QAIP was agreed by the Finance & Audit Committee in February 2022.
- 6.2 The arrangements set out in the QAIP have been implemented with the collection and monitoring of performance data largely automated through the team's time recording and quality management processes. It should be noted that the results recorded below have not been subjected to independent data quality verification.
- 6.3 In line with the QAIP, the team monitor performance against a suite of 14 performance indicators. The table below sets out the performance targets, which are grouped into measures for the service and those that are specific to the individual authority. Targets have been set for nine of the 14 indicators; however, it should be noted that these are for full year outturns; as such outturns at present are not to target levels but are provided for Members information.

Ref	Indicator	Target	Outturn for period
Non LA Specific Performance Measurements			
IA1	Proportion of staff with professional qualification relevant to internal audit	65%	25%
IA2	Proportion of non-qualified staff undertaking professional qualification training	25%	25%
IA3	Time spent on professional qualification training:	N/A	3 Days
IA4	Time spent on CPD/non-professional qualification training, learning & development	40 days	4.7 Days
IA5	Compliance with PSIAS	100%	An updated self-assessment is due to take place in October/November 2022 prior to an External Quality Assessment.
LA Specific Performance Measurements			
IA6	Average cost per agreed assurance review	<£5,000	
IA7	Proportion of available resources spent on chargeable work	N/A	87%
IA8	Proportion of chargeable time spent on: a) Assurance work b) Consultancy work	N/A	99% 1%
IA9	Proportion of agreed assurance reviews: a) Delivered b) Underway	95%	21% 17%
IA10	Proportion of completed assurance reviews subject to a second stage (senior management) quality control check in addition to the primary quality control review	10%	0% (Calculation based on finalised reviews)
IA11	Proportion of actions agreed by client management to address control weaknesses	90%	100%
IA12	Number of agreed actions that are:	N/A	

Ref	Indicator	Target	Outturn for period
	a) Not yet due b) Implemented c) Outstanding		23 32 3
IA13	Proportion of actions implemented by agreed date	N/A	91.4%
IA14	Client, Management and Member satisfaction with internal audit services	90%	A satisfaction survey will be issued at the end of 2022-23.

7. Review of Internal Audit Plan

- 7.1 Monitoring of the delivery of planned work is built into the team's processes with individual officer time recording data feeding into an automated performance monitoring workbook; this tracks the performance of the team against the internal audit work plans and enables the Internal Audit Manager to plan and support officers to deliver their individual work plans.
- 7.2 Projection of the resources that will be available to the year-end are calculated at least quarterly and compared to the original forecasts. This determines any impacts on projected resources that would impact on delivery of the internal audit plan.
- 7.3 As detailed in paragraph 4.5, we are currently projecting a loss of approximately 43 days from forecasted audit resources for 2022-23.
- 7.4 We will continue to monitor available resources as the year progresses and update the Committee on any further changes that become necessary.

8. Follow up of agreed Actions

- 8.1 Where the work of the team finds opportunities to strengthen the council's risk management, governance and/or control arrangements, the team agree actions for improvement with service managers. The Standards require that a follow-up process be established: *to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action*. As with all audit work, resources should be prioritised based on risk.
- 8.2 Service managers are asked to provide an update on action taken towards implementing all actions due on a monthly basis and are also asked to supply evidence in respect of all completed High priority actions, which is verified by the Internal Audit Team.
- 8.3 The first of the two tables below details the current position in relation to the follow up process and the second details actions that are now more than six months over their planned implementation date; along with an update from the relevant Service Manager/Assistant Director/Director. Some may also contain details of revised implementation dates that have been agreed by Management Team.

Status of agreed actions

Audit title	Overall opinion and number of actions of each priority agreed with management	Number of actions due for implementation where a positive management response has been received
Apprenticeship Scheme	<p>Opinion: Amber.</p> <p>Five actions agreed: two high, two medium and one low priority.</p> <p>Actions relate to a strategy being produced to document the aims and objectives of the council's apprenticeship scheme and how these will be achieved; a process being put in place to ensure that apprenticeships are promoted and considered at the earliest stage of recruitment; the Apprenticeship Policy being reviewed and updated, arrangements being put in place for the apprenticeship spreadsheet to be monitored and updated regularly, and arrangements being made for checks to be undertaken of all payments to and from the Apprenticeship Service Account to ensure accuracy.</p>	All actions completed.
Member Standards	<p>Opinion: Amber.</p> <p>Three actions agreed: Two medium and one low priority.</p> <p>Actions relate to the Member training requirements included in the Constitution being reviewed for consistency, arrangements being put in place to maintain a central log of attendance at Planning & Licensing training, including 1-1 sessions, to ensure 'refresher' training is provided to Committee Members at the appropriate frequency, and the point of contact for declaring gifts and hospitality being clarified and the Member Gifts and Hospitality register being retained in accordance with the requirements of the Member Code of Conduct.</p>	All actions completed.
Shared Services	<p>Opinion: Amber.</p> <p>One high priority action agreed.</p> <p>Action relates to a review of all Shared Service Agreements.</p>	All actions completed.
Private Housing Enforcement	<p>Opinion: Red.</p> <p>Five high priority actions agreed.</p> <p>Actions relate to private Housing procedures being written and tailored to ensure they reflect local priorities; the team investigating digitalisation of Private Housing enforcement processes, including making best use of the systems available and moving away from paper files, as well as reviewing arrangements to ensure the Public HMO Register is accurate; arrangements being put in place to facilitate the timely renewal of HMO licences and for enforcement action to be taken where this is not the case; arrangements being put in place to ensure the council is able to take robust private housing enforcement action; the necessary work to facilitate the introduction of Civil Penalties being progressed; and, the service exploring alternative means to hold the landlord forums and otherwise engage with landlords</p>	All actions completed.
Constitution Maintenance	<p>Opinion: Amber</p> <p>Two actions agreed: One high and one low priority.</p>	All actions completed.

Audit title	Overall opinion and number of actions of each priority agreed with management	Number of actions due for implementation where a positive management response has been received
	<p>Actions relate to a secondment agreement for the new Monitoring Officer being put in place and measures being put into place to ensure that the documents that make up the Constitution are noted as to when they were updated, or that a table of amendments is included.</p>	
Leaseholder Management	<p>Opinion: Amber. Four actions agreed: One high and three medium priority. Actions relate to the Leaseholders' Handbook being updated, procedure notes being reviewed, the arrangements in place to calculate interim service charges being reviewed, and reviewing the arrangements in place to respond to requests to view the accounts which can be made available for the inspection of leaseholders.</p>	<p>Four actions due, two completed. Two medium priority outstanding relating to Leaseholders' Handbook being updated and the arrangements in place to calculate interim service charges being reviewed.</p>
Risk Management Compliance	<p>Opinion: Amber. Three actions agreed: One high and two medium priority. Actions relate to reviewing the processes in place for assessing and recording operational risks; reviewing the arrangements in place for providing consistent risk management training to staff; and, reviewing the arrangements in place for reviewing Service Risk Registers.</p>	<p>Two actions due, two completed.</p>
Temporary Accommodation – Out of Area Placements	<p>Opinion Red. Eight actions agreed: Seven high and one medium priority. Actions relate to the Temporary Accommodation Out of Area Placement policy (or an equivalent policy) being agreed and reviewed/signed off regularly; up-to-date workflows/procedures for managing temporary accommodation being put in place; procedures being reviewed to ensure compliance with the Homelessness Code of Guidance for local authorities can be demonstrated relating to the standard / suitability of accommodation for out of area placements; and arrangements being in put in place to ensure that costs are recovered for all temporary accommodation placements outside of the council's housing stock.</p>	<p>Seven actions due, seven completed.</p>
Council Tax Discounts, Disregards & Exemptions	<p>Opinion: Amber. Three actions agreed: One high, one medium and one low priority. Actions relate to a review of the procedure notes/guidance for the administration of Council Tax DDEs; a review of applications (including online and paper forms), ensuring that appropriate applications are accompanied by a signed application form; and, a review of the arrangements in place to review Council Tax DDEs to ensure that they remain valid, with these reviews documented.</p>	<p>No actions due in report period.</p>
Bank Reconciliation	<p>Opinion: Green. One low priority action agreed. Action relates to more comprehensive bank reconciliation procedure notes.</p>	<p>All actions completed.</p>

Audit title	Overall opinion and number of actions of each priority agreed with management	Number of actions due for implementation where a positive management response has been received
Accessibility Regulations	<p>Opinion: Amber.</p> <p>Three actions agreed: One medium and two low priority.</p> <p>Actions relate to reviewing and updating a web accessibility action plan, investigating / agreeing arrangements for websites other than the main council website to be made compliant with the Accessibility Regulations and publishing an accessibility statement on the council's intranet to explain that it is currently exempt from the regulations.</p>	<p>Three actions due, two completed.</p> <p>One medium priority outstanding relating to investigating / agreeing arrangements for websites other than the main council website to be made compliant with the Accessibility Regulations.</p>
GDPR	<p>Opinion: Amber.</p> <p>Five actions agreed: Four high and one medium priority.</p> <p>Actions relate to the GDPR action plan being finalised; the most up to date versions of the Information Governance policies being shared with staff; planned training to be reviewed to consider the need for specific training on data incident handling; and, a review of the forms and processes in place to capture data incidents, to ensure a complete record is available of the incident and action taken.</p>	<p>One action due, one completed.</p>
Corporate Complaints	<p>Opinion: Amber.</p> <p>One medium priority action agreed.</p> <p>Action relates to relevant staff being reminded of the council's Corporate Complaints Procedure, in particular, responsibility and timescales for acknowledging complaints, to store relevant documentation within the Corporate Complaints folder on the H drive, and to accurately record dates of action taken on DASH in a timely manner.</p>	<p>All actions completed.</p>
Housing Allocations	<p>Opinion: Amber.</p> <p>Two actions agreed: Two medium priority.</p> <p>Actions relate to a checklist being created to confirm all necessary documents have been obtained for each application; and, regular quality assurance checks being carried out.</p>	<p>No actions due in report period.</p>
Council Housing – Disabled Adaptations	<p>Opinion: Amber.</p> <p>Three actions agreed: Two high and one medium priority.</p> <p>Actions relate to the update and communication of the Aids & Adaptation Policy for Council Tenants, ensuring there is relevant information available to tenants and the process for tenants to request aids and adaptations being reviewed.</p>	<p>No actions due in report period.</p>
Planning Applications	<p>Opinion: Amber.</p> <p>Five actions agreed: Two high, two medium and one low priority.</p> <p>Actions relate to charging for pre-application advice being reviewed; invalid applications being monitored to ensure there are no significant delays; Timely completion of the pre-validation checklist being made a mandatory part of the validation process and monitored via the Planning Technical Support Team Leader; investigating if the recommendation approval tab on</p>	<p>One action due, one completed.</p>

Audit title	Overall opinion and number of actions of each priority agreed with management	Number of actions due for implementation where a positive management response has been received
	Uniform can be restricted to senior officers only; and, arrangements being made for approval arrangements for planning applications set out in the Constitution to be reviewed.	
Business Continuity Planning	<p>Opinion: Amber.</p> <p>Five actions agreed: Two high, two medium and one low priority.</p> <p>Actions relate to the Business Continuity Management Framework and revised BCP templates being circulated to relevant staff and plan owners instructed to update their plans; an updated Corporate BCP being created; testing exercises being scheduled and carried out; and the Framework being updated in relation to arrangements for post incident reviews</p>	One action due, one completed.

Actions outstanding more than six months after scheduled implementation date

Directorate	Audit title	Action	Priority	Planned implementation date	Management update
Housing / Corporate Services	Leaseholder Management	Review the arrangements in place to raise interim service charges, with an appropriate policy explaining how interim charges are calculated.	Medium	31 March 2022	There has been a recent urgent development relating to Leasehold insurance that has required a significant resource input, which unfortunately takes priority at this time. Management Team have therefore agreed a revised implementation date of 31 October 2023.

Definitions of audit opinions & action priorities

Opinion	Definition
Green – Risk management operates effectively, and objectives are being met	Expected controls are in place and effective to ensure risks are well managed and the service objectives are being met. Any errors found are minor or the occurrence of errors is considered to be isolated. Actions agreed are considered to be opportunities to enhance existing arrangements.
Amber – Key risks are being managed to enable the key objectives to be met	Expected key or compensating controls are in place and generally complied with ensuring significant risks are adequately managed and the service area meets its key objectives. Instances of failure to comply with controls or errors / omissions have been identified. Improvements to the control process or compliance with controls have been identified and actions have been agreed to improve this.
Red – Risk management arrangements require improvement to ensure objectives can be met	The overall control process is weak with one or more expected key control(s) or compensating control(s) absent or there is evidence of significant non-compliance. Risk management is not considered to be effective and the service risks failing to meet its objectives, significant loss/error, fraud/impropriety, or damage to reputation. Actions have been agreed to introduce new controls, improve compliance with existing controls or improve the efficiency of operations.

Priority	Definition
High	The findings indicate a fundamental weakness in control that leaves the council exposed to significant risk. The agreed action addresses the weakness identified; to mitigate the risk exposure and enable the achievement of key objectives. Management should address the action as a matter of urgency.
Medium	The findings indicate a weakness in control, or lack of compliance with existing controls, that leaves the system open to risk, although it is not critical to the achievement of objectives. Management should address the action within a reasonable timeframe.
Low	The findings have identified an opportunity to enhance the efficiency or effectiveness of the system/control environment. Management should address the action as resources allow.