

Internal Audit Update

Gravesham Borough Council

For the period:

1 August – 30 September 2023

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, with only one review finalised during the period, which was the last review remaining from 2022-23.
 - Housing Rent Recovery – Opinion: **Amber** (2022-23 review finalised in 2023-24)
- 2.2 However, four reviews from 2023-24 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 33% complete, with a further 10% underway. Full details of the individual reviews can be found in section 5 of this report.
- 2.3 Follow up of agreed recommendations has continued and performance as of 30 September stood at 70.4%, with 19 of 27 actions due in the period having been completed. Eight 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.
- 2.4 As reported in September, there has been some minor impact on planned resources due to one internal auditor reducing working hours from 1 October 2023; resulting in a projected loss of approximately 20 days from the estimated 400 available at the start of the year.

3. Independence

- 3.1 The Internal Audit Charter was approved by the Finance & Audit Committee in February 2023 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 currently consists of; the Head of Internal Audit & Counter Fraud (0.65FTE), one Internal Audit Manager, one Principal Internal Auditor, five Internal Auditors (4.78FTE) and one Internal Audit apprentice.
- 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 time the Internal Audit plan for 2023-24 was prepared, was forecasted to provide a total of 1,112 days available for internal audit work (net of allowances for leave, training, management, administration etc.) with the share for Gravesham being 400 days, along with a further 45 days for management of internal audit activity.
- 4.3 Net chargeable days available for Gravesham for the period 1 August to 30 September 2023 amounted to 51.0 days. This represents 13% of the 400 days originally estimated to be available at the start of 2023-24. Of this chargeable time, 46.7 days (92%) was spent on audit assurance work and 4.3 days (8%) 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 Based on our most recent assessment, we are currently projecting a loss of approximately 23 days from the projected internal audit resource available at the start of the year and this was addressed as part of the planning process for Q3-Q4.

5. Results of planned Audit & Counter Fraud work

- 5.1 The Internal Audit Plan Q1-Q2 2023-24 for Gravesham was approved by the Finance & Audit Committee in March 2023. 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 2023-24 plan during the period.

2022-23 Internal Audit assurance work finalised in 2023-24 (since the last Audit Committee meeting)

Ref	Activity	Day budget	Days used	Current status	Opinion, summary of findings & recommendations made
21	Housing Rent Recovery	15	21	Final Report Issued	<p>The review considered the following Risk Management Objective: RMO1 - There are appropriate arrangements to recover rent arrears, including former tenant arrears.</p> <p>The review found that there is Housing Rent Arrears Policy in place and available on the council's website. There is also a Rent Arrears Procedure for current tenant rent arrears, however there is no documented description of the recovery process for former tenant rent arrears. There is appropriate information available to tenants regarding the payment of rent and rent arrears, including support available. The council's new housing management system includes software to automatically identify accounts with rent arrears and rank them by risk. Parameters within the system also identify when each step in the recovery process should be taken, in line with the rent arrears procedure, enabling officers to review all accounts allocated to them and take the appropriate action, though testing identified a need for greater management oversight of this process. Former tenant rent accounts with arrears are identified in the same way as current tenant rent accounts with arrears but are currently managed by the Income Team. Testing confirmed that appropriate action is taken to recover arrears, though this could be improved by increasing the frequency of identifying and prioritising accounts for recovery action. There are arrangements in place for payments to be allocated to the correct rent accounts, which was confirmed by testing. Performance data relating to rent arrears is captured but could be expanded to include more data regarding former tenant rent arrears. Opinion: Amber.</p> <p>Overall Opinion: Amber. Actions: Two high, one medium and one low priority. Actions relate to documenting the recovery process for former tenant rent arrears, formalising management oversight arrangements for rent accounts, reviewing the frequency of identifying and procedures for prioritising/recovering former tenant rent arrears, and reviewing performance data captured in relation to rent arrears.</p>

2023-24 Internal Audit assurance work

Ref	Activity	Day budget	Days used	Current status	Opinion, summary of findings & recommendations made
1	Tenancy Management	15		Terms of Reference being prepared	
2	Discretionary Housing Payments	12		Draft report with client for consideration	The review considered the following Risk Management Objective: RMO1 - Applications for Discretionary Housing Payments are appropriately processed.
3	Private Housing Enforcement	15		Fieldwork complete, in quality control	The review considered the following Risk Management Objective: RMO1 - There are arrangements in place for Private Housing Enforcement.
4	Code of Conduct	15		Fieldwork complete, in quality control	The review considered the following Risk Management Objectives: RMO1 - A robust policy is in place to notify all staff regarding their expected conduct. RMO2 - Clear and concise guidance and procedures are in place for council employees regarding gifts & hospitality. RMO3 - Clear and concise guidance and procedures are in place for council employees, regarding declarations of personal interest.
5	Staff Travel & Subsistence	15		Fieldwork underway	The review will consider the following Risk Management Objectives: RMO1 - There are arrangements in place to manage the reimbursement of staff travel & subsistence payments via the payroll provider. RMO2 - There are procedures in place to claim & verify travel & subsistence claims.
6	STG Building Control Partnership	15		Fieldwork complete, in quality control	The review considered the following Risk Management Objective: RMO1 - There are appropriate governance arrangements in place for the STG Building Control Partnership from the perspective of Gravesham Borough Council.
7	Corporate Credit Cards	15		Fieldwork complete, in quality control	The review considered the following Risk Management Objective: RMO1 - Arrangements exist for corporate credit cards to be used in accordance with the relevant guidelines.
8	Carbon Reduction Programmes (HRA)	15		Fieldwork underway	The review will consider the following Risk Management Objective: RMO1 - Arrangements exist to monitor and deliver carbon reduction programmes across HRA stock in accordance with the council's objectives.

Ref	Activity	Day budget	Days used	Current status	Opinion, summary of findings & recommendations made
9	Environmental Enforcement	15		Fieldwork complete, in quality control	The review considered the following Risk Management Objective: RMO1 - There are appropriate arrangements in place for the effective prevention, detection and enforcement of offences that harm the environment.
10	Trade Waste Collection	15		Fieldwork complete, in quality control	The review considered the following Risk Management Objective: RMO1 - Trade waste contracts are effectively managed.

Other assurance activity

Ref	Activity	Day budget	Days used	Current status	Opinion, summary of findings & recommendations made
	Finalisation of 2022-23 Planned Work	30	35.3	Complete	All reviews from 2022-23 are now finalised.
	Grant Validations	2.5	N/A	Not yet started	No grant validations required in period.

Responsive assurance activity

Activity	Opinion, summary of findings & recommendations made
Enforcement Agent Tender Evaluation	A review was undertaken to verify that the spreadsheet intended to be used for tender evaluation has been set up to correctly calculate the scores in line with the agreed methodology, with feedback provided to the relevant Head of Service.

Other consultancy services including advice & information

Activity	Opinion, summary of findings & recommendations made
Surveillance Camera Codes of Practice	Not yet started
Woodville	A consultancy review is currently in progress but is not yet concluded. Fieldwork has been completed and is now in the quality control process.
Emergency Planning	A consultancy review is currently in progress but is not yet concluded. Fieldwork has been completed and is now in the quality control process.

Activity	Opinion, summary of findings & recommendations made
Social Lettings Agency	The Principal Internal Auditor has been part of the corporate working group for the Social Lettings Agency, providing advice on governance, risk management and internal control for its set up and operation.

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 13 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 six of the 13 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	N/A	Annual outturn only
IA2	Proportion of non-qualified staff undertaking professional qualification training	N/A	50%
IA3	Time spent on professional qualification training:	N/A	13.1 days
IA4	Time spent on CPD/non-professional qualification training, learning & development (including corporate training)	40 days	2.1 days
IA5	Compliance with PSIAS	100%	Our January 2023 self- assessment showed full compliance with 97.5% of the standards, partial compliance with a further 2% and work required to address the remaining 0.5%. Our 2023 external quality assessment received a Green opinion.
LA Specific Performance Measurements			
IA6	Average cost per agreed assurance review	<£5,000	Annual outturn only
IA7	Proportion of estimated resources delivered	N/A	13%
IA8	Proportion of chargeable time spent on: a) Assurance work b) Consultancy work	N/A	92% 8%
IA9	Proportion of agreed assurance reviews: a) Delivered b) Underway	95%	33% 10%
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%	Annual outturn only

Ref	Indicator	Target	Outturn for period
IA11	Number of agreed actions that are: a) Not yet due b) Implemented c) Outstanding	N/A	32 19 8
IA12	Proportion of actions implemented by agreed date	N/A	70.4%
IA13	Client, Management and Member satisfaction with internal audit services	90%	A satisfaction survey will be issued at the end of 2023-24.

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 noted in paragraph 4.4, we are projecting a loss of approximately 23 days from the estimated resource. However, this has been addressed as part of the planning process for Q3-Q4 and there are no changes to the Q1-Q2 plan being proposed. We will continue to monitor available resources as the year progresses and update the Committee on any 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

Review title	Overall opinion and number of actions of each priority agreed with management	Proportion of actions due for implementation where a positive management response has been received
Leaseholder Management	<p>Opinion: Amber.</p> <p>Four actions agreed: One high and three medium priority.</p> <p>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>	Two actions due, two completed.
Temporary Accommodation – Out of Area Placements	<p>Opinion Red.</p> <p>Eight actions agreed: Seven high and one medium priority.</p> <p>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 place to ensure that costs are recovered for all temporary accommodation placements outside of the council's housing stock.</p>	<p>Eight actions due, seven completed.</p> <p>One high priority outstanding relating to arrangements being in place to ensure that costs are recovered for all temporary accommodation placements outside of the council's housing stock.</p> <p><i>*This may change to 'cancellation of one high priority action agreed by Management Team following new actions being agreed as part of the Homelessness – Temporary Accommodation review' if MT agree cancellation of the action.</i></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>	All actions completed.
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 Uniform can be</p>	<p>Five actions due, four completed.</p> <p>One high priority outstanding relating to arrangements being made for approval arrangements for planning applications set out in the Constitution to be reviewed.</p>

	restricted to senior officers only; and, arrangements being made for approval arrangements for planning applications set out in the Constitution to be reviewed.	
Planning Obligations	Opinion: Amber . Five actions agreed: Two high and three medium priority. Actions relate to preparing guidance notes to support the processes for arranging and amending S106 agreements, making arrangements to publish the required Infrastructure Funding Statements, preparing accurate records of S106 agreements, and allocating responsibility for maintaining and monitoring these records, and putting arrangements in place to monitor unspent contributions.	Five actions due, four completed. One high priority outstanding relating to making arrangements to publish the required Infrastructure Funding Statements.
Void Property Management	Opinion: Green . Two medium priority actions agreed. Actions relate to reviewing the procedures for identifying and booking pre-termination visits and undertaking cost analysis for pursuit of rechargeable costs in eviction cases.	All actions completed.
Whistleblowing	Opinion: Amber . Three actions agreed: Two high and one medium priority. Actions relate to reviewing the Whistleblowing Policy and guidance on responding to concerns; raising awareness of the Whistleblowing Policy across the council, including ensuring it is covered in staff inductions; and reviewing whistleblowing training for employees and managers.	Three actions due, none completed. Two high and one medium priority outstanding relating to reviewing the Whistleblowing Policy and guidance on responding to concerns; raising awareness of the Whistleblowing Policy across the council, including ensuring it is covered in staff inductions; and reviewing whistleblowing training for employees and managers.
IT Security & Access Controls	Opinion: Green . Two actions agreed: One medium and one low priority. Actions relate to formalising the arrangements in place for granting and removing access to network folders and for resetting passwords.	All actions completed.
Communications Strategy	Opinion: Green . Two medium priority actions agreed. Actions relate to reviewing the strategy objectives to confirm they have been met and putting a process in place to ensure that relevant council communications are placed on corporate communication channels in preference to personal accounts.	One action due, one completed.
Procurement compliance	Opinion: Amber . Five medium priority actions agreed. Actions relate to updating the Procurement Strategy, training and guidance for staff, effective monitoring of aggregate spend being put in place, and updating the Contracts Register.	One action was completed before the review was finalised. No other actions due in report period.
Homelessness	Opinion: Red .	Two actions completed before the review finalised.

	<p>13 actions agreed: Four high, five medium, and four low priority.</p> <p>Actions relate to reviewing and updating the TA procedure manual; reviewing arrangements for evidencing authorisation of TA placements; introducing spot checks to ensure all required documents are completed and retained; reviewing the TA sign-up procedure; spot checking TA info shared with the Housing Benefits team; training being provided for TA officers on the procedures for assisting applicants with submission of housing benefit claims; introducing additional measures to increase the number of housing benefit claims that are successfully made; reviewing the arrears recovery process timeline and finalising the non-co-operation policy; ensuring the arrears recovery process is followed for all rent accounts; ensuring income is correctly allocated on the General Ledger; reviewing procedures for making introductory contact at the outset of placements and ensuring appropriate checks are undertaken after placement to verify residency; ensuring eligible applicants are registered on Kent Home Choice; and, reviewing recharges to the homelessness budget.</p>	<p>One action due, none completed.</p> <p>One low priority outstanding relating to reviewing and updating the TA procedure manual.</p>
Right to Buy	<p>Opinion: Amber.</p> <p>One high priority action agreed.</p> <p>Action relates to processes for retaining RTB documentation being reviewed and streamlined.</p>	<p>No actions due in report period.</p>
Climate Change Action Plan	<p>Opinion: Green.</p> <p>Four actions agreed: One medium and three low priority.</p> <p>Actions relate to Terms of Reference being agreed for the corporate working groups; investigating revision and roll out of Carbon Literacy training for all staff; reviewing actions within the Management Delivery Plan where the original timescale has lapsed; and identifying, recording, and managing risks to the delivery of the Delivery Plan.</p>	<p>One action completed before the review finalised.</p> <p>Two actions due, one completed.</p> <p>One low priority outstanding relating to identifying, recording, and managing risks to the delivery of the Delivery Plan.</p>
Write Offs	<p>Opinion: Amber.</p> <p>Four actions agreed: Three medium and one low priority.</p> <p>Actions relate to ensuring service level policy is consistent with the Constitution, ensuring all services write off debt quarterly, sufficient evidence is available to support write off, the amount authorised for write off is accurate and checks are made across the services for any potential monies that may be usable to reduce the amount to be written off.</p>	<p>No actions due in report period.</p>
Housing Rent Recovery	<p>Opinion: Amber.</p> <p>Four actions agreed: Two high, one medium and one low priority.</p> <p>Actions relate to documenting the recovery process for former tenant rent arrears, formalising management oversight arrangements for rent accounts, reviewing the frequency of identifying and procedures for prioritising/recovering</p>	<p>No actions due in report period.</p>

former tenant rent arrears, and reviewing performance data captured in relation to rent arrears.

Actions outstanding more than six months after scheduled implementation date

Directorate	Audit title	Action	Priority	Planned implementation date	Management update
Housing	Temporary Accommodation – Out of Area Placements	Arrangements to be put in place to ensure that costs are recovered for all temporary accommodation placements outside of the council’s housing stock, by ensuring housing benefit is claimed where eligible and / or the raising of appropriate invoices which are regularly monitored, and non-payment followed up.	High	31 December 2022	It is requested that this action be cancelled as it has been replaced by an action arising from the Homelessness – Temporary Accommodation audit finalised in August 2023. <i>*This will be removed from the Committee report if agreed by MT.</i>
Environment	Planning Obligations	Arrangements to be made to publish the annual Infrastructure Funding Statements for 2020-21 and 2021-22 in line with the appropriate Regulations.	High	31 January 2023	This is currently being progressed. The planning obligations side is finalised and the service is currently in the process of finalising the SAMMS side, so that both documents can be published online. <i>*This will change to ‘Although outstanding on 30 September, this action has not been completed’ if evidence is received before the 27 October report deadline.</i>

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.