

# **Internal Audit Update Report**

**1 February 2024**



## Introduction

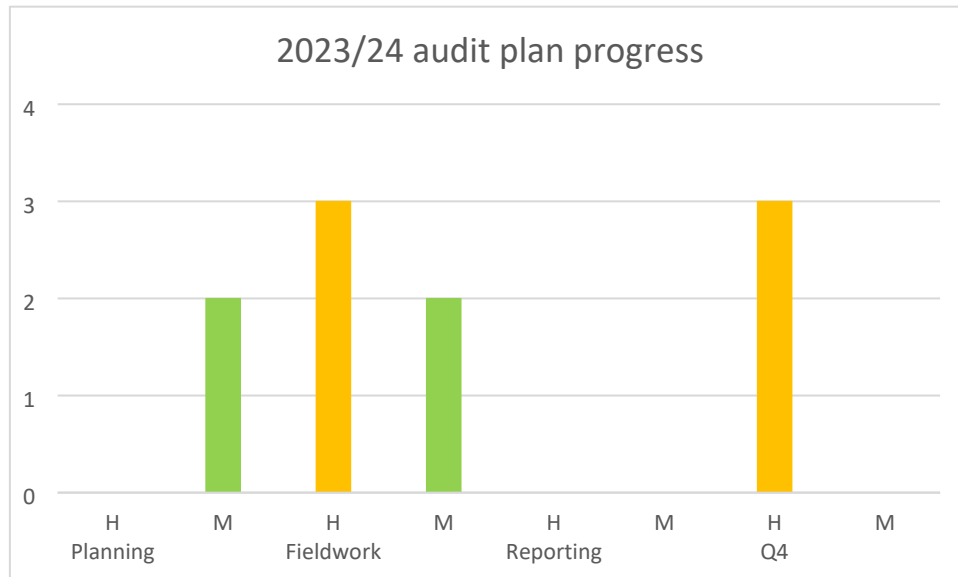
1. Internal Audit is an independent and objective assurance and consulting function. The shared team undertake reviews over the course of the year that are designed to evaluate and improve the Council's internal control, governance and risk management processes. Each individual review contributes towards the Chief Audit Executive's overall opinion on systems of risk management, governance and control provided at the end of the year.
2. This report provides Members with an update on internal audit activity, and, most importantly, its outcomes, against the Plan that was agreed by Members of this Committee in March 2023.
3. It also seeks to enable the Committee to discharge its responsibility to provide oversight of the quality and effectiveness of the Internal Audit Partnership. The Key Performance Indicators for Quarter 2 are provided in **Annex A**.

## Internal Audit Progress Update

4. Our Trainees have settled in well and have started their apprenticeships with Birmingham City University. In addition to the university study, we are supporting them through mentoring and a gradual introduction to the internal audit process.
5. We have had a Lead Auditor vacancy since May 2023 and are currently going through a recruitment exercise having recently advertised the role, which we hope will be successful.
6. Since our last update in September 2023, we have made the following progress against both the 2022/23 and 2023/24 Audit Plans:

Audit Title	Current Status	Assurance
<b>2022/23 Audit Plan</b>		
Contract Management	Complete	Limited
West Kent Partnership	Fieldwork	
Capital Project Management	Fieldwork	
Net Zero Action Plan	Complete	Reasonable
Business Continuity	Fieldwork	
<b>2023/24 Audit Plan</b>		
Accounts Payable continuous assurance	Fieldwork	
IT Service Desk	Fieldwork	
Community Mobilisation (Better Together)	Fieldwork	
HUG1 grant claim verification	Complete	N/A
Sencio	Fieldwork	
Continuous Staff Performance Monitoring	Fieldwork	
Subject Access Requests	Fieldwork	

7. I have reviewed the 2023/24 audit plan and summarise our progress in the chart below. The issues raised above plus the long term staff shortages causing delays to the previous year have meant that our focus in the first part of this audit year has unfortunately needed to be on completing 2022/23 work. This explains our slow progress towards 2023/24 work. As part of the chart below, you will see when we intend to complete the remainder of the plan.



8. As a result of the Lead Auditor vacancy not being able to be filled earlier in the year, we will not have the resource to complete the number of projects suggested in the Plan that was agreed by Members in March 2023. We proposed to undertake all the high priority projects and approximately 8 medium priority projects. Instead, we will undertake 3 medium priority projects and move the high priority Treasury Management audit to 2024/25.
9. Additionally, pressures within services mean that we will be unable to complete the Performance Management audit and the assurance provided through the ongoing Capital Project Management audit means it would be appropriate to move the review of a Capital Project to next year.

### Internal Audit Outcomes

10. Since the last update report in September, we have completed a further 2 audits. I provide the summaries of the completed audits over the page along with their associated assurance ratings (definitions found at **Annex B**):

## Contract Management – Issued October 2023

### Limited

1. The objective of the audit was to seek assurance over the management of contracts and to ensure the Council is meeting its obligations under the Local Government Transparency Code 2015.
2. The Council does not have a dedicated contract management resource and relies on the experience and knowledge of officers when it comes to the management of contracts. There is no contract management framework, guidance or training, which has led to an inconsistent approach across the authority, including officers not maintaining records of performance and not having a copy of a contract.
3. The Council is also failing to meet the Local Government Transparency Code 2015 to publicise active contractual agreements. The contract register available from the website is dated June 2018. A contracts register is held that is not published, however, this is not a complete record of the contracts held by the Council.

Priority Ranking	Number of audit actions	Actions agreed	Risks accepted by management
High	6	6	0
Medium	1	1	0
Total	7	7	0

## Net Zero Action Plan – Issued November 2023

### Reasonable

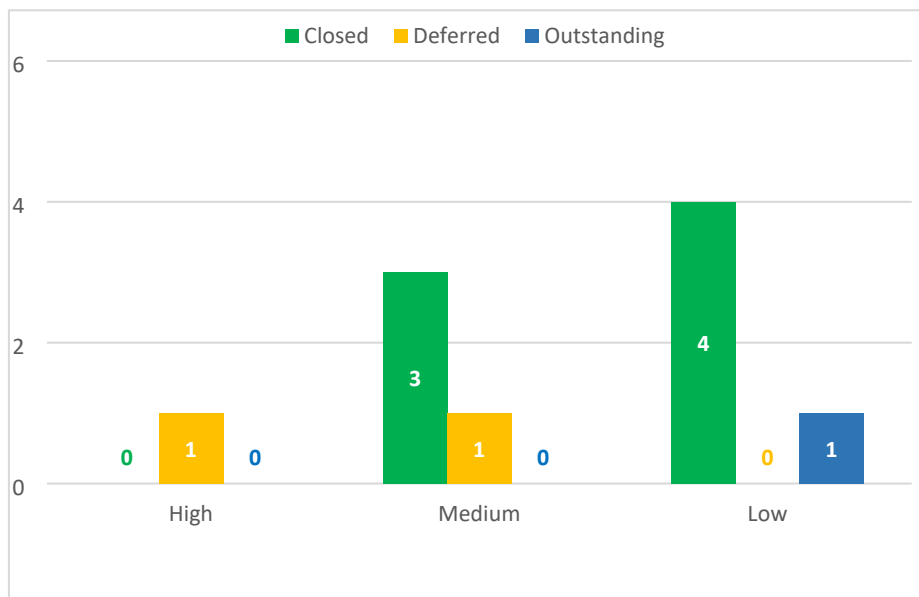
1. The objective of this audit was to review the governance arrangements for the 2022/23 Net Zero Action Plan. The scope of this audit did not include providing on assurance on whether the Council will achieve net zero by 2030.
2. We found sufficient progress is being made towards the action plan, with governance mechanisms in place to scrutinise progress made and suitable monitoring controls. The action plan is aligned with the Council's Net Zero 2030 Actions 2022/23 document, Council Plan, and the Kent and Medway Climate Strategy Implementation Plan. Although the Net Zero Project Officer role is currently vacant, there is an appropriate mix of officers responsible for delivering the net zero plan, and relevant training has been provided, with more being provided where necessary.
3. A longer-term strategy setting out how net zero will be achieved is not in place, however the Carbon Reduction Plan will determine the pathway when agreed.

4. The table below provides a summary of the number of priority rated actions we have raised.

Priority Ranking	Number of audit actions	Actions agreed
Medium	2	2
Advisory	1	1
<b>Total</b>	<b>3</b>	<b>3</b>

### Follow Up

18. Internal Audit follows up all Critical, High, Medium and Low priority findings as they fall due. The below table shows the results of our follow up process for actions due in Quarter 2 this financial year.



19. The outstanding action relates to an action from the Corporate Landlord Liabilities audit that was reliant on the implementation of a new asset management system though we have had no update from the service recently to confirm whether progress has been made towards implementation. The deferred high priority action, has since been implemented.

### Internal Audit Performance

20. **Annex A** contains the results of our Performance Indicators (PIs) for Quarter 2 (July - September). Our PIs indicate an improvement in some areas, though there is still some work to be done in relation to timeliness of audit delivery. Ensuring that our 3 new members of the team have been properly supported as they settle into their roles and

gain experience required to undertake audits continues to have an impact on our performance as reported.

### **Conclusion**

11. While slower than desired, completion of prior year's audit work is progressing well and is improved from recent years. Work on the 2023/24 audit plan has started and is in line with anticipated timings given the delays in completing 2022/23 work. I expect that enough work will have been completed for an annual opinion to be included in my Annual report to the Audit Committee in July 2024.
12. We would like to thank Officers, Managers and Members for their ongoing support and co-operation to enable us to deliver our work.

**Jennifer Warrillow**

**Audit Manager**

## Annex A – Key Performance Indicators for Q2 (July to September 2023)

Finance: Associated performance indicators	Q2 2023	Internal processes: Associated performance indicators	Q2 2023
<p><b>F1:</b> Percentage of budgeted days taken to complete projects – <i>Target 110%</i> Reported on a <b>cumulative</b> basis</p> <p>Indicator measures any variance between the days agreed on the final brief vs. the actual time coded</p>	125%	<p><b>I1:</b> Percentage of draft audit reports issued by the date given on the final audit brief - <i>Target 70%</i> Reported <b>quarterly</b></p> <p>Indicator measures the efficiency of our audit work and effective engagement between auditors and clients</p>	0%
<p><b>F2:</b> Chargeable days – <i>Target 65%</i> Reported on a <b>quarterly</b> basis</p> <p>Indicator measures the actual chargeable activities against the assumptions made in the audit plan</p>	58%	<p><b>I2:</b> Average time taken between issue of the DRAFT report and FINAL report – <i>Target 15 working days</i> Reported <b>quarterly</b></p> <p>Indicator measures the effectiveness of our process to finalise audit reports and currency of reporting</p>	17 days
Client satisfaction: Associated performance indicators	Q2 2023	Learning & Development: Associated performance indicators	Q2 2023
<p><b>C1:</b> Percentage of audits with real time service improvements – <i>Information only.</i> Reported quarterly</p> <p>Indicator measures percentage of audits which result in service improvements identified and actioned during the audit process and not included in management action plans</p>	17%	<p><b>L1:</b> Audit actions fully implemented within agreed timescales – <i>Target 80%</i> Reported <b>quarterly</b></p> <p>Indicator measures the successful implementation of audit actions and the effectiveness of our follow-up process</p>	71%
<p><b>C2:</b> Respondents agreement with the audit actions – <i>Target 90%</i> Reported on a <b>project by project</b> basis</p> <p>Indicator measures Client agreement to the audit findings and resulting actions from our audit work</p>	100%	<p><b>L2:</b> Number of audits using data analytics tools – <i>Target 60%</i> Reported <b>quarterly</b></p> <p>Indicator measures our development of the use of data analytics to enable greater assurance to be provided.</p>	17%

## Annex B - Definitions of Assurance ratings:

OPINION	DEFINITIONS
<p><b>Substantial Assurance</b></p>	<p>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.</p>
<p><b>Reasonable Assurance</b></p>	<p>There is a generally sound system of governance, risk management and control in place.</p> <p>Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.</p>
<p><b>Limited Assurance</b></p>	<p>Significant gaps, weaknesses or non-compliance were identified.</p> <p>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.</p>
<p><b>No Assurance</b></p>	<p>Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified.</p> <p>The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.</p>