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## **INTERNAL AUDIT PROGRESS REPORT**

To: **Governance and Audit Committee: 13<sup>th</sup> January 2011**

By: **Director of Financial and Corporate Services (s.151 Officer): Sue McGonigal**

Subject: **INTERNAL AUDIT PROGRESS REPORT OF THE HEAD OF THE AUDIT PARTNERSHIP.**

Classification: **Unrestricted**

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**Summary:** This report gives Members a summary of the internal audit work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting, together with details of the performance of the EKAP to the 30<sup>th</sup> September 2010.

### **For Information**

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#### **1.0 Introduction**

1.1 This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting, together with details of the performance of the EKAP to the 30<sup>th</sup> September 2010.

#### **2.0 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 each member of Corporate Management Team, as well as an appropriate manager for the service reviewed. Attached as Appendix 1 to the EKAP report is a summary of the Action Plans agreed in respect of the reviews covered during the period.

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 Appendix 2 to the EKAP report.

2.5 The purpose of the Council's Audit 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.

### **3.0 Summary of Work**

- 3.1 There have been ten Internal Audit assignments completed during the period. Of these: four concluded Substantial assurance, two concluded Reasonable Assurance, two concluded Limited Assurance, and one reviews resulted in a split Assurance level. Additionally, there was one audit assignments for which an assurance level was not applicable. Summaries of the report findings and the recommendations made are detailed within Annex 1 to this report.

- 3.2 In addition, fourteen follow-up reviews have been completed during the period. Of these, one related to an area which was originally assessed as giving rise to Limited assurance and the assurance level for this business area remains unchanged.

- 3.3 The Thanet District Council audit plan for 2010-11 was 58.53% complete as at 30<sup>th</sup> September 2010. The performance figures for the East Kent Audit Partnership for 2010-11 show excellent performance against target.

### **4.0 Options**

- 4.1 That members consider and note the internal audit update report.
- 4.2 That the changes to the agreed 2010-11 internal audit plan, resulting from changes in perceived risk, detailed at point 5.0 of the attached report be approved.
- 4.3 That the changes to the agreed 2010-11 internal audit plan, resulting from changes in perceived risk, detailed at point 5.0 of the attached report are not approved.
- 4.4 That Members consider (where appropriate) requesting an update from the relevant Director/s to the next meeting of the Committee in respect of any areas identified as still having either limited or no assurance following follow-up.
- 4.5 That Members consider registering their concerns with Cabinet in respect of any areas of the Council's corporate governance, control framework or risk management arrangements in respect of which they have on-going concerns after the completion of internal audit follow-up reviews and update presentations from the relevant Director.

### **5.0 Corporate Implications**

#### **5.1 Financial Implications**

- 5.1.1 There are no financial implications arising directly from this report. The costs of the audit work have been met from the Financial Services 2009-10 and 2010-11 budgets.

#### **5.2 Legal Implications**

5.2.1 The Council is required by statute (under the Accounts and Audit Regulations and section 151 of the Local Government Act 1972) to have an adequate and effective internal audit function.

### 5.3 Corporate Implications

5.3.1 Under the Local Code of Corporate Governance accepted by Cabinet on 8<sup>th</sup> December 2009, the Council is committed to comply with requirements for the independent review of the financial and operational reporting processes, through the external audit and inspection processes, and satisfactory arrangements for internal audit.

### 6.0 Recommendations

6.1 That the report be received by Members.

6.2 That the changes to the agreed 2010-11 internal audit plan, resulting from changes in perceived risk, detailed at point 5.0 of the attached report be approved.

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#### **Annex List:**

Annex 1	East Kent Audit Partnership Update Report – 13-01-2011
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#### **Background Papers:**

<b>Title</b>	<b>Details of where to access copy</b>
<i>Internal Audit Annual Plan 2010-11</i>	Previously presented to and approved at the 16 <sup>th</sup> March 2010 Governance and Audit Committee meeting
<i>Internal Audit working papers</i>	Held by the East Kent Audit Partnership



## INTERNAL AUDIT UPDATE REPORT FROM THE HEAD OF THE EAST KENT AUDIT PARTNERSHIP

### 1.0 INTRODUCTION AND BACKGROUND

1.1 This report provides Members with an update of the work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting, together with details of the performance of the EKAP to the 30<sup>th</sup> September 2010.

### 2.0 SUMMARY OF REPORTS

	<b>Service / Topic</b>	<b>Assurance level</b>
2.1	Disabled Facilities Grants	Substantial
2.2	Officers' Code of Conduct, Register of Interests, Gifts and Hospitality and Whistle blowing Arrangements	Substantial
2.3	Bank Reconciliation	Substantial
2.4	Business Rates	Substantial
2.5	Housing Repairs and Maintenance	Reasonable
2.6	Maritime – Visiting Yachts	Reasonable
2.7	Homelessness and the Rent Deposit Scheme	Reasonable/Limited
2.8	Public Health Burials	Limited
2.9	Employee Benefits-in-Kind	Limited
2.10	Housing Benefits – 2010-11 Quarter 2 Testing	Not Applicable

#### **2.1 Disabled Facilities Grants – Substantial Assurance:**

##### 2.1.1 Audit Scope

To ensure that Disabled Facility Grants are efficiently and effectively administered to maximise the funds available to make the most difference to those in need of the scheme.

##### 2.1.2 Summary of Findings

The Disabled Facilities Grant process is working very well with expected controls effectively implemented within the established procedures and working practices. The information provided to applicants on DFG's is clear, detailed and appropriately repeated throughout the grant stages either through the use of the internet, standardised process documentation, or direct contact with the DFG Officer.

The granting of Disabled Facilities Grants (DFG's) is regulated under the Housing Grants, Construction and Regeneration Act 1996. The Department of Communities

and Local Government is responsible for DFG policy in England but Local Councils are responsible for administering DFG's.

In February 2008 a package of changes to modernise the DFG programme was published. Although the longer term proposals have yet to reach fruition what has changed, and is now in place, includes:

- The raising of the maximum grant to £30, 000.
- The means test incorporating a passporting facility that is based on benefits received for applicants on low income ie housing/council tax benefit and tax credits.
- The placing of a limited charge on properties where grants have been issued.
- Access to a garden is now included as a specific criterion for grant entitlement.
- Removal of the 60:40 funding split whereby local authorities had to match fund; and
- Removal of the ring fencing of DFG funding.

Implementation of the changes mentioned above was demonstrated as effectively embedded within the current DFG working practices and procedures.

Currently TDC still provides its own budget in addition to the government grant although 60:40 fund matching is no longer a requirement. The current demand for DFG's outstrips the available funding and, at the time of this review, £4 million would be required to clear the waiting list. With Government funding of only £1m and £400,000 by TDC this year, the ring fence removal has not been implemented and grant monies remain dedicated to the approval of DFG's specifically. TDC continues to be amongst one of the highest grant receiving local authorities in Kent.

At the time of this review (August 2010) there were 156 DFG applications on the Waiting List. During 2009/10 122 DFG grants were completed with a further 30 completed to date for 2010/11.

### 2.1.3 Management Response

As a result of the substantial assurance, a management response is not required.

## **2.2 Officers' Code of Conduct, Register of Interests, Gifts and Hospitality and Whistle blowing Arrangements – Substantial Assurance:**

### 2.2.1 Audit Scope

To provide assurance that the key controls and operating procedures surrounding officer compliance with the Code of Conduct and Statement on the Prevention of Fraud & Corruption are found to be operative throughout the year and that the business objectives were met.

### 2.2.2 Summary of Findings

The Council has laid strong foundations through the adoption of an Anti-Fraud and Corruption Policy, Whistle blowing code and Officers' Code of Conduct.

The Council is proactive in raising the standards of ethical conduct among staff including the provision of ethics training.

The Council has a track record for effective action in response to Whistle blowing arrangements, and there are effective arrangements for receiving and acting upon disclosures from members of the public and officers alike.

### 2.2.3 Management Response

As a result of the substantial assurance, a management response is not required.

## **2.3 Bank Reconciliation– Substantial Assurance:**

### 2.3.1 Audit Scope

To ensure the bank reconciliation is calculated correctly.

### 2.3.2 Summary of Findings

The bank reconciliation process is well established, effective and adequately evidenced.

### 2.3.3 Management Response

As a result of the substantial assurance, a management response is not required.

## **2.4 Business Rates – Substantial Assurance:**

### 2.4.1 Audit Scope

To ensure that the Business Rates function is performed effectively, efficiently and in line with the Council's policies and the prevailing legislation.

### 2.4.2 Summary of Findings

The Business Rates joint working arrangement between Dover District Council and Thanet District Council is generally working well. The expected controls were found to be working effectively. Operational management are actively addressing the unresolved reconciliation issues between Dover District Council's Rating List and the Valuation Office records.

### 2.4.3 Management Response

As a result of the substantial assurance, a management response is not required.

## **2.5 Housing Repairs and Maintenance – Reasonable Assurance:**

### 2.5.1 Audit Scope

To provide assurance that housing stock is well maintained, provides a good level of service to Council tenants, in partnership with the Council's contractors and in accordance with Council policy and procedures.

### 2.5.2 Summary of Findings

The Housing Repairs and Maintenance process is generally working well and most of the expected controls are effective. Testing has been undertaken from data within the new contract, so in some cases the base data is very small. However, it is clear that the service is clearly trying to achieve the best service possible for the tenants and the Council.

The contract is "Price Per Property". This style of contract does drive contractor performance, with "right first time" being the key driver for the making the contract a financial success; however, at the time of the review the contract payments had all been made at 1/12th of the tendered value despite the disposal of houses and garages since this time. If the overpayments in the first quarter continued for the remainder of the financial year the total over payment would be £6,381.54.

The Housing Team are working hard at driving "Value for Money" from the new contract. Examples have been evidenced during the review, for example, works that are in excess of the contract are procured through the normal Contract Procedure Rules. The Contractor is also invited to quote, but any elements that are included in the responsive repairs contract specification would not be included in the price.

### 2.5.3 Management Response

I am pleased that the positive work undertaken by the Maintenance Department has been recognised in this report. We are working with the contractor to provide a first class repairs services to our residents ensuring that we achieve value for money in the new contract. There have been some early teething troubles but we have put measures in place to ensure that these do not reoccur. We welcome the comments and views of the audit report and will ensure that the recommendations are implemented.

## **2.6 Maritime Services (Visiting Yachts/Ancillary Services) – Reasonable Assurance:**

### 2.6.1 Audit Scope

To ensure that the following services at Ramsgate Harbour are administered effectively and are cost efficient:

- Visiting Yachts;
- Boat Hoist;
- Boat Park;
- Fuel Barge;
- Ancillary Charges.

### 2.6.2 Summary of Findings

The administrative processes governing Visiting Yachts and Ancillary Charges are generally working well. Some control effectiveness has been weakened due to inconsistent application of the income stream reconciliations. The established working practices appear to work well linking in the external information source via Port Control, the onsite activities of the Dock Masters and the recording and monitoring functions performed by the Harbour Office staff.

### 2.6.3 Management Response

Management welcomes the results of the audit and are in the process of implementing the agreed action plan of recommendations.

## **2.7 Homelessness and Rent Deposit Scheme – Reasonable/Limited Assurance:**

### 2.7.1 Audit Scope

To undertake a review of the Homelessness function and strategy to ensure that they meet the requirements for homeless people within the district and to provide assurance that the strategies, policies and procedures currently in place meet the requirements of KLOE 8 as well as the new 'Fair and Flexible' guidance.

### 2.7.2 Summary of Findings

- a. Management can place **Reasonable Assurance** that the Council are complying with the statutory requirements in respect of housing homeless persons;
- b. Management can place **Limited Assurance** on the management of the financial controls surrounding the housing of homeless persons in both the local Hostel and Bed and Breakfast accommodation; and
- c. Management can place **Limited Assurance** in respect of the system of controls governing the Rent Deposit Scheme

#### a) Statutory Requirements – Reasonable Assurance:

Homelessness in Thanet has reduced over recent years and Thanet Council have succeeded in reaching the targets set by Government in housing homeless in temporary accommodation.

The audit has reviewed the procedures in place to ensure that the Council is taking suitable steps to fulfil its statutory duty to provide temporary accommodation to people where an assessment of their housing need has identified them as unintentionally homeless or faced with being homeless.

#### b) Financial Controls – Limited Assurance:

Temporary accommodation is provided by a hostel which is run by an outside organisation. The Council is approximately 9 years into a twenty five year contract with the Housing Association who own the hostel, under the terms of which an Agent has been appointed to oversee the running of the contract.

The Council is responsible for any shortfalls in funding every year upon the receipt of audited accounts. However, no audited accounts have been provided in the past, yet despite this, £42,443 was paid to the hostel at the end of 2006/07, £28,639 was paid across in respect of 2007/08 and £19,422 was paid for 2008/09.

Furthermore the Council have now been advised that there will be no charge for 2009/10 without any further explanation. This raises concerns as testing has revealed that there are voids which would incur costs to Council and the Agent Support have not provided any reason why these charges are not being made when they were made previously despite not being supported by the requisite supporting information required by the signed agreement.

Bed and Breakfast accommodation is being used as emergency accommodation for homeless persons and the rates charged to the Council were found to be significantly



less than those which other Kent Councils are being charged. However the main B & B premises previously used has now closed down and the Council has been forced to use other B & B providers at a higher cost. The current average charge per person per night is £28.13 which is still slightly lower than neighbouring authorities. However, use of the hostel should be maximised before incurring additional cost to the council by housing people in B & B accommodation.

Further audit testing of the placing of homeless persons between April and August 2010 (21 weeks) was examined to ascertain what level of usage is obtained from Old School Lodge (hostel) and Thanet's bed and breakfast accommodation. From the testing the following results were revealed in respect of the Hostel for this 21 week period; 69.84 % of rooms were used for housing homeless persons; 15.19% of rooms were void; 10.20% of rooms were ready to let; and 4.76% of rooms were out of commission. Room 13 was permanently out of commission. There are on average 2 rooms per week ready to let, 14 rooms per week are accommodated and 3 rooms per week are void.

It is evident that homeless persons are being housed in bed and breakfast when there are vacant rooms at the Old School Lodge. The agent are selective about who they house and when; this is based upon their own risk assessment to investigate further, therefore not accepting a referral immediately. This may be for valid reasons, for example a homeless person may have a criminal record and it may not be wise to house them near a family. However these reasons are not documented and there are no records to explain why rooms are being left vacant and bed and breakfast accommodation is being used unnecessarily and at a higher cost to the Council.

Most persons assessed as homeless are entitled to the full amount of Housing Benefit. However housing benefit regulations state that the benefit entitlement must be reduced by the breakfast element. Therefore the shortfall between the amount of housing benefit paid and the cost of B&B accommodation is approximately £1.15 per person per night. There is no legal responsibility for the Council to bear this cost. Management have confirmed that they have not recovered this in the past because it is considered uneconomical to collect; the concern is that Council funds are being used to fund what could be considered as Ultra Vires expenditure and the write off of these funds is not being shown within the Council's accounts as these debts are not being raised or written off in accordance with Financial Procedure Rules.

The same stance is taken by other neighbouring authorities perhaps because it is considered uneconomical to attempt to collect £1.15 per day from a person that has been assessed as homeless and is considered vulnerable. However change in legislation from 01 April 2010 now results in the weekly shortfall rising to approximately £14 per person per week. Management have confirmed that they have accepted that with the increased charge the shortfall should be recovered. Enquiries made by the auditor have returned conflicting answers and there is no evidence of the recovery of these funds, therefore it can only be concluded that this unacceptable practice is still continuing.

When the charges already made by the Hostel are compared against the cost of providing B&B accommodation, from 01 April 2010 at a cost of £28.13 per person per night, the amount paid to the hostel in the last three years represents the same cost to the Council as 3,217 nights B&B accommodation for a person in receipt of full Housing Benefit or 181 rent deposits at £500 each. Therefore a recommendation has been made within this report that the Housing Options Manager reviews the contract with Casa Support and that all vacant rooms are used before people are housed using B & B accommodation.

The change in legislation regarding the amount of Housing Benefit/Local Housing Allowance which can be paid in respect of short term leased properties used as temporary accommodation for homeless persons, has meant that there is potential for the Council to generate an excess of income which could be used to fund other homeless prevention schemes. At least one other Council in Kent is already using this legislation to generate an income in excess of £100,000 per annum to fund other homeless prevention schemes. The excess is generated as a result of the difference between the rent paid to the private landlord for the properties being leased and the amount of Local Housing Allowance payable in respect of those 63 leased properties. Thanet Council currently uses only 6 properties which are managed through an agent; therefore no income is generated through the use of these properties despite there being the possibility of doing so. The Housing Options Manager has looked into this and has been in contact with other authorities regarding Private Sector Leasing. A PSL Scheme has been drawn up, for temporary accommodation, detailing the pros and cons. This has been sent to Legal and to Finance for advice and guidance where appropriate; however, no decision can be made until after the comprehensive spending review in October 2010. The Housing Options Manager will be undertaking more work on this before she leaves on maternity leave.

c) Rent Deposit Scheme – Limited Assurance:

A large amount of preventative work is undertaken by staff to prevent Homelessness in the first instance. Part of this work includes referrals to the Rent Deposit Scheme. Since its inception, nearly 500 rent deposits have been issued to persons or families assessed as being potentially or actually homeless. Therefore the scheme has assisted in the prevention of homelessness for every successful application, many of which will have been made by a family. However, as part of the scheme, the applicant is made aware of the requirement to repay in full back to the Council the amount of the rent deposit loaned to them on a weekly basis at a typical rate of £5 per week. Despite this a large level of debt in respect of the scheme remains outstanding. From a sample of 20 rent deposits tested, a total of £11,866 was issued in rent deposits, of this £8,918 remains outstanding. From the 20 deposits tested, whilst 14 were being repaid, 6 applicants have not made any payment back to the Council.

Further Testing has revealed that 492 rent deposits have been issued since 2005/06 at a value of £256,115.12, of which 366 have been referred to debtors at a value of £160,866.97 for recovery. 5 deposits were written on in 2009/10 to the value of £2295 and 18 have been repaid in full at a value of £10,177. Tighter controls are needed to ensure that these rental deposits are being reviewed, monitored and recovered in a cost effective and efficient manner.

2.7.3 Management Response

The status of Limited Assurance in respect of the financial controls surrounding the local hostel is accepted, this is a complicated matter which we are currently investigating, a final meeting has been arranged with the Housing Association in January 2011 to conclude the issue. It should be noted that following a meeting with KCC regarding the local hostel and supporting people provision we are not permitted to use the accommodation for temporary accommodation therefore other options for temporary accommodation are being sought, such as using own stock, but as this cannot be accessed on the day of the homelessness approach and B&B placements will be needed. Equally we accept and have responded to the need for improved controls for the rent deposit scheme. We are working with the recovery team and

have implemented a new civica process which helps us to trace rent deposit debts. The Housing Options Manager is also currently looking at the schemes other local authorities are using with a view to adopting good practice.

## **2.8 Public Health Burials – Limited Assurance:**

### 2.8.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established for Public Health Act Burials, ensuring that any burials in 2009/10 were performed in line with procedures, and sufficient records maintained to safeguard the officer(s) making arrangements / fulfil statutory requirements should there be any estate.

### 2.8.2 Summary of Findings

Whilst the control framework governing this area had improved since 2006, (when the assurance level was assessed as Nil), the Council is not adequately demonstrating that it is taking all appropriate measures to avoid expenditure in this non-priority area; additionally, there also still remains an unacceptable lack of documentation resulting in an incomplete management information trail on all of the case files examined.

A control sheet is placed on the front of each Public Health burial file which should provide effective control; however, completion of this form was found to be inconsistent and of the ten files examined the control sheet was not complete in every respect of any of these ten cases examined.

The documented procedure notes clearly state that *'When a close relative is found (e.g. husband/wife/mother/father) ensure that they contact Social Security to see if help is available from the Social Fund'*. There was no evidence on any of the ten case files examined that this had been undertaken. Additionally, there was no documented evidence of refusal from the Social Security for any of the ten cases examined – this is also a requirement of the procedure notes. Far more therefore needs to be done by the Council to avoid incurring expenditure in this non priority area (which has no linkage to any theme within the Corporate Plan and is only undertaken due to legislative necessity) and wherever possible to ensure that the relatives of the deceased accept responsibility for the burial arrangements.

In one example the daughter of the deceased clearly stated in writing that she and her brother would 'be able to cover the cost of having (their father) cremated rather than buried, which they understand would be approximately £480'. Despite this, the Council paid for the full cost of the burial arrangements and there is no evidence on file of any attempt to recover costs from the relatives of the deceased or from his estate despite the fact that the deceased owned a property.

The documented procedure notes also clearly state that *'Where death occurs in hospital, under any circumstances, the Council does NOT become involved. The hospital authorities have the same responsibilities for disposal of deceased after admission to hospital as the Council does before admission. A firm stand must be taken on this as the hospital will do everything they can to evade their responsibility'*. In one case the death certificate states that the deceased died at the QEQM. Despite this the funeral was paid for by the Council and not the NHS Primary Care Trust.

There is no evidence on file to confirm whether or not the deceased died 'prior to admission' at the QEQM.

In six of the cases examined it was applicable to submit a form DB8 (Registration or Notification of Death) to the JobCentre Plus seeking payment to the Council of any accrued benefits owed to the deceased and in all six cases this had been done however no reply was on file for any of these six cases and only in one instance had a reminder letter been issued.

In certain circumstances (i.e. where there is sufficient value in the deceased's estate), the Council levies an administration charge of £100 as a contribution towards the officer time consumed in arranging the burial. The application of an administration charge was applicable to two of the sample of ten cases examined but had only been levied in one instance. In respect of one case, an administration charge was not levied although there was a copy of a Post Office statement on file indicating that there were more than sufficient funds to cover both the costs of the burial (which were recovered) and an administration fee.

There was insufficient evidence on any of the files examined to indicate that the responsible department were communicating with other Council departments in respect of the affairs of the deceased e.g. Housing Benefits, Council Tax and Housing. This would be beneficial to ensure that other departments are aware of the death and are advised of any funds which may be available to claim against should there be outstanding Council Tax or rent due to the Council.

Notwithstanding the above, there are positive indications that the Environmental Protection Manager and the Systems and Operational Support Manager are actively seeking to improve the control framework in this area through the introduction of procedures including the following:

- All requests for Council assistance with a Public Health Burial will be recorded by the administration team on the M3 database; and
- The Public Health Officer (ES) will be accompanied on all visits

These additional control measures are welcomed and their implementation - together with strict adherence to the stated procedures - should quickly enable a Reasonable level of assurance to be achieved in this area.

### 2.8.3 Management Response

The EH management team have fully embraced this audit and had requested that it was brought forward as work had already begun in identifying risks & inconsistencies within the service.

The provision of Public Health Funerals is a statutory requirement under the Public Health (Control of Disease) Act 1984 and therefore the use of the term non-priority is slightly misleading as the implications of a failure to comply with the legislation would lead to a risk in the spread of infection & disease.

The Officer responsible for carrying out these functions has been struggling with ill health for quite sometime but has maintained a presence in work whilst coping with his illness, there has been some improvement in recent months with regard to his health and this has been noticed in his work load. There is no excuse for inadequate record keeping and this will be improved.

We are working to improve this service and in the last year procured a 3 year contract rather than a yearly one to ensure compliance with our procurement procedures and provide a better value for money service.

We are keen to improve the service and are already producing new working practices and procedures to address the issues.

## **2.9 Employee Benefits-in-kind – Limited Assurance:**

### **2.9.1 Audit Scope**

To provide management with assurance that the Council complies with all prevailing legislation in respect of income tax and national insurance liabilities arising on benefits-in kind.

### **2.9.2 Summary of Findings**

The review was undertaken simultaneously with a review at Dover, and has identified errors in the current payroll system which are isolated to TDC, errors that effect both authorities and errors that are due to processes adopted between TDC and KCC.

Mileage payments for TDC officers that are in receipt of cash for car payments are below the HMRC set rate of 40p a mile. This is an area where significant savings of TAX and NI for the employee and NI savings for the employer can be achieved. HMRC have set a tax free mileage payment of 40p for the first 10,000 miles, and then on 25p a mile. No Officers have claimed in the excess of the 10,000 miles.

With the Council recently approving a new mileage scheme that includes a rate of less than 40p per mile for Casual users as well as Cash for Cars the number of Officers these potential savings affect will increase significantly. Therefore, Employer NI savings will be available.

From a sample selection of just twenty expense claims, six processing errors have been identified. This has included overpayments of expenses and failure to treat payments correctly for TAX and NI purposes. Please see finding 2.

With the current processes adopted with KCC making all payments for expenses via the payroll, the Council are not in the position to reclaim VAT, apart from mileage claims. Dover do not have this issue as all non-mileage expense claims are processed via creditors which may be the most effective way forward for Thanet.

HMRC deem uniforms as a taxable benefit, unless a "Tax Tag" logo is on the clothing. Whilst most of the uniforms throughout the Council are compliant with this requirement some weaknesses have been identified that could result in a taxable benefit charge being made against Officers.

### **2.9.3 Management Response**

The recommendations arising from the audit have been shared with both the HR Partnership and KCC and will be taken forward within the relevant timescales.

## **2.10 Housing Benefit Testing (Quarter 2 of 2010-11) – An assurance level is not applicable for this work:**

- 2.10.1 Over the course of the 2010/11 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 to support the Audit Commission's verification work.
- 2.10.2 For the second quarter of the 2010/11 financial year (July to September 2010) five claims including new, cancellation and change of circumstances of each benefit type were randomly selected for verification.
- 2.10.3 In total 20 benefit claims were checked and of these 5 failed the criteria set by the Audit Commission's verification guidelines as they impact on the subsidy claim and 2 failed on data quality.
- 2.10.4 Overall for 2010/11 there have been 40 benefit claims checked thus far of which there have been 7 failures identified that affect the subsidy claim. This is a failure rate of 17.5% an increase of 5% on the previous year's figures.

### 3.0. **FOLLOW UP OF AUDIT REPORT ACTION PLANS:**

- 3.1 As part of the period's work, fourteen follow up reviews have been completed of those areas previously reported upon to ensure that the recommendations 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.

Service/ Topic		Original Assurance level	Revised Assurance level	No of Recs Implemented		No of Recs Outstanding	
a)	Business Continuity	Limited	Limited	H	1	H	2
				M	1	M	3
				L	1	L	0
b)	Debtors	Reasonable	Reasonable	H	4	H	0
				M	1	M	0
				L	0	L	0
c)	Creditors	Substantial	Substantial	H	0	H	0
				M	1	M	0
				L	1	L	0
d)	Car Parks	Reasonable	Reasonable	H	2	H	0
				M	0	M	0
				L	0	L	0
e)	Payroll	Reasonable	Reasonable	H	1	H	0
				M	0	M	0
				L	0	L	0
f)	Choice Based Lettings	Substantial	Substantial	H	0	H	0
				M	0	M	2
				L	0	L	3
g)	Capital	Reasonable	Reasonable	H	2	H	0
				M	1	M	0
				L	0	L	0
h)	Housing Benefit Overpayments	Substantial	Substantial	H	0	H	1
				M	0	M	0
				L	0	L	0
i)	Maritime	Reasonable	Reasonable	H	1	H	0

Service/ Topic		Original Assurance level	Revised Assurance level	No of Recs Implemented		No of Recs Outstanding	
	Services – Permanent Berths			M L	0 0	M L	0 0
j)	ICT Network Security	Reasonable	Reasonable	H M L	3 4 0	H M L	0 0 0
k)	Risk Management	Reasonable	Reasonable	H M L	Partial 0 0	H M L	Partial 0 0
l)	Garden Waste Collection Service	Substantial	Substantial	H M L	0 0 1	H M L	0 0 0
m)	Let Properties and Concessions	Reasonable	Reasonable	H M L	5 2 1	H M L	0 0 0
n)	Housing Rents	Substantial	Substantial	H M L	0 2 1	H M L	0 2 1

- 3.2 Details of each of the individual High priority recommendations outstanding after follow-up are included at Appendix 2 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 Member's of the Governance Committee.

The purpose of escalating outstanding high-risk matters 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.

- 3.3 As highlighted in the above table, those areas previously reported as having a Limited or No assurance have been reviewed and Members are advised as follows:

a) Business Continuity:

The final report contained 8 agreed management actions to reduce the identified risks. The table below shows how these were categorised and whether or not they have been implemented to date: -

Thus far, only three of the original eight recommendations have been implemented and management have proposed extended implementation dates for the remaining five recommendations which should now all be implemented by December 2011.

As there are five areas where insufficient action has yet been taken to implement the recommendations (of which two are high priority and three medium priority), these outstanding high-risk recommendations are being escalated to the Council's s.151 officer, and Members of Governance and Audit Committee.

Overall, controls have not improved sufficiently in this area and consequently the identified risks remain of concern. Work is underway and the remaining five recommendations should hopefully be implemented by December 2011 however this

is considerably later than the original implementation dates agreed by management. Therefore, the original audit opinion remains as Limited Assurance.

#### Business Continuity – Management Response:

Following the restructure of the organisation, management are proposing that an annual test programme be implemented, followed by a review of the plans ensuring they are kept up to date.

#### **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: Cemeteries and Crematoria, Creditors, Leasehold Charges, Creditors and CIS, Equalities and Diversity, Planning and Building Control, Coast Protection, Members' Code of Conduct and Standards Arrangements and the HRA Business Plan.

#### **5.0 CHANGES TO THE AGREED AUDIT PLAN:**

- 5.1 The 2010-11 internal audit plan was agreed by Members at the meeting of this Committee on 16<sup>th</sup> March 2010.
- 5.2 The Head of the Audit Partnership meets on a monthly basis with the 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 have been made to the plan during the course of the year as some high profile projects or high-risk areas have been 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 4.

#### **6.0 FRAUD AND CORRUPTION:**

There are no known instances of fraud or corruption to bring to Members attention at the present time.

#### **7.0 UNPLANNED WORK:**

There was no newly arising unplanned work arising during the period.

#### **8.0 INTERNAL AUDIT PERFORMANCE**

- 8.1 For the six month period to 30<sup>th</sup> September 2010, 257.88 chargeable days were spent out of a planned total of 440.57. Approximately 58.53% of the plan has therefore been completed. All of the recommendations made within reports to management have been accepted by them.
- 8.2 The financial performance of the EKAP is on target and there are no concerns to highlight at this time.
- 8.3 As part of its commitment to continuous improvement and following discussions with the s.151 Officer Client Group, the EKAP has established a range of performance indicators which it records and measures. The performance against each of these indicators for the first quarter of 2009-10 is attached as Appendix 5. There are no concerns regarding the resources engaged or outputs achieved at this time, and the



East Kent Audit Partnership is performing well at this time against its targets for the 2009-10 financial year.

- 8.4 The EKAP audit maintains 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. Current feedback arising from the customer satisfaction surveys is featured in the Balanced Scorecard attached as Appendix 5.

#### **Attachments**

- Appendix 1 Summary of High priority recommendations resulting from the period's work.
- Appendix 2 Summary of High priority recommendations outstanding after follow-up.
- Appendix 3 Summary of services with Limited / No Assurances
- Appendix 4 Progress to 30<sup>th</sup> September 2010 against the agreed 2010-11 Audit Plan.
- Appendix 5 EKAP Balanced Scorecard of Performance Indicators to 30th September 2010.
- Appendix 6 Assurance statements

**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK  
APPENDIX 1**

RECOMMENDATION/ WEAKNESS	ACTION TO BE TAKEN	RESPONSIBILITY AND TARGET DATE
<b>Disabled Facilities Grants – September 2010</b>		
<p>Appropriate notification by the OT regarding the vulnerable status of an applicant should be discussed at the next OT liaison meeting. Procedures should be introduced to ensure the Grant Officer can make an informed decision as to whether or not lone visiting to an applicant is appropriate.</p>	<p>The issue of vulnerability has been raised at the OT meeting on 2<sup>nd</sup> September and minuted. The OT service has agreed to flag any cases where a joint visit is appropriate. This is also due to be picked up at a strategic meeting at then end of September where a more formal working protocol will be discussed. This will take longer to implement.</p>	<p>Target Date: Verbal and minuted commitment from the OT service gained on 2<sup>nd</sup> September.</p> <p>More detailed working protocol as part of wider DFG strategy to be implemented by March 2011</p> <p>Housing Regeneration Manager / DFG Grant Officer</p>

**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK  
APPENDIX 1**

RECOMMENDATION/ WEAKNESS	ACTION TO BE TAKEN	RESPONSIBILITY AND TARGET DATE
<b>Homelessness and Rent Deposit Scheme – September 2010</b>		
The Council should make the necessary arrangements to recover the breakfast element charged by either insisting that the proprietors collect this money themselves or the council re-negotiates a room only charge that does not include any meals.	As of 1 September 2010 all B&B establishments used by TDC for emergency accommodation have been instructed that the agreed price is a room only basis. A letter will be sent for the B&B to confirm this arrangement.	October 2010  Housing Options Manager
The Housing Options Manager should continue to review the options available (and the costs associated with each) for the provision of temporary accommodation to ensure that the most cost efficient temporary accommodation is used and that the Council can actively demonstrate value for money	This is a key area that is being explored through the EK Homeless Forum  Will continue to reduce B&B & utilising OSL homeless hostel by making early referrals.  Also exploring the opportunities of temporary insecure tenancies.	EKHF / Housing Options Manager/Team leader  June 2011
The Council should request a written explanation of why there are no charges for 2009/10 in respect of host accommodation and to also see the audited set of accounts for this year in keeping with the terms of the contract.	A letter has been sent 16 September 2010 to the Head of Casa requesting this information. Awaiting response, to chase 18 October via telephone or follow up letter.	October 2010  Housing Options Manager
The Housing Options Manager should ensure that use of the hostel is maximised before placement in B & B accommodation is secured incurring additional cost to the council. There should be no placements in B & B's when there are available rooms to let at the hostel.	Whilst we endeavour to do this, there are delays due to Casa Supports risk assessment process and refusal of placement. Scheme Manager returns from Sick leave on 4 <sup>th</sup> Oct and this will be raised at the next performance meeting.	December 2010  Housing Options Manager

**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK  
APPENDIX 1**

<b>RECOMMENDATION/ WEAKNESS</b>	<b>ACTION TO BE TAKEN</b>	<b>RESPONSIBILITY AND TARGET DATE</b>
<p>Further investigation should be undertaken in respect of obtaining the certified accounts for years 2006/07, 2007/08 &amp; 2008/09 and Casa Support should be required to provide a detailed breakdown of how the individual amounts were calculated for each year. If the council is unable to substantiate the figures charged and paid, it should take steps to reclaim the amounts already paid. Any future charges should be supported by audited accounts in keeping with the terms and conditions of the agreement to ensure that the amounts previously paid to the Hostel for deficits in funding are correct.</p>	<p>These have been requested over email 3 times and nothing has materialised. A letter has been sent 16 September 2010 to the Head of Casa requesting this information. Awaiting response, to chase on 18 Oct via telephone call or follow up letter.</p> <p>There has also been a request for a meeting from the Head of Supporting People with the Director of Community Services and Casa Support to thrash out finance and performance.</p>	<p align="center">October 2010</p> <p align="center">Housing Options Manager</p>
<p>The Housing Options Manager in consultation with the Revenues Manager and Income Management Group should review the current recovery processes to ensure that adequate resource is allocated to review all outstanding rent deposits and attempts to make contact with the original Rent Deposit applicants at their current address to recover all amounts outstanding. If it is considered uneconomical to pursue the debt after making contact with the debtor, the debt should be considered for write off</p>	<p>Ongoing work with Recovery and the Income Management Group.</p> <p>All up to date deposits paid are being monitored closely and the officer is trying to keep on top of it.</p>	<p align="center">March 2011</p> <p align="center">Housing Options Manager / Recovery</p>
<p>Tighter controls need to be put in place when issuing the rent deposits ensuring that each tenant signs and commits to pay the £5.00 each week and they will be responsible for the full amount if the landlord retains part of or the full deposit.</p>	<p>This is being done for each rent deposit. The monitoring side is very difficult as there is lack of resources to complete this. Whilst I can incorporate this into the bond scheme the staff capacity will still be an issue.</p>	<p align="center">April 2011</p> <p align="center">Housing Options Manager</p>
<p>When a tenant defaults on payments this should be identified at the earliest opportunity and action taken immediately. No further rent deposits should be awarded for any tenant that has defaulted in the past unless full recovery has resulted.</p>	<p>This will be incorporated in the bond scheme. In the meantime a standing order form will be sent by the Housing Strategy Officer once an account has been set up.</p>	<p align="center">October 2010</p> <p align="center">Housing Options Manager</p>

**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK  
APPENDIX 1**

<b>RECOMMENDATION/ WEAKNESS</b>	<b>ACTION TO BE TAKEN</b>	<b>RESPONSIBILITY AND TARGET DATE</b>
Landlords should to be reminded that they must immediately inform the council when a tenant moves out of their property and any retention of rent deposit is made. Any retention must be substantiated and documentary evidence provided, at all times by the landlord to satisfy the collection of these funds from the tenant.	Awareness has been raised since the Audit in April and the Strategy Officer is requesting written information from landlords and agents if a deposit is not being returned. With the Civica process in place as well, this has increased the checking of payments.	December 2010  Housing Options Manager
<b>Housing Repairs and Maintenance – October 2010</b>		
Housing Services should ensure that the next contract payment takes into consideration the reduction in stock for both Houses and Garages since the completion of the tender process. Overpayments have already been made to the Contractor.	We are currently in the process of reviewing all payments that have been made to Mears as part of the new contract; this will not only look at the one twelve payments but also all additional works. Once this process has been completed we will be in the position to demonstrate we have been credited any overpayments made.	Housing Maintenance Manager (EA)  Nov 2010
Housing Services should ensure that regular reconciliations of the housing stock are undertaken and notified to the Contractor so that monthly billing can be inline with the price per property and the number of houses and garages within the stock.	Linked to response from recommendation three.	Housing Maintenance Manager (EA)  Nov 2010
Accountancy should review with Housing Services the stock figures for the year end process to confirm accuracy in future years as the figure stated within the accounts is different to that within the housing stock reports from the year end.	We will advise accountancy of the stock figures at year end to ensure that there is no discrepancy in the figures. This will be undertaken in March 2011 and will be undertaken by Housing.	Housing Support Services Officer (WT)  Housing Maintenance Manager (EA)  March 2011

**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK  
APPENDIX 1**

RECOMMENDATION/ WEAKNESS	ACTION TO BE TAKEN	RESPONSIBILITY AND TARGET DATE
<b>Maritime Services (Visiting Yachts and Ancillary Services) – October 2010</b>		
<p>Full reconciliation of any differences between Cedar e-financials and Harbour Office records should be undertaken and adjustments made to ensure the accuracy and completeness of records for Visiting Yachts. Reconciliation processes should ensure:</p> <ul style="list-style-type: none"> <li>i). Adjustments are included within the spreadsheet information for transparency of the reconciliation process</li> <li>ii). Evidence is available to support implementation of the active reconciliation programme of all income streams</li> <li>iii). Evidence of sign off of the income stream reconciliations by Maritime Services Accountant as part of the monitoring routine</li> </ul>	<p>On the whole the Harbour Office staff do not have formal accountancy training and so I have introduced these measures to them as time has gone along. The idea is that they are responsible for reconciling the accounts they work on, and so there is an incentive to keep them tidy. This is working much better than it did before, though they are still learning.</p> <p>The evidence of the reconciliations is there in that staff are asked to place prints of them in the GL recs file from time to time. I could sign them off but unless I work through the accuracy of each spreadsheet and the GL extraction I would merely be evidencing what was done at a particular time. They are live spreadsheets which are worked on as time allows around other tasks and customer care. We are striving to reconcile the main income streams, and that is pretty much what is being achieved.</p>	<p>N/A Maritime Services Accountant</p>
<b>Public Health Burials – December 2010</b>		

**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK  
APPENDIX 1**

<b>RECOMMENDATION/ WEAKNESS</b>	<b>ACTION TO BE TAKEN</b>	<b>RESPONSIBILITY AND TARGET DATE</b>
<p>As a short term measure, all Public Health Burial case files should be reviewed and signed off by the Environmental Protection Manager until there is a demonstrable improvement in the quality of documentation. Thereafter, it would be advisable for a random sample of files to be examined periodically.</p>	<p>This will be fully introduced as part of the revision of the procedure. However with immediate effect all funerals will be authorised by EHM before order being placed with Dignity.</p>	<p>Immediate effect full completion by February 2011 as above</p>
<p>(a) If the next of kin are not prepared to arrange and pay for the funeral they should be asked to make a written statement to confirm this and confirm TDC's first claim on any monies to recover its expenses and that they fully understand what the funeral arranged by TDC consists of.</p> <p>(b) The Council should ensure that it only undertakes a public health burial after every robust attempt has been made to ensure that any next of kin (or the NHS if the deceased dies in hospital) accept their responsibility to deal with the burial of the deceased themselves.</p>	<p>As a whole these two items are undertaken but the need to undertake them on all occasions is understood therefore this will be included in the revised procedure</p>	<p>Complete implementation by February 2011</p> <p>Environmental Health Manager with Environmental Protection Team &amp; Business Support Team</p>
<p>The Public Health Officer should communicate with other Council departments in respect of the affairs of the deceased e.g. Housing Benefits, Council Tax and Housing and adequately document this. This would be beneficial to ensure that other departments are aware of the death and are advised of any funds which may be available to claim against should there be outstanding Council Tax or rent due to the Council.</p>	<p>This will be introduced fully in the new procedures but the Public Health Officer has been advised to begin undertaking this with immediate effect.</p>	<p>Complete implementation by February 2011</p> <p>Environmental Health Manager with Environmental Protection Team &amp; Business Support Team</p>

**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK  
APPENDIX 1**

<b>RECOMMENDATION/ WEAKNESS</b>	<b>ACTION TO BE TAKEN</b>	<b>RESPONSIBILITY AND TARGET DATE</b>
In cases in which it is applicable to submit a form DB8 (Registration or Notification of Death) to the JobCentre Plus seeking payment to the Council of any accrued benefits owed to the deceased a reply should be obtained or reminder letters issued.	This will be included in the new procedure but public Health Officer has been advised with immediate effect	Complete implementation by February 2011 Environmental Health Manager with Environmental Protection Team & Business Support Team
Where there is sufficient value in the deceased's estate, the Council should consistently levy an administration charge of £100 as a contribution towards the officer time consumed in arranging the burial.	This will be introduced fully in the new procedures but the Public Health Officer has been advised to begin undertaking this with immediate effect.	Complete implementation by February 2011 Environmental Health Manager with Environmental Protection Team & Business Support Team
In instances in which the possessions of the deceased are sold, a receipt must be obtained for these items which is either on headed paper or contains the name and address of the person to whom the goods were sold.	An immediate reminder to the Public Health Officer & inclusion in the new procedures.	Complete implementation by February 2011 Environmental Health Manager with Environmental Protection Team & Business Support Team
<b>Employee Benefits-in-Kind – December 2010</b>		
TDC/EKHRP should notify KCC of all Officers that are entitled to Cash Alternative mileage rates, so that adjustments can be made to date for the overpayment of TAX, NI and Employer NI.	Completed	Completed  Confirmation facilitated by the Auditor.



**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK  
APPENDIX 1**

<b>RECOMMENDATION/ WEAKNESS</b>	<b>ACTION TO BE TAKEN</b>	<b>RESPONSIBILITY AND TARGET DATE</b>
<p>KCC should immediately amend the treatment of cash for car mileage claims paid to date for PAYE &amp; NI purposes to ensure that full relief is obtained, including back dating for the year to date.</p>	<p>The Cash for Cars Mileage scheme is correctly setup for Thanet. The named users in the audit are correctly processed for PAYE and NI on the scheme we were advised to allocate them to at system setup. What has been established is that KCC were advised the incorrect scheme for these individuals which has impacted them.</p> <p>We are happy to make amendments to this scheme when advised of all officers entitled to Cash Alternative Mileage rates as per item 10 for TDC below.</p>	<p>Confirmation needed by 05/11/10 to make changes for November payroll run.</p> <p>Confirmation facilitated by the Auditor.</p> <p>KCC to implement and to confirm completion to the EKHR Strategic Board.</p>
<p>KCC should immediately amend the treatment of cash for car mileage claims paid to date for employers NI to reduce the amount payable by the authority, including back dating for the year to date.</p>	<p>This has been amended with immediate effect for all new claims. All authorities have been reviewed and amended where necessary.</p> <p>This was caused by a single error to the master scheme that was the base consistently replicated across all authorities</p>	<p>Confirmation needed by 05/11/10 to make changes for November payroll run.</p> <p>Confirmation facilitated by the Auditor.</p> <p>KCC to implement and to confirm completion to the EKHR Strategic Board.</p>
<p>KCC should ensure and provide sufficient evidence to TDC that when the new mileage rates are updated on to the Itrent system that casual mileage rates, which will be moving from a taxable benefit to a payment that is entitled to tax relief, are working accurately to save employees' TAX and NI and Employers NI.</p>	<p>Information on new rates has been received and will be actioned in line with the change control process for November's pay.</p> <p>Screen prints can be provided if requested.</p>	<p>November pay day.</p> <p>KCC to implement and to confirm completion to the EKHR Strategic Board.</p>

**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK  
APPENDIX 1**

<b>RECOMMENDATION/ WEAKNESS</b>	<b>ACTION TO BE TAKEN</b>	<b>RESPONSIBILITY AND TARGET DATE</b>
<p>All errors identified within this review for expense payments made by KCC for TDC expenses should be corrected, and evidenced to EKAP.</p>	<p>The expenses errors in this report do not contain sufficient information for these to be investigated so it is not possible to confirm the corrections.</p> <p>Information such as the individual's name, and the date of the claim stated is needed to fully investigate this.</p> <p>However, a key audit control with SDC, CCC and DDC is their current rule (pending self service) or reviewing and collating claims into spreadsheets before submitting, in order to ensure that the organisation retains some control of payments and prevents incorrect completion. We would suggest that this may be an acceptable control for TDC also pending self service</p>	<p>Confirmation needed by 05/11/10 to make changes for November payroll run.</p> <p>Confirmation facilitated by the Auditor.</p> <p>KCC to implement and to confirm completion to the EKHR Strategic Board.</p>

**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK  
APPENDIX 1**

<b>RECOMMENDATION/ WEAKNESS</b>	<b>ACTION TO BE TAKEN</b>	<b>RESPONSIBILITY AND TARGET DATE</b>
<p>All previous Basic Food Hygiene courses provided by TDC Officers should be amended via the payroll to ensure that the correct TAX and NI treatment is adopted. Note: a previous audit report in respect of Food Safety had questioned the on-going justification for these payments.</p>	<p>The current expense claim form shows only one possible entry for 'Basic Food Hygiene' but there are two possible uses 1) attendees expenses and 2) facilitator expenses.</p> <p>The TAX and NI treatment of these is different. It is the responsibility of the manager authorising the claim to ensure that claims are accurately submitted.</p> <p>We are happy to review and make amendments to this if details are provided of what claims have submitted and which claims are for which purpose.</p> <p>It is our recommendation that the expense claim form is reviewed to ensure accuracy for future claims.</p>	<p>KCC need to better understand the number of claims affected.</p> <p>Confirmation needed by 05/11/10 to make changes for November payroll run.</p> <p>Confirmation facilitated by the Auditor.</p> <p>KCC to implement and to confirm completion to the EKHR Strategic Board.</p>
<p>KCC should confirm that the mileage payment for 478 miles not paid as at the time of the review has now been paid.</p>	<p align="center">Completed</p>	<p>Completed and provided evidence to the Auditor.</p>
<p>KCC should confirm that the mileage claim for 478 miles that has not been processed under the TDC Officer Doug Brown has not been processed under a different Officer. The outcome of this enquiry should be notified to the Auditor.</p>	<p>This mileage claim has been checked and operating under the assumption that information provided by TDC is correct, this was processed in September's pay.</p>	<p>Completed.</p>

**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING AFTER FOLLOW-UP  
APPENDIX 2**

Original Recommendation	Agreed Management Action at the Time of the Final Report	Responsibility and Original Target Date	Manager's Comment on Progress Towards Implementation.
<b>Business Continuity Follow-up – November 2010</b>			
The Council must ensure that all senior management undertake training in implementing Business Continuity policies and ensure that they fully understand what is expected of them should a disruption occur.	Zurich have been commissioned to work with TDC to put a simpler process in place. Once completed, appropriate training will take place.	March 2010  Corporate Governance Officer	Training to take place once Corporate Business Continuity Plan is finalised and approved by CMT.  <b>Revised date: March 2011</b>
Take steps to evaluate and review each service area's business continuity plan, bringing it up to date and test it to ensure it's usability and effectiveness in the event of an emergency situation arising.	This will be dealt with by the work undertaken with Zurich and CMT and the appropriate service managers.	March 2010  Corporate Governance Officer	There was a delay with a service area in completing their BCP's. Now these have been done a review of all BCP's is to be undertaken shortly.  <b>Revised date: March 2011</b>
<b>Housing Benefit Overpayments – October 2010</b>			
The Financial Procedure Rules within the Constitution should be reviewed to ensure that there is clarity over the limits and who has responsibility for approving write offs for different types of debt.	Cycle of Constitution review meetings to be set for the 2009 review of the Constitution which will include incorporating the current write off powers and limits to the Section 151 Officer and her delegated officers within the Financial Procedure Rules and the Scheme of Delegations to officers.	December 2009  Head of Legal and Democratic Services	The Head of Legal & Democratic Services has reviewed the Council's Financial Procedure Rules (FPR) and consulted with the Chief Financial Officer (CFO). He has drafted amendments to the FPR to introduce and make transparent that debts under £20k may only be written off by a Director or Service Head in consultation with the CFO, that debts between £20 and 30K may only be written of by the CFO and that debts in excess of £30k can only be written off by the Cabinet.

**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING AFTER FOLLOW-UP  
APPENDIX 2**

Original Recommendation	Agreed Management Action at the Time of the Final Report	Responsibility and Original Target Date	Manager's Comment on Progress Towards Implementation.
			The proposed amendments to the FPR will be presented to the Constitutional Review Working Party in February 2011 from where it will be reported to the Standards Committee and Governance & Audit Committee prior to adoption by full Council.
<b>Risk Management – December 2010</b>			
<p>A deadline for completing the corporate risk entries in the database should be established.</p> <p>In addition a programme, for compiling and entering all data for service level risks in Riskweb, should be established with an early completion date.</p>	<p>The corporate risks identified through the workshop with Zurich have now been transferred into the refreshed risk register system, and a report prepared for CMT on the way forward.</p> <p>This will follow on from the corporate process. Arrangements will be made to attend directorate service manager meetings to communicate the process and engage with the managers to take this forward.</p>	<p>30 September 2009 Corporate Governance Officer</p> <p>31 January 2010 Corporate Governance Officer.</p> <p>Revised completion date 30 April 2011</p>	<p>Completed: 25 August 2010</p> <p>This has been delayed. New risk register system currently being considered, which has also contributed to delay. Completion by: 31 January 2011.</p> <p>With regard to this, we had a meeting in early December 2010 to discuss the possibility of changing the risk system and it has been agreed that we will continue with the current system, which was the reason behind the delay in</p>

**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTADING AFTER FOLLOW-UP  
APPENDIX 2**

Original Recommendation	Agreed Management Action at the Time of the Final Report	Responsibility and Original Target Date	Manager's Comment on Progress Towards Implementation.
			<p>completing this action. However due to the proposed restructure of council services recently announced it would be prudent to take this into consideration and as such extend the deadline to the end of April 2011, which will enable this action to be undertaken thoroughly within the new structure. The current database does contain service level risks for Landlord Services; Sustainable Neighbourhoods; ICT; Revenues and Benefits; Legal and Democratic Services; Building Control and Property Services as well as Strategic risks.</p>

**SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED – APPENDIX 3**

Service	Reported to Committee	Level of Assurance	Management Action	Follow-up Action Due
Compliance with CSOs	September 2010	Nil	<u>Assurance level Limited at the time of the last three audits.</u> On-going management action required.	Work in Progress
Data Protection	September 2010	Limited	On-going management action in progress to remedy the weaknesses identified.	Early 2011
Homelessness and the Rent Deposit Scheme	January 2011	Reasonable/ Limited	On-going management action in progress to remedy the weaknesses identified.	Early 2011
Public Health Burials	January 2011	Limited	On-going management action in progress to remedy the weaknesses identified.	Early 2011
Employee Benefits-in-Kind	January 2011	Limited	On-going management action in progress to remedy the weaknesses identified.	Early 2011

**PROGRESS TO DATE AGAINST THE AGREED 2010-11 AUDIT PLAN – APPENDIX 4**

Area	Original Planned Days	Revised Budgeted Days as at 30-09-10	Actual days to 30-09-10	Status and Assurance Level
<b>FINANCIAL SYSTEMS:</b>				
Housing Benefits – Shared Revenues and Benefits Database with Dover District Council	5	3.5	2.63	Finalised
Housing Benefits – Quarterly Testing	20	17	8.91	2009-10 Quarter 4 – Finalised 2010-11 Quarter 1 – Finalised 2010-11 Quarter 2 - Finalised
Payroll	5	5	4.14	Work-in-Progress
Car Parking and PCNs	8	8	0.17	Quarter 4
Bank Reconciliation	5	5	1.35	Finalised - Substantial
Creditors and CIS	8	8	0.17	Work-in-Progress
Miscellaneous Income/Cash Collection	8	0	0	April 2011 – Fund from 2011-12 plan
Financial Stewardship	8	6.10	6.10	Finalised
Council Tax	12	12.68	12.68	Finalised – Substantial
Business Rates	12	12	4.46	Finalised - Substantial
External Funding Protocol	8	4.35	4.35	Finalised – Reasonable
<b>HOUSING SERVICES:</b>				
Housing Rents	10	9.89	9.89	Finalised – Substantial
Housing Repairs and Maintenance	10	10.53	10.53	Finalised - Reasonable
Leasehold Services	10	10	1.01	Work-in-Progress
HRA Business Plan	8	8	2.28	Draft Report - Substantial
Rent Deposit Scheme/Homelessness	5	7.63	7.63	Finalised – Reasonable/Limited
Housing Estate Management	8	0	0	April 2011 – Fund from 2011-12 plan
<b>ICT SYSTEMS:</b>				
ICT Change Control and File Security	8	8	0	Quarter 4
<b>HUMAN RESOURCES RELATED:</b>				
Recruitment and CRB	8	0	0.17	Delete from plan due to low levels of recruitment at the present time. CRB element covered by Child Protection audit.



Area	Original Planned Days	Revised Budgeted Days as at 30-09-10	Actual days to 30-09-10	Status and Assurance Level
Employee Benefits-in-Kind	8	10	9.91	Finalised - Limited
<b>GOVERNANCE RELATED:</b>				
Asset Management	8	12.23	12.23	Finalised - Reasonable
Members' Code of Conduct and Standards Arrangements	8	8	0	Work-in-Progress
Officers' Code of Conduct and Whistleblowing Arrangements	8	4.99	2.61	Finalised - Reasonable
Performance Management	9	9	0	Work-in-Progress
Corporate/CMT/Committee	30	30	23.72	Work-in-Progress throughout 2010-11
East Kent Shared Services – Validation of Performance Indicators for Tranche 1 Services	2	2	0	Finalised
<b>CONTRACT RELATED:</b>				
Contract Standing Order Compliance	10	0	0	April 2011 – Fund from 2011-12 plan
Contract Monitoring	10	10	0	Work-in-Progress
Procurement	10	10	0.17	Quarter 4
<b>SERVICE LEVEL:</b>				
Accommodation Strategy	7	5.04	5.04	Finalised - Substantial
Members' Allowances	8	8	0.17	Work-in-Progress
Public Health Burials	6	7.01	7.01	Finalised - Limited
Coast Protection/Management	9	9	0.17	Work-in-Progress
Cemeteries and Crematorium	9	9	1.18	Work-in-Progress
Planning and Building Control (including s.106 Agreements)	20	20	0.17	Work-in-Progress
Events Management	10	10.43	10.43	Finalised - Reasonable
Electoral Registration	8	8	0	Delete from plan to accommodate higher risk reviews
Equality and Diversity	8	8	0.17	Work-in-Progress
Thanet Works	9	14.84	14.84	Finalised - Reasonable
Disabled Facilities Grants	9	9.57	9.57	Finalised - Substantial
Maritime – Visiting Yachts and Ancillary Services	10	11	10.48	Finalised - Reasonable

Area	Original Planned Days	Revised Budgeted Days as at 30-09-10	Actual days to 30-09-10	Status and Assurance Level
Maritime – Permanent Berths and let Properties	10	10.89	10.89	Finalised - Reasonable
Waste Management	10	10	0	Quarter 4
<b>OTHER</b>				
Liaison With Audit Commission	5	2.5	0.98	Work-in-Progress throughout 2010-11
Follow-up Reviews	13	18	14.28	Work-in-Progress throughout 2010-11
<b>FINALISATION OF 2009-10 AUDITS</b>				
Child Protection	20.57	41.31	7.38	Finalised – Reasonable
Homelessness			0.39	Finalised - Limited
Housing Benefit – Fraud Investigation Arrangements			1.11	Finalised – Reasonable
Thanet Leisure Force			6.75	Finalised – Substantial/Limited
Information Management, FOI and Data Protection			4.36	Finalised – Substantial/Reasonable/Limited
CSO Compliance			12.89	Finalised – Limited
Green Waste Service			0.61	Finalised – Substantial
Local Code of Corporate Governance			0.10	Finalised - Substantial
Choice Based Lettings			7.72	Finalised - Substantial
<b>UNPLANNED WORK</b>				
Creative Margate Consultancy Arrangements (Balance of time from 2009-10 audit)	0	0.07	0.07	Finalised - Limited
Overtime	0	6.01	6.01	Finalised – Reasonable
<b>Total (Including 10.57 days brought forward from 2009-10)</b>	<b>440.57</b>	<b>440.57</b>	<b>257.88</b>	<b>58.53% Complete as at 30-09-10</b>
<b>UNPLANNED ADDITIONAL WORK</b>				
Meridian Village	2	2.07	2.07	Audit verification of costs deductible from income arising from development
Interreg Grant – Customer Services	4	6	4.44	First Level Controller sign off charged to project
Interreg Grant – Tudor House	4	4	3.51	First Level Controller sign off charged to project
Interreg Grant – Maritime (Off-Shore Wind Farm)	4	4	0.75	First Level Controller sign off charged to project

**BALANCED SCORECARD – QUARTER 2**

<u>INTERNAL PROCESSES PERSPECTIVE:</u>	<u>2010-11 Actual</u>	<u>Target</u>	<u>FINANCIAL PERSPECTIVE:</u>	<u>2010-11 Actual</u>	<u>Target</u>
	<b>Quarter 2</b>				
Chargeable as % of available days	87%	75%	Cost per Audit Day (Reported Annually)		£300
Chargeable days as % of planned days	58%	50%			
Follow up Reviews;					
<ul style="list-style-type: none"> <li>• Issued</li> <li>• Not yet due</li> <li>• Now overdue for Follow Up</li> </ul>	14 9 9	- - 0			
Percentage compliance with the CIPFA Code for Internal Audit 2006	97%	97%			

**BALANCED SCORECARD – QUARTER 2**

<u>CUSTOMER PERSPECTIVE:</u>	<u>2010-11 Actual</u>	<u>Target</u>	<u>INNOVATION &amp; LEARNING PERSPECTIVE:</u>	<u>2010-11 Actual</u>	<u>Target</u>
	Quarter 2				
Number of Satisfaction Questionnaires Issued;	29		Percentage of staff qualified to relevant technician level	76%	75%
Number of completed questionnaires received back;	11		Percentage of staff holding a relevant higher level qualification	32%	32%
Percentage of Customers who felt that;			Percentage of staff studying for a relevant professional qualification	24%	24%
<ul style="list-style-type: none"> <li>• Interviews were conducted in a professional manner</li> <li>• The audit report was 'Excellent or Very Good'</li> <li>• That the audit was worthwhile.</li> </ul>	100%	100%	Number of days technical training per FTE	1.72	3.5
	100%	90%	Percentage of staff meeting formal CPD requirements	32%	32%
	100%	100%	Number of business efficiency/ service Improvement recommendations introduced	19	-



## Appendix 6

### AUDIT ASSURANCE

#### Definition of Audit Assurance Statements

##### **Substantial Assurance**

From the testing completed during this review a sound system of control is currently being managed and achieved. All of the necessary, key controls of the system are in place. Any errors found were minor and not indicative of system faults. These may however result in a negligible level of risk to the achievement of the system objectives.

##### **Reasonable Assurance**

From the testing completed during this review most of the necessary controls of the system in place are managed and achieved. There is evidence of non-compliance with some of the key controls resulting in a marginal level of risk to the achievement of the system objectives. Scope for improvement has been identified, strengthening existing controls or recommending new controls.

##### **Limited Assurance**

From the testing completed during this review some of the necessary controls of the system are in place, managed and achieved. There is evidence of significant errors or non-compliance with many key controls not operating as intended resulting in a risk to the achievement of the system objectives. Scope for improvement has been identified, improving existing controls or recommending new controls.

##### **No Assurance**

From the testing completed during this review a substantial number of the necessary key controls of the system have been identified as absent or weak. There is evidence of substantial errors or non-compliance with many key controls leaving the system open to fundamental error or abuse. The requirement for urgent improvement has been identified, to improve existing controls or new controls should be introduced to reduce the critical risk.