



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 30th June 2012

2.0 SUMMARY OF REPORTS

	Service / Topic	Assurance level
2.1	East Kent Housing – Finance & ICT Controls	Reasonable
2.2	East Kent Housing – Tenant Health & Safety	Reasonable
2.3	Visitor Information Arrangements	Reasonable
2.4	EK Services – Housing Benefit Quarterly Testing (Qtr 4 of 2011-12)	Not Applicable
2.5	EK Services – Housing Benefit Quarterly Testing (Qtr 1 of 2012-13)	Not Applicable

2.1 East Kent Housing (Finance & ICT Controls) – Reasonable Assurance:

2.1.1 Audit Scope

To ensure that all East Kent Housing (EKH) finances and resources are completely and accurately controlled and accounted for through sound financial, ICT controls and interfaces.

2.1.2 Summary of Findings

The staff involved in the financial processes within East Kent Housing Limited (EKH) have a sound knowledge of the systems in place. As a result of the tests undertaken only five minor recommended improvements have been identified to assist in strengthening the sound controls already in place.

During the review the Head of Finance was arranging for the Finance Officer to have view access to the *NatWest Bankline* system to streamline the bank reconciliation process. There are controls in place that ensure that only Senior Managers are able to transfer monies from the organisation's bank account. A second authorisation is required if payments exceed £500. Controls have been put in place to ensure that the officer who can instigate a transaction on the 'Sage 50' accounting system used by EKH is not able to authorise payments in or out of the bank accounts, therefore suitable segregation of duties are present.

There is only one interface procedure undertaken and that is between EKH and Kent County Council (KCC) for Payroll, HMRC and Pension. Controls have been put in place to ensure that there is appropriate authorisation for KCC to make BACS payments to employees of EKH and also to HMRC in accordance with the SLA between the two organisations.

Responsibility for the EKH network has been assigned to East Kent Services (EKS). There is a Service Level Agreement between the two organisations, which describes the services to be provided by EKS to EKH in respect of ICT and telephony. The Offices at Shorncliffe are protected by a keypad entry system so no unauthorised persons are able to enter the premises. All EKH staff must be registered on the EKS. LOCAL domain and require a username and password to access the EKS server.

The organisation's Main Accounting System (Sage 50) runs on a virtual Windows server located in the server room at Thanet District Council (TDC). The software and database are located on the C Drive of this server and require an additional user name and password. Currently only the Head of Finance and the Finance Officer have access to this software.

Back up is part of the normal TDC cycle, which is incremental, every night together with a full back up every week. The back-up files are stored off site in a fireproof safe.

At the time of audit fieldwork, EKH was approaching the end of its first financial year there was emerging evidence of work in progress and further decisions to be made within EKH Finance which could support a conclusion of Substantial Assurance once the recommendations contained within the audit report have been implemented and had sufficient time to become embedded.

2.2 East Kent Housing (Tenant Health & Safety) – Reasonable Assurance:

2.2.1 Audit Scope

To ensure that the health and safety of tenants is safeguarded.

2.2.2 Summary of Findings

The majority of the expected internal controls are operating consistently to ensure that the health and safety of tenants is safeguarded. There are however some areas of weakness which are currently being addressed.

As was to be expected with the formation of a new organisation to manage the Council's Housing stock, East Kent Housing are currently seeking to implement consistent policies and procedures in this area utilizing the examples of best practice present at each of the four partner Council sites.

For example; the costs associated with the gas boiler servicing contract used by three Councils to monitor the contract appear very high in comparison with the in-house monitoring undertaken by the fourth partner Council and there is therefore scope for cost efficiencies in this area which East Kent Housing are actively pursuing.

Whilst Gas Safety checks are promptly undertaken for almost all Council properties – and any instances in which access to the property is an issue are promptly dealt with - none of the partner Council's currently have a gas safety policy. A contractor is employed to monitor the gas servicing contract in three authorities, however utilising

their services does not in itself negate the statutory responsibilities that the authorities have regarding gas safety.

None of the Council's have a complete asbestos register and in addition to this the asbestos that has been identified is not being regularly reviewed to ensure that the condition has not deteriorated.

At the time of the Audit, there was also an inconsistent approach to fire risk assessments throughout East Kent Housing with only three of the partner authorities ensuring that fire safety checks are carried out on a regular basis. East Kent Housing have an action plan in place to address this issue by porting best practice between the partner sites.

2.3 Visitor Information Arrangements – Reasonable Assurance:

2.3.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Council's Visitor Information Services are operated in an efficient and effective manner which safeguards Council assets (income, stock, reputation etc.) and minimises risk.

2.3.2 Summary of Findings

The Visitor Information Arrangements and processes are generally working well and most of the expected controls are effective.

The level of information being maintained to monitor and/or report on the Margate Visitor Information Centre activities is excellent. Overall, effective systems, processes and controls are in operation with just the one area of weakness regarding the need to improve controls over stock. A wealth of information is available for visitors to Thanet via Information Technology, publications and a physical high profile presence.

A higher level of assurance may be achievable within this operational area once the benefits of implementing the EPOS (Electronic Point of Sale) system are fully realised and embedded with the Margate Visitor Information Centre activities. It is proposed to include a review of the EPOS control system as part of the EKAP's recommendation follow up process, allowing a period of embedding and familiarisation with the new system

2.4 EK Services Housing Benefit Quarterly Testing (Quarter 4 of 2011-12):

2.4.1 Over the course of the 2011/12 financial year the East Kent Audit Partnership has 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.

For the fourth quarter of 2011/12 financial year (January to March 2012) 20 claims including new and change of circumstances of each benefit type were selected by using Excel software to randomly select the various claims for verification.

Of the claims which were tested, two (10%) were found to have failed the criteria set by the Audit Commission's verification guidelines as the errors found impact on the subsidy claim. A further three claims were found to have data quality errors, however these have no effect on the subsidy claim or the amount payable to the claimant; the issues have been raised with the Quality Team and corrective action has been taken to amend the claims.

Overall for 2011/12 there have been 105 benefit claims checked by internal audit, out of which there have been nine failures identified that affect the subsidy claim. In total this represents a failure rate of 8.6% which is a very positive decrease from the previous year's figure of 15%.

2.5 EK Services Housing Benefit Quarterly Testing (Quarter 1 of 2012-13):

2.5.1 Over the course of the 2012/13 financial year the East Kent Audit Partnership will be completing 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.

For the first quarter of 2012/13 financial year (January to March 2012) 20 claims including new and change of circumstances of each benefit type were selected by using Excel software to randomly select the various claims for verification.

In total 20 benefit claims were checked and of these all (100%) were found to have passed the criteria set by the Audit Commission's verification guidelines. No errors were found that would impact on the subsidy claim. As no data quality errors were found either this is an extremely positive result for quarter 1.

3.0. FOLLOW UP OF AUDIT REPORT ACTION PLANS:

3.1 As part of the period's work, three 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	Original Number of Recs		No of Recs Outstanding	
a)	Contract Monitoring	Reasonable	Reasonable	H	3	H	0
				M	2	M	0
				L	0	L	0
b)	Employee Health & Safety	Reasonable	Reasonable	H	1	H	1
				M	8	M	7
				L	0	L	0

3.2 Details of any individual High priority recommendations outstanding after follow-up are included at Appendix 1 and on the grounds that these recommendations have not been implemented by the dates originally agreed with management, they are now being escalated for the attention of the s.151 officer and Members' of the Governance and Audit 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.

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: Museums, Thanet Leisure Force, Car Parking Income and Enforcement, Dog Warden & Litter Enforcement, Data Protection, East Kent Housing (Tenancy & Estate Management), Payroll, Council Tax, and Commercial Properties and Concessions.

5.0 CHANGES TO THE AGREED AUDIT PLAN:

- 5.1 The 2012-13 internal audit plan was agreed by Members at the meeting of this Committee on 20th March 2012.
- 5.2 The Head of the Audit Partnership meets on a monthly basis with the Section 151 Officer or their nominated representative 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 3.

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 unplanned work arising during the period quarter to bring to Members attention at the present time.

8.0 INTERNAL AUDIT PERFORMANCE

- 8.1 For the three months to 30th June 2012, 76.71 chargeable days were delivered against the planned target of 320 days which equates to 23.97% plan completion.
- 8.2 The financial performance of the EKAP is on target at the present 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 2012-13 is attached as Appendix 5. The East Kent Audit Partnership has performed well against its targets for the 2011-12 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 4.

Attachments

- Appendix 1 Summary of High priority recommendations outstanding after follow-up.
- Appendix 2 Summary of services with Limited / No Assurances
- Appendix 3 Progress to 30th June 2012 against the agreed 2012-13 Audit Plan.
- Appendix 4 EKAP Balanced Scorecard of Performance Indicators to 30th June 2012.
- Appendix 5 Assurance statements

SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING AFTER FOLLOW-UP - APPENDIX 1

Original Recommendation	Agreed Management Action , Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
Employee Health & Safety – August 2012		
<p>Once the Health and Safety Maps have been implemented, they should be regularly reviewed and these reviews documented to evidence ownership, engagement and assurance that the service areas within the Council are operating safely in accordance with legal responsibilities</p>	<p>Brief to be prepared for ICT to obtain access for EKHRP to SharePoint where H&S maps are uploaded.</p> <p>Short questionnaire on H&S maps to be developed for evaluation purposes and linked to a training needs analysis.</p> <p>Responsibility: EK Human Resources</p> <p>Target date: 31/3/12</p>	<p>Questionnaire on H&S maps to be developed by EKHR.</p> <p>Revised Target Date: October 2012</p>

SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED – APPENDIX 2

Service	Reported to Committee	Level of Assurance	Management Action	Follow-up Action Due
Homelessness	March 2012	Reasonable/ No Assurance	On-going management action in progress to remedy the weaknesses identified.	Work-in-Progress
Payroll	June 2012	Reasonable/ Limited	On-going management action in progress to remedy the weaknesses identified.	Work-in-Progress as part of planned 2012-13 audit review

PROGRESS TO DATE AGAINST THE AGREED 2012-13 AUDIT PLAN – APPENDIX 3

Area	Original Planned Days	Revised Budgeted Days	Actual days to 30-06-2012	Status and Assurance Level
FINANCIAL SYSTEMS:				
Car Parking & Enforcement	12	12	0.17	Work-in-Progress
Capital	5	5	0	Quarter 3
Treasury Management	5	5	0	Quarter 3
Bank Reconciliation	5	5	0	Quarter 3
Creditors and CIS	8	8	0	Quarter 3
External Funding Protocol	8	8	0	Quarter 3
Miscellaneous Income/Cash Collection and Internet Payments	8	8	0	Quarter 3
VAT	8	8	0	Quarter 3
RESIDUAL HOUSING SERVICES:				
Housing Allocations/ Choice Based Lettings	10	10	0	Quarter 4
GOVERNANCE RELATED:				
Data Protection	10	10	7.18	Work-in-Progress
Provision for either a VfM Strategy audit/VfM project works or a Project Management audit	10	10	0	Quarter 4
Partnerships and Shared Services Monitoring	10	10	0.24	Work-in-Progress
Scheme of Officer Delegations	7	0	0	Deleted from plan to accommodate unplanned work
Risk Management	10	10	0.24	Quarter 4
Corporate Advice/SMT	2	2	0.37	Work-in-Progress throughout 2012-13
s.151 Officer Meetings and Support	9	9	2.18	Work-in-Progress throughout 2012-13
Governance & Audit Committee Meetings and Report Preparation	12	12	3.88	Work-in-Progress throughout 2012-13
Audit Plan and Preparation Meetings	9	9	0	Work-in-Progress throughout 2012-13
CONTRACT RELATED:				
CSO Compliance	12	12	2.45	Work-in-Progress
SERVICE LEVEL:				
Child Protection and CRB Checks	9	9	0	Quarter 4

Area	Original Planned Days	Revised Budgeted Days	Actual days to 30-06-2012	Status and Assurance Level
Dog Warden & Litter Enforcement	8	8	5.85	Work-in-Progress
Env Health - Food Safety and AirPort Health Control	10	10	0	Quarter 4
Env Health - Health & Safety	8	8	0	Quarter 3
Business Continuity & Emergency Planning	8	8	0.24	Quarter 3
Grounds Maintenance	10	10	0.24	Work-in-Progress
Dalby Square Heritage Grants (Advice on control framework)	3	3	1.18	Work-in-Progress
Museums	10	10	2.20	Work-in-Progress
Commercial Properties and Concessions	10	10	0	Work-in-Progress
Thanet Leisure Force	12	12	0.37	Work-in-Progress
Visitor Information Arrangements	10	10	11.82	Finalised - Reasonable
Waste Management	10	10	9.71	Finalised - Reasonable
Youth Development Strategy	8	0	0	Deleted from plan to accommodate unplanned work
OTHER :				
Liaison With External Auditors	3	3	0	Work-in-Progress throughout 2012-13
Follow-up Reviews	20	20	2.33	Work-in-Progress throughout 2012-13
UNPLANNED WORK:				
Housing Repairs & Maintenance	0	15	26.61	Work-in-Progress
FINALISATION OF 2011-12 AUDITS:				
Days under delivered in 2011-12	0	0	-7.21	Finalised
EAST KENT HR PARTNERSHIP:				
Recruitment	5	5	0	Quarter 4
Payroll, SMP and SSP	5	5	0	Work-in-Progress
Pay & Reward - Equality Impact Assessment	8	8	0	Work-in-Progress
HR Systems Development – i-Trent	3	3	0	Work-in-Progress
TOTAL - THANET DISTRICT COUNCIL RESIDUAL DAYS	320	320	76.71	23.97% Complete as at 30-06-2012
EK SERVICES:				
Housing Benefits – Payment	5	5	0	Quarter 4

Area	Original Planned Days	Revised Budgeted Days	Actual days to 30-06-2012	Status and Assurance Level
Housing Benefits – Admin & Assessment	10	10	0	Quarter 4
Housing Benefits – Quarterly Testing	20	20	11.9	Work-in-Progress throughout 2012-13
Council Tax	10	10	0.02	Work-in-Progress
ICT – Network Security	5	5	0	Quarter 4
ICT – Procurement and Disposal	5	5	0.20	Work-in-Progress
ICT – Software Licensing	5	5	0	Quarter 3
Carry forward from last year	8.4	8.4	6.29	Finalised
Total EK Services	68.4	68.4	18.41	
EAST KENT HOUSING:				
Repairs and Maintenance – Planned, Responsive and Cyclical repairs.	7.5	7.5	0	Quarter 4
Sheltered and Supported Housing	4	4	0	Quarter 3
Audit Committee/Follow-up work	1	1	1.11	Work-in-Progress throughout 2012-13
Tenancy & Estate Management	7.5	7.5	0.19	Work-in-Progress
Carry forward from last year	4.33	4.33	1.98	Finalised
Unplanned – Advice & Assistance on drafting the current and former tenant arrears policies.	0	0	0.61	Work-in-Progress
Total East Kent Housing	24.33	24.33	3.89	
UNPLANNED ADDITIONAL WORK				
Interreg Grant – Tudor House	4	4	1.35	Work-in-Progress throughout 2012-13
Interreg Grant – Maritime (Off-Shore Wind Farm)	4	4	0.03	Work-in-Progress throughout 2012-13
Interreg Grant – Maritime (Yacht Valley)	4	4	0.03	Work-in-Progress throughout 2012-13
English Heritage Grant - Margate Arts Heritage and Culture Project	0.5	0.5	2.06	Finalised

BALANCED SCORECARD – QUARTER 1

<u>INTERNAL PROCESSES PERSPECTIVE:</u>	<u>2012-13 Actual</u>	<u>Target</u>	<u>FINANCIAL PERSPECTIVE:</u>	<u>2012-13 Actual</u>	<u>Target</u>
	Quarter 1				
Chargeable as % of available days	84%	80%	Cost per Audit Day (Reported Annually)		£309.15
Chargeable days as % of planned days					
CCC	16.08%	25%			
DDC	21.18%	25%			
SDC	28.76%	25%			
TDC	23.97%	25%			
EKS	10.73%	25%			
EKH	6.86%	25%			
Overall	20.93%	25%			
Follow up/ Progress Reviews;					
• Issued	13	-			
• Not yet due	18	-			
• Now overdue for Follow Up	10	2			
Percentage compliance with the CIPFA Code for Internal Audit 2006	97%	97%			

BALANCED SCORECARD – QUARTER 1

<u>CUSTOMER PERSPECTIVE:</u>	<u>2012-13 Actual</u>	<u>Target</u>	<u>INNOVATION & LEARNING PERSPECTIVE:</u>	<u>2011-12 Actual</u>	<u>Target</u>
	Quarter 1			Quarter 1	
Number of Satisfaction Questionnaires Issued;	19		Percentage of staff qualified to relevant technician level	86%	75%
Number of completed questionnaires received back;	7 =37%		Percentage of staff holding a relevant higher level qualification	37%	32%
Percentage of Customers who felt that;			Percentage of staff studying for a relevant professional qualification	0%	24%
<ul style="list-style-type: none"> • Interviews were conducted in a professional manner 	100%	100%	Number of days technical training per FTE	0.31	3.5
<ul style="list-style-type: none"> • The audit report was 'Excellent or Very Good' 	100%	90%	Percentage of staff meeting formal CPD requirements	37%	32%
<ul style="list-style-type: none"> • That the audit was worthwhile. 	86%	100%			



Appendix 5

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.