



## 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 2012

### 2.0 SUMMARY OF REPORTS

	<b>Service / Topic</b>	<b>Assurance level</b>
2.1	Treasury Management	Substantial
2.2	Creditors and Construction Industry Scheme	Substantial
2.3	Bank Reconciliation	Substantial
2.4	Car Parking Income and Enforcement	Substantial
2.5	Contract Standing Order Compliance	Reasonable
2.6	EK Housing (Tenancy & Estate Management)	Reasonable
2.7	EK Housing (Rent Setting, Collection & Arrears Management)	Reasonable
2.8	EK Services – Customer Services	Reasonable
2.9	EK Services – ICT Procurement & Disposals	Reasonable
2.10	EK Services – ICT Physical & Environmental Controls	Reasonable
2.11	Partnerships and Shared Service Monitoring	Reasonable
2.12	Thanet Leisure Force – Monitoring and Performance Arrangements	Substantial/Limited
2.13	Data Protection Act Compliance	Reasonable/Limited
2.14	Dickens House and Margate Museums	Reasonable/Limited
2.15	EK Services – Housing Benefit Quarterly Testing (Qtr 2 of 2012-13)	Not Applicable

#### **2.1 Treasury Management – Substantial Assurance:**

##### 2.1.1 Audit Scope

To ensure that various Treasury Management matters within the remit of the accountancy office are performed effectively & efficiently, in furtherance of the Council's Policies.

##### 2.1.2 Summary of Findings

The Treasury Management process is working very well with all of the expected controls being in place and effective. There are clear controls in place that provide assurance that the risks of investing and borrowing funds are acknowledged and

monitored on a daily basis to operate an effective treasury management system with reduced risks.

## **2.2 Creditors and Construction Industry Scheme – Substantial Assurance:**

### 2.2.1 Audit Scope

To ensure that only bona-fide invoices are paid, and that the correct procedures have been applied in the way in which the expenditure was incurred.

### 2.2.2 Summary of Findings

The Purchase Ordering and Creditors processes both continue to work very well with all of the expected controls being in place and effective. There are clear controls in place that provide assurance to ensure that only bona fide creditors are set up in the payments system and that only bona fide invoices are paid.

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

### 2.3.1 Audit Scope

To ensure that the bank reconciliation is calculated correctly.

### 2.3.2 Summary of Findings

The bank reconciliation process was found to be well established with almost all of the expected controls being fully effective and adequate evidence being in place to support the entries on the bank reconciliation.

## **2.4 Car Parking Income and Enforcement – Substantial Assurance:**

### 2.4.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that car park machine income (on-street and off-street), is adequately monitored and reconciled to expected income and that income trends are monitored for individual car parks for management information.

### 2.4.2 Summary of Findings

The Car Parking Income and Penalty Charge Notices process is generally working very well with effective controls in place.

There have been no changes to the supporting working practices associated with the overall control environment within Car Parks since the previous audit in 2011. Car Parks continue to work with established systems, processes and procedures supported by experienced staff and officers.

## **2.5 Contract Standing Order Compliance – Reasonable Assurance:**

### 2.5.1 Audit Scope

To provide assurance to Management that the Council's practices for the procurement of goods and services achieves economic cost and good value for money and that Contract Standing Order guidance and supporting procurement practices/user instructions are relevant and complied with as appropriate.

### 2.5.2 Summary of Findings

The process of CSO is generally working well following the implementation of the 2010 audit recommendations. The associated controls are effectively contributing to achieving CSO compliance. Satisfactory evidence was available to support the procurement process in obtaining the required quotations in all 14 cases tested.

The feasibility of using Civica W2 to script the required CSO process and to improve the audibility, accessibility and transparency of supporting information via scanned and referenced documents may be worthy of further consideration.

The overall exemption process is working effectively and can demonstrate compliance to those CSO's controlling the warranting of waiver application, their subsequent approval and the monitoring of those waivers that are time limited.

There is however some scope for improvement that could strengthen the existing controls and so reduce risk..

## **2.6 EK Housing (Tenancy & Estate Management) – Reasonable Assurance:**

### 2.6.1 Audit Scope

To review the tenancy and estate management arrangements using the Audit Commission's Tenancy and Estate Management KLOE (Key Lines of Enquiry) as a guide.

### 2.6.2 Summary of Findings

The audit reviewed present practices across the four partner Council areas. The audit accepted that there were many areas where improvements have been identified as needed and that the organisation is relatively early in its development stage for unifying practices where possible. Much good work is on-going and the completion of the Customer Excellence gap analysis and subsequent action plan is one major example of this which should allow resources to be concentrated on the relevant areas to drive forwards on delivering Customer Service Excellence.

Each Council maintains their own tenancy agreement documentation and sign up procedures; testing revealed some unsigned agreements. Similarly not every authority offers the same types of tenancy with Thanet presenting a different approach to signing tenancy agreements with the Council's residual housing service insisting that they must sign all tenancy agreements, despite this role having been delegated to EK Housing under the management agreement between the parties. This arrangement can lead to administrative problems. Individually these are not major issues but collectively they indicate the need to continue to pursue a common approach across all four districts.

At Thanet there were a large number of very small recurring debts on the rent accounts which never change, appearing on the weekly debtor print run; it would

enhance business efficiency to take action to remove them from the system either through collection or write off.

The procedure for ensuring that tenants request permission for alterations was well publicised but could be improved by having an Internet presence. Where professional guidance had been sought before approval for alterations was given, subsequent follow up inspections were not always carried out to confirm that the work had been undertaken to a satisfactory standard. The updating of the asset database to reflect such alterations was not undertaken with any regularity.

Tenant and leaseholder involvement is viewed as an integral and vital element of the service and each Council has developed its own environment in which this can flourish. There is a full review taking place to identify what is being offered, what is needed for the future and how to take the best practices forwards.

Cleaning of communal areas is undertaken in three authorities by the same contractor with each contract managed in a different way. The residents are presented with schedules and a free phone number for reporting failures in the service. At Thanet there is less clarity and information and this should be addressed.

For communal grounds maintenance there is again a variety of contractors undertaking the work; in-house in two areas and through external contractors managed by the residual authority at the other two. There appears to be no service level agreements at any site and this should be rectified. The contract specification is detailed at the other three partner Council sites but there is no specification at Thanet where the work is based on what was done historically, and again this should be rectified. Resident involvement is achieved through various inspection regimes, walkabouts, events and informal reporting and is an effective way to monitor service levels.

## **2.7 EK Housing (Rent Setting, Collection & Arrears Management) – Reasonable Assurance:**

### **2.7.1 Audit Scope**

To ensure that monies properly due in respect of housing rent are calculated, collected and accounted for correctly.

### **2.7.2 Summary of Findings**

The Rent Setting Process and Arrears Management processes are generally working well across the four partner councils.

Most of the expected controls are in place although there are some which could be improved upon in order to become more effective; there are examples of best practice across the four areas that can be ported between them to increase efficiency and effectiveness and this is work in progress.

The level of rent arrears has decreased across all four authorities since April 2011, which is a very positive accomplishment for EK Housing in its first year. The Level of Former Tenant Arrears (FTAs) has also generally shown improvement.

## **2.8 EK Services (Customer Services) – Reasonable Assurance:**

### 2.8.1 Audit Scope

To ensure that the processes and procedures established by EK Services are sufficient to provide the level of service required by the partner Councils and incorporate relevant internal controls regarding the interface with the public.

### 2.8.2 Summary of Findings

As part of the joint working arrangement put in place by Canterbury City Council, Dover District Council and Thanet District Council, EK Services provide the Customer Services function for the three authorities. This function has now been place for approximately one year.

Finding the balance between improving service delivery to the public whilst reducing the actual cost is a difficult thing to do. However EK Services has put in place a business plan and various service delivery projects for the 2012/13 financial year that it is hoped will drive the service forward with smarter joined up working practices and improved performance (i.e. Abandoned rate calls) whilst delivering the budget savings as required by the three authorities.

There are several issues that need to be addressed and these are highlighted in the report, which could assist in helping EK Services to meet their desired outcomes.

## **2.9 EK SERVICES (ICT Procurement & Disposals) – Reasonable Assurance:**

### 2.9.1 Audit Scope

To ensure that the procedures and internal controls established by EK Services are sufficient to provide the level of service required by the partner Councils in respect of the procurement and disposal of ICT equipment on behalf of the partners.

### 2.9.2 Summary of Findings

EK Services took over the ICT function for Canterbury City Council, Dover District Council, Thanet District Council and East Kent Housing from April 2011.

As the partner authorities each have their own processes in place for procurement, EK Services are unable to have one process in place for purchasing ICT equipment. However they have worked with each partner to create a process for each, which works effectively. EK Services do not currently have access to all financial systems and therefore all queries have to be redirected to the Authority.

EK Services ensure that when purchasing any item three quotes are always obtained to make certain that they are receiving value for money regardless of whom they are procuring it for. Every month EK Services also send out a hardware specification to a number of IT suppliers for them to provide quotes on the specific items, the cheapest quote is then used by EK Services if any of the hardware items are required.

Some recommendations have been made regarding the disposal of the equipment to ensure that it is reviewed prior to disposal and then reconciled to the disposal certificate provided.

## **2.10 EK SERVICES (ICT Physical & Environmental Controls) – Reasonable Assurance:**

### 2.10.1 Audit Scope

To ensure that the physical and environmental controls over the actual ICT assets, including the servers are robust and are sufficient to enable EK Services to provide the level of ICT service required by the partner authorities.

### 2.10.2 Summary of Findings

The level of service to be provided by EK Services ICT and responsibilities of EK Services and the three partner authorities is determined in the EK Services Collaborative agreement. The ICT Service Level Agreement (SLA) forms part of this document. The SLA gives a broad indication of how EK Services will achieve the desired outcomes to certain standards. It is intentionally not specific about exactly how these outcomes will be achieved, as EK Services need the flexibility to choose the most effective way of working to reach the goals set – and this may change with technological, legal and generational developments.

A number of recommendations to strengthen internal controls have been made in this report that requires action from both EK Services and the partner authorities to ensure successful implementation.

EK Services has adopted Thanet's Information and IT Security Policies whilst Dover and Canterbury still apply their own IT Security Policies. All vary slightly and require officers working across partners to have knowledge of these variations. EK Services have identified this as a concern and aim to harmonise these policies, with the agreement of the partner authorities.

There is no annual requirement for staff to read and accept the IT Security Policies. As a result staff may forget their responsibilities and 'bad habits' may creep in.

EK Services inherited the inventories maintained by each partner authority. The validated information is now being manually recorded on TrackIT. All new purchases have been recorded on TrackIT since April 2012.

Prior to July 2011 each of the partner authorities managed their own service desk systems. EK Services has since created and now maintain a single version of TrackIT for service desk control. Individual item failures or problems are recorded in TrackIT although parameters that are captured may not always provide 'forensic' visibility. Some maintenance work that is non-user affecting is not captured and some is. EK Services ICT continues to work to improve this.

The insured levels were sufficient to cover the equipment declared on the schedules provided by EK Services to the Insurance Officers at each partner authority, both on and off site, with one exception which could not be determined as sufficient data was not provided, despite numerous requests. However, EK Services have only recently undertaken a physical audit of equipment which is yet to be reconciled to the inventories provided by the partner authorities; the results of which may impact on the levels of insurance required.

## **2.11 Partnerships & Shared Service Monitoring – Reasonable Assurance:**

### 2.11.1 Audit Scope

To ensure that the Council maximises its use of resources through its shared services and partnership arrangements.

### 2.11.2 Summary of Findings

The Service Level Agreements in place for EK Services (EKS), EK Human Resources (EKHR) and East Kent Housing Limited (EKH) are all well referenced, well documented and readily available to the staff charged with monitoring them. It was also found that the performance monitoring being undertaken was largely effective. Managers have built up good working relationships and effective communication channels between the Council and each of the shared service providers and these seemed to be working well. There are however some areas for improvement which have been identified.

#### *East Kent Housing:*

The relationship between the Council and EK Housing is not like the relationships with EKS / EKHR as EK Housing are a separate legal entity. The performance of the service is regularly scrutinised by management, SMT, an Area Board and the EKH Board. Instead of conducting an annual review of performance (as is the case with EKS and EKHR), the Council works informally with Management at EK Housing to adjust the indicators (as necessary) during the course of the year. A Delivery Plan also sets out what EK Housing intend to achieve and how they intend to achieve it.

#### *EK Services:*

One of the main mechanisms to drive service improvements for EKS is through the annual review of the service level agreements and performance indicators. The effectiveness of the first annual review seemed however to differ between the different elements of the shared service. For example, the ICT review was robust and effective with evidence of a previously ineffective performance indicator being replaced with more meaningful indicators.

The first annual review for Customer Services saw a drop in service performance expectations which whilst agreed with officers (who do have delegated authority in this area) was not formally endorsed by elected Members of the Council although (in the interests of good governance) this could have been considered by the Shared Services Working Party. EKS is in the process of piloting a new customer self service telephone system which management are hoping should increase performance levels. The Council should work with EKS to ensure that performance levels increase to the levels achieved prior to the transfer of Customer Services to EKS.

The Council should consider introducing 'poor performance triggers' for both EKS and EKHR which would essentially identify a level of performance the Council is prepared to accept and a level of poor performance which the Council is not prepared to accept, which would subsequently require escalation either to SMT or even possibly elected Members if considered to be a very significant decrease in performance. The auditor found an example during 2011 where performance dipped below the standard set by the Council for EKS and was not formally escalated. Acceptable reasons were however given for these dips in performance.

#### *EK Human Resources:*

During 2011 the HR service had been adapting and dealing with various challenges and issues relating to the withdrawal of one partner. As a direct result;

- i) there were two occasions where performance levels did not meet agreed service levels;
- ii) the Council had to conduct its own annual survey on behalf of EKHR;
- iii) the annual survey subsequently produced a very low level of overall customer satisfaction; and
- iv) an annual review of the Performance Indicators was not undertaken by EKHR.

The performance reports provided by EKHR contain sensitive data relating to individual employees together with the performance data relating to the performance of the HR service. It had been recommended that the report be split in to two separate reports; a performance report on the performance of the HR service and a separate report containing the sensitive data relating to employee performance. This has recently been addressed and will minimise the risk of a data protection breach and would allow the Council to publish the report on EKHR performance without having to re-write a new report. It should be noted that the EKHR service has recently moved under the umbrella and control of EKS. As a result it has been recommended that the Council works closely with the Head of EKS to align the performance reporting processes and report content with that already in place for EKS.

Whilst the Council has established a Shared Service Working Party to scrutinise the performance of EKS, EKHR and EK Housing, their views are not being reported or noted by the Cabinet. The governance arrangements changed on 1<sup>st</sup> October 2012 due to the dissolution of EKJAC and therefore this is considered the ideal opportunity for the Council to review its governance arrangements and the way it reports to Members. The Executive and Scrutiny need to be clearly accountable for setting, monitoring and challenging performance levels.

### *Partnerships*

A light touch review was carried out on Partnerships as an audit was completed in 2008/2009 on partnerships alone. This review found that the Partnership Register on-line was only partially completed and Partnership documents held on the intranet were out of date and some of the links did not work. It has therefore been recommended that the Council conducts a review of the Partnerships page held on the intranet using the previous audit report from 2008/2009 as guidance.

<b>2.12 Thanet Leisure Force (Monitoring and Performance Arrangements) – Substantial/Limited Assurance:</b>
---

#### 2.12.1 Audit Scope

To ensure that Thanet Leisure Force are operating the Council's indoor leisure centres, outdoor leisure facilities and Entertainment and Catering venues in accordance with the provisions contained within their leases and associated grant condition agreements; and that as a result the Council's leisure arrangements are economic, efficient and effective in meeting the needs of the residents of Thanet.

#### 2.12.2 Summary of Findings

Management can have:



- **Limited Assurance** that the Council currently has in place an up to date lease and terms and conditions of grant which both the Council and Thanet Leisure Force are fully compliant with.
- **Limited Assurance** that there are sufficient processes and indicators in place to ensure that the Council's Corporate Plan - Priority 9 can be met.
- **Substantial Assurance** that Thanet Leisure Force (TLF) are fulfilling their requirements to manage the Council's facilities.

The last audit of this area took place in March 2010. In the resulting audit report, six recommendations were made, all of which concerned the terms and conditions of the lease between the Council and TLF. Whilst these recommendations were accepted, they still remain to be implemented.

A full review of the lease and grant conditions has not been completed. The 2010 Audit report highlighted that they were out of date and required reviewing to ensure that they reflect the current contractual arrangements between the Council and TLF, however despite several efforts over the intervening years this has not been completed and accordingly the 2004 lease remains in force. At the time of their introduction the grant conditions were appropriate, however the service and the working relationship has changed considerably (including the number of sites managed by TLF) and many of the conditions are no longer proportionate nor practical.

The Council has recently approved acting as a loan guarantor for the leisure centre developments at both Hartsdown and Ramsgate. These loans currently however run longer than the existing leases and this should be rectified through the suggested lease review process. Also of concern in this area is that the projected surplus from the enhancements to the Hartsdown Leisure Centre (which were funded by the loan guaranteed by the Council) are currently not being achieved. Whilst the expected income levels have been surpassed, the associated expenditure has also exceeded expectations resulting in a deficit (as opposed to the projected surplus), which has increased in size in each of the last two years and is now projected to increase again this year.

The responsibility for overseeing the contract between the Council and TLF has changed several times over recent years and again recently, resulting in a lack of continuity and background knowledge on TLF; because of this it is therefore difficult to obtain details of how the contract and working relationship with TLF has evolved over the years.

The Council's Corporate Plan 2012-16, Priority 9 states 'We will support a broad range of sports and leisure and coastal facilities and activities.' In order to meet this objective by 2016 progress will be monitored on the following measures over the next 4 years: -

- An increase in the number of people taking part in sport and active recreation.
- An increase in the number of visits to leisure facilities owned by the council.
- An increase in satisfaction levels for sports and leisure facilities

At present however, very little action has been taken to ensure there are relevant performance indicators and targets in place to monitor achievement against this Corporate Priority. Action is going to be taken to collate the information on performance indicators from the individual service plans for each Corporate Plan Priority and these will be monitored to ensure that the Council is fulfilling its

commitments. However, the service plan of Community Development currently only includes one performance indicator – ‘visits to TLF run leisure centres’ and an action to ‘review lease for TLF’. These alone are very unlikely to demonstrate achievement of the targets set out in Priority 9.

TLF have received Quest accreditation for both the Ramsgate Sports Hall and Hartsdown Leisure Centre. The last report at Ramsgate was in February 2011 and at Hartsdown was May 2011. Both of the reports stated that Thanet Leisure Force has been ‘Highly Commended’ scoring 79% and 81%. The scores have risen by 1% and 2% respectively since the previous inspections. Recommendations were made by Quest in both reports where improvements could be made to increase the score for their next visit.

From the 1<sup>st</sup> April 2013 TLF and Vista are becoming one organisation. Councillors at Thanet have been advised of the change, however because there are no changes to the contracts between the Council and TLF a report does not have to be taken to Cabinet.

The Council provided a loan for £75,000 to TLF in 2004 to assist them with essential works, which were required at the Winter Gardens. The agreement states that the monies will be paid back in 7 instalments of £12,228.50 and a final payment of £6,114.25 will be due six months after the seventh annual payment. Although the 7 payments have been received, the last one being paid on 13.12.11, no action has been taken to recover the final amount due.

## **2.13 Data Protection Act Compliance – Reasonable/Limited Assurance:**

### **2.13.1 Audit Scope**

The audit will examine and evaluate the procedures and controls established by management to ensure that the Council creates, holds and maintains personal information about living individuals in accordance with the requirements of the Data Protection Act 1998 (DPA) and deals with the subject access requests and information sharing requests in accordance with the Act.

### **2.13.2 Summary of Findings**

Management can place Limited Assurance on the systems of internal control in operation to safeguard personal data held on computer equipment, and Reasonable Assurance on the controls in place with regard to the personal data physically held within the Council building.

#### **Personal data stored on Computer Equipment**

The number of USB memory sticks used within the Council is unknown due to their being no inventory of what has been issued either prior to 1<sup>st</sup> April 2011 by Thanet ICT department or since then by EK Services. The Removable Media Policy states that all data stored on removable media devices must be encrypted. Although there is a pool of encrypted memory sticks held by the ICT Engineers at Thanet if a request from a member of staff at Thanet is received by EK Services for a memory stick then a non-encrypted one will be issued.

EK Services took over the management of the ICT contract for Thanet in April 2011. At this time a list of ICT equipment issued to Council staff was provided to them. All

ICT equipment purchased for Thanet from April 2011 has been procured by EK Services and tagged with their own unique id. In order to create an inventory a PC health check was carried out at all sites managed by EK Services and this included all PC's in the building as well as any laptops, which had been brought in specifically for the check. From undertaking the health check a list was created of all ICT equipment in the Thanet premises detailing the id number, the model, serial number, the user, when it was purchased and whether it needed replacing. This information is to be used by EK Services to create a new inventory on their Track It system; however this may not be comprehensive as there may still be laptops, which have not been checked and cannot be accounted for.

ICT equipment is not reviewed prior to it being disposed of to ensure that no data has been stored on it. An outside contractor is used to dispose of redundant ICT equipment and although a certificate is received by EK Services to confirm that it has been disposed of this does not prevent data getting into the wrong hands once the Council has signed the equipment over.

The Council's systems are not 'locked down' and therefore any peripheral IT equipment (whether Council owned or private) can be used on the network, i.e. laptops, USB memory sticks, hard drives etc.

An IT Equipment Security Policy has been created and is available on the Intranet, however this is not included on the Induction Checklist for new starters and there is no method to ensure that members of staff have read and understood the guidance.

Many departments use the Civica system to store their hardcopy documents, which are received by the Council electronically. The paper documents are held by the mailroom securely until disposal in accordance with the SLA for each department. This reduces the risk of personal information being misappropriated, as the documentation is not easily available unless you have access to the Council systems and specific areas within Civica. However it does not prevent staff with access to the system downloading the information on to portable media and using it for other means, as this is not policed.

Officers who leave the Council, EK Services and EKH who have been allowed access to the network do not have their account disabled in a timely manner. This allows for the opportunity of Council information being stolen and misappropriated.

### **Physical Security of Personal Information**

Access to the Thanet District Council offices in Cecil Street is generally well controlled with all main access points and stairwell swipe card protected and access to areas such as Revenues and Benefits are further restricted.

However, a report was generated from the computer system detailing all of the cards in use and it highlighted various issues, such as: -

- Officers have been issued on various occasions with a new card and the previous ones still remain active.
- General contractor and temporary passes have been issued.

This therefore presents a security issue as once entry has been gained to the building there are only a few areas, which cannot be accessed.

## **2.14 Dickens House and Margate Museums – Reasonable/Limited Assurance:**

### 2.14.1 Audit Scope

The audit will examine and evaluate the procedures and controls established by management in respect of Dickens House and Margate Museum.

### 2.14.2 Summary of Findings

Management can place Reasonable Assurance on the system of internal controls in operation within the Dickens House Museum and Limited Assurance on the system of internal controls in operation within the Margate Museum.

Many of the issues affecting control effectiveness are historical and inherited weaknesses within the operation of the museums themselves. On a positive note attempts are now being made to make improvements, most significantly at the Margate Museum. This however is not an overnight process and it is acknowledged that this will take time, is subject to budgetary restrictions, officer availability and the goodwill of those volunteers involved in the operational running of the museums.

#### **Dickens House Museum**

Generally the Dickens House Museum is run to a satisfactory standard, albeit that many of the working practices and supporting procedures are antiquated, manual and/or paper based. There are areas of improvement that are currently being taken forward and these have been cited against the relevant control objectives. The auditor made a site visit to the Museum and a tour was provided by the Curator who was found to be a very enthusiastic and knowledgeable person with a number of ideas for developing the museum further. The museum was well presented with a number of volunteers in attendance. The intention is for the Museum to be self-financing although there was a deficit between expenditure and income of £1,386 in 2011/12.

Attention is required to address the Curator's lack of employee contract as, without this formal footing, responsibilities are not clearly defined and could adversely impact on service standards and expected performance.

The existing insurance arrangements require attention to ensure the museum collection is appropriately insured. Discussion with the Curator confirmed that there has been no recent revaluation of the museum artefacts – believed this was probably about 2006. There is concern therefore that insurance on individual artefacts and the collection as a whole may not be adequate.

The Curator is responsible for the management of the museum with the Community Development Officer providing an arms length-overseeing role on behalf of the Council. In addition to the existing monitoring activities, introduction of the following would enhance control effectiveness by ensuring satisfactory standards and procedures within working practice are being maintained: -

- An inspection programme to ensure agreements regulating the loan of artefacts are followed and complied with;
- An independent check to ensure that money banked reconciles to the transaction takings/supporting documentation at the museum;

- Check that the programme of works has been carried out to ensure security systems have been recently checked and any identified maintenance works have been carried out.

### **Margate Museum**

Prior to May 2011 this museum was closed for a period of two years following the failure of the previous management trust and the subsequent handing back of control to the Council. This museum was reopened in May 2011 by The Friends of Margate Museum (TFofMM) and is run by volunteers. The TFofMM is a fully constituted group.

Lessons were learnt from the previous trust that had left the museum and its records in disarray. This museum is managed in a very different way to the Dickens House Museum with the Community Development Officer having a much more hands on approach that includes regular contact with the co-ordinator, several times a week, in addition to attendance at the Group's Executive meetings as the Council's representative.

Observations from the tour of the museum clearly showed the historical lack of attention and neglect of this museum and its internal management. TFofMM are to be commended for taking on the museum in its state of disarray and for their work to bring the museum into service.

Attention is required to address the lack of formal contract detailing the agreed management arrangements between the Council and TFofMM. There needs to be clearly specified parameters and authority delegation controlling the day-to-day running of the museum and the development of the museum service. The Council's interest should be properly protected.

On taking over the museum from the previous trust, there were found to be no reliable records cataloguing the artefacts owned by the Council. To address the issue TFofMM are undertaking the cataloguing of artefacts as part of a two-year project. The Council however has a responsibility to safeguard its assets and, with the collection valuation estimated to be £400,000 together with the associated insurance risks, alternative options should be sought to shorten the two-year time scale and reduce the risk of loss; whether or not the collection is complete cannot be assessed however due to the lack of reliable documentation and systems historically, it is certainly possible that exhibits have gone missing in the past. Option considerations must ensure that the Council's interests are adequately protected.

The proposed introduction of a system based cataloguing process (to replace the current paper based versions) will provide a number of opportunities to improve overall control effectiveness and the management of the associated risks that have been referenced within this report i.e.

- Incorporate the revaluation assessment of the artefact collection to give an overall and individual artefact value that can be used to inform the Inventory of Assets required by the Council's Finance Department when renewing the annual insurance cover;
- Improved procedures for the recording of artefacts i.e. clear identification of those that are the property of the Council and those that have been donated and/or are on loan from a personnel collection;
- Incorporation of Exhibit Registers for the recording and monitoring of those artefacts on loan;

- Introduce a consistency in working practice throughout the two Council museums;
- All artefacts will be referenced to the physical item and the number reference applied using the proper recommended security ink; and
- Contingency arrangement to protect the loss of the Artefact Catalogue data i.e. appropriate back up and storage of data.

The Museum Accreditation Scheme sets nationally agreed standards for museums in the United Kingdom. To qualify, museums must meet clear basic requirements on how they care for and document their collections, how they are governed and managed, and on the information and services they offer to their users. It is understood that a long-term goal is to apply for Museum Accreditation Status. This would subsequently provide the information of other accredited museums on which benchmarking could be undertaken, if appropriate.

## 2.15 EK Services Housing Benefit Quarterly Testing (Quarter 2 of 2012-13):

2.15.1 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 second quarter of 2012/13 financial year (July to September 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, only one (5%) was found to have failed the criteria set by the Audit Commission's verification guidelines as an error was found which would impact upon the subsidy claim.

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

3.1 As part of the period's work, four 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)	EK Housing Governance Arrangements	Reasonable	Reasonable	H M L	6 3 2	H M L	1 1 1
b)	EK Housing - Finance and ICT Controls	Reasonable	Substantial	H M L	0 2 3	H M L	0 1 2
c)	Insurance and Inventories of Portable Assets	Reasonable	Reasonable	H M L	6 3 0	H M L	2 1 0
d)	EK Housing –	Limited	Reasonable	H	3	H	0

Service/ Topic		Original Assurance level	Revised Assurance level	Original Number of Recs		No of Recs Outstanding	
	Leasehold Services			M	1	M	0
				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: Business Continuity and Emergency Planning, Payroll, ICT – Software Licences, VAT, Income, Council Tax, Partnerships and Shared Service Monitoring, Dog Warden and Litter Enforcement, Let Properties and Concessions, and Grounds Maintenance.

#### **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 20<sup>th</sup> 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 new 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 six months to 30<sup>th</sup> September 2012, 179.97 chargeable days were delivered against the planned target of 320 days which equates to 56.24% 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 30<sup>th</sup> September 2012 against the agreed 2012-13 Audit Plan.  
Appendix 4 EKAP Balanced Scorecard of Performance Indicators to 30<sup>th</sup> September 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.
<b>EK Housing Governance Arrangements – August 2012</b>		
<p>EKH specific Data Protection and Freedom of Information policies should be introduced.</p>	<p>EKH is currently working to the adopted policies of the sponsoring councils. An EKH specific policy will be provided to the Employment and Corporate Services sub-Committee in the final quarter of 2011/12. <b>Responsibility:</b> Company Secretary. <b>Target date:</b> 29 February 2012</p>	<p>The analysis of the four separate sets of policies identified a more complex baseline that we needed to move from. An outline report is being discussed at the Employment and Corporate Services Sub-Committee on 23 May 2012, with targets to compile an overarching framework containing a single data protection policy, retention schedule, publication scheme and FOI procedure for EKH by September 2012.</p>
<b>Insurance and Inventories of Portable Assets – September 2012</b>		
<p>Full reconciliation should be undertaken of insurance schedules /Asset Register /Inventories for renewal year 2012. An appropriate timeframe for completing this exercise should be set, monitored and reported upon accordingly.</p>	<p>Insurance schedules will be sent out to service units in July for confirmation. Inventory lists will be sent out to service units in August for return in September.  <b>Responsibility:</b> Finance Manager - HRA, Capital &amp; External Funding (NW) <b>Target date:</b> September 2012.</p>	<p>Currently working on reconciliations. This should be completed by the end of October otherwise escalated beginning of November.  <b>Revised Implementation Date</b> 31 October 2012.</p>
<p>Where incomplete inventory listings for 2012 are submitted to the Insurance Liaison Officer they</p>	<p>A deadline for completion is set and outstanding items have previously been escalated through</p>	<p>Currently working on reconciliations. This should be completed by the end</p>

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

<b>Original Recommendation</b>	<b>Agreed Management Action , Responsibility and Target Date</b>	<b>Manager's Comment on Progress Towards Implementation.</b>
<p>should be returned for full completion. A deadline for completion of this work should be set after expiry of which any outstanding items should be escalated to SMT Performance Board</p>	<p>the Capital and Asset Management Group. In future outstanding items will be escalated to SMT.  <b>Responsibility:</b>                      Finance Manager - HRA, Capital &amp; External Funding (NW)  <b>Target date:</b>                      September 2012.</p>	<p>of October otherwise escalated beginning of November.   <b>Revised Implementation Date</b>                      31 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
Thanet Leisure Force – Monitoring and Performance Arrangements	December 2012	Substantial/Limited	On-going management action in progress to remedy the weaknesses identified.	Quarter 4
Data Protection Act Compliance	December 2012	Reasonable/Limited	On-going management action in progress to remedy the weaknesses identified.	Quarter 4
Dickens House and Margate Museums	December 2012	Reasonable/Limited	On-going management action in progress to remedy the weaknesses identified.	Quarter 4

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

**THANET DISTRICT COUNCIL:**

Area	Original Planned Days	Revised Budgeted Days	Actual days to 30-09-2012	Status and Assurance Level
<b>FINANCIAL SYSTEMS:</b>				
Car Parking & Enforcement	12	12	8.16	Finalised - Substantial
Capital	5	5	0.17	Work-in-Progress
Treasury Management	5	5	5.22	Finalised - Substantial
Bank Reconciliation	5	5	0.39	Finalised - Substantial
Creditors and CIS	8	8	6.43	Finalised - Substantial
External Funding Protocol	8	8	0.45	Work-in-Progress
Miscellaneous Income/Cash Collection and Internet Payments	8	8	0.17	Work-in-Progress
VAT	8	8	0.17	Work-in-Progress
<b>RESIDUAL HOUSING SERVICES:</b>				
Housing Allocations/ Choice Based Lettings	10	10	0	Quarter 4
<b>GOVERNANCE RELATED:</b>				
Data Protection	10	10	10.94	Finalised – Reasonable/Limited
Provision for either a VfM Strategy audit/VfM project works or a Project Management audit	10	0	0	Deleted from plan to accommodate unplanned work
Partnerships and Shared Services Monitoring	10	10	14.01	Finalised - Reasonable
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	1.33	Work-in-Progress throughout 2012-13
s.151 Officer Meetings and Support	9	9	4.31	Work-in-Progress throughout 2012-13
Governance & Audit Committee Meetings and Report Preparation	12	12	6.3	Work-in-Progress throughout 2012-13
Audit Plan and Preparation Meetings	9	9	0	Quarter 4
<b>CONTRACT RELATED:</b>				
Contract Standing Order Compliance	12	12	11.67	Finalised - Reasonable

Area	Original Planned Days	Revised Budgeted Days	Actual days to 30-09-2012	Status and Assurance Level
<b>SERVICE LEVEL:</b>				
Child Protection and CRB Checks	9	9	0	Quarter 4
Dog Warden & Litter Enforcement	8	8	12.76	Work-in-Progress
Environmental Health - Food Safety and AirPort Health Control	10	10	0	Postpone to 2013-14 due to Food Standards Agency Inspection in Quarter 4 of 2012-13
Environmental Health - Health & Safety at Work	8	8	4.98	Work-in-Progress
Business Continuity & Emergency Planning	8	8	0.24	Work-in-Progress
Grounds Maintenance	10	10	1.03	Work-in-Progress
Dalby Square Heritage Grants (Advice on control framework)	3	3	1.59	Work-in-Progress
Dickens House and Margate Museums	10	10	12.11	Finalised – Reasonable/Limited
Commercial Properties and Concessions	10	10	7.24	Work-in-Progress
Thanet Leisure Force	12	12	10.36	Finalised – Substantial/Limited
Visitor Information Arrangements	10	10	12.09	Finalised - Reasonable
Waste Management	10	10	9.71	Finalised - Reasonable
Youth Development Strategy	8	0	0	Deleted from plan to accommodate unplanned work
<b>OTHER :</b>				
Liaison With External Auditors	3	2	0.11	Work-in-Progress throughout 2012-13
Follow-up Reviews	20	20	4.37	Work-in-Progress throughout 2012-13
<b>UNPLANNED WORK:</b>				
Housing Repairs & Maintenance	0	22	21.79	Work-in-Progress
<b>FINALISATION OF 2011-12 AUDITS:</b>				
Days under delivered in 2011-12	0	0	-7.21	Completed
Absence Management	0	0	7.79	Finalised - Limited
<b>EK HUMAN RESOURCES:</b>				
Recruitment	5	5	0.12	Quarter 4
Payroll, SMP and SSP	5	5	1.14	Work-in-Progress

Area	Original Planned Days	Revised Budgeted Days	Actual days to 30-09-2012	Status and Assurance Level
Pay & Reward - Equality Impact Assessment	8	8	9.79	Finalised
HR Systems Development – i-Trent	3	3	0	Deleted from plan to accommodate unplanned work
<b>TOTAL - THANET DISTRICT COUNCIL RESIDUAL DAYS</b>	<b>320</b>	<b>320</b>	<b>179.97</b>	<b>56.24% Complete as at 30-09-2012</b>
<b>UNPLANNED ADDITIONAL WORK</b>				
Interreg Grant – Tudor House	4	4	3.41	Work-in-Progress throughout 2012-13
Interreg Grant – Maritime (Off-Shore Wind Farm)	4	4	3.04	Work-in-Progress throughout 2012-13
Interreg Grant – Maritime (Yacht Valley)	4	8	6.05	Work-in-Progress throughout 2012-13
English Heritage Grant - Margate Arts Heritage and Culture Project	0.5	2.2	2.2	Finalised

#### **EAST KENT HOUSING LIMITED:**

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-12	Status and Assurance Level
<b>Planned Work:</b>				
Audit Committee/EA liaison/follow-up	4	7	7.97	Work-in progress throughout 2012-13
Repairs and Maintenance – Planned, responsive and Cyclical repairs.	30	30	0	Quarter 4 of 2012-13
Sheltered and Supported Housing	16	0	0	Delay until 2013-14
Tenancy and Estate Management	30	30	30.88	Finalised
<b>Finalisation of 2011-12 Audits:</b>				
Rent Calculation, Collections and Arrears Management	17.35	9.85	7.05	Finalised
Finance and ICT			1.15	Finalised
<b>Responsive Work:</b>				
Canterbury Capital and Revenue Budget Overspend Investigation	0	8	7.88	Finalised

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-12	Status and Assurance Level
Thanet Repairs and Maintenance	0	10	10	Draft Report
Former Tenant Arrears Policy Advice	0	1	0.68	Finalised
Current Tenant Arrears Policy Advice	0	1.5	1.49	Finalised
<b>Total</b>	<b>97.35</b>	<b>97.35</b>	<b>67.10</b>	

#### EK SERVICES:

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-12	Status and Assurance Level
<b>Planned Work:</b>				
Housing Benefits - Payments	15	15	0	Work-in-Progress
Housing Benefits – Admin & Assessment	30	30	0	Quarter 4
Council Tax	30	30	1.97	Work-in-Progress
ICT – Network Security	15	15		Quarter 4
ICT – Procurement & Disposals	15	6	1.92	In Progress
ICT – Software Licensing	15	15	0.57	Work-in-Progress
ICT – Internet / Email Forum	0	3	0.24	Work-in-Progress throughout 2012-13
Corporate / Committee	0	3	0.18	Work-in-Progress throughout 2012-13
Follow up	0	3	0.51	Work-in-Progress throughout 2012-13
DDC / TDC HB Quarterly testing	40	40	27.84	Work-in-Progress
Prior Year b/fwd	0	25.10	25.10	Completed
<b>Total</b>	<b>160</b>	<b>185.10</b>	<b>58.31</b>	

**BALANCED SCORECARD – QUARTER 2**

<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>
	<b>Quarter 2</b>				
Chargeable as % of available days	84%	80%	Cost per Audit Day (Reported Annually)		£309.15
Chargeable days as % of planned days					
CCC	36%	50%			
DDC	48%	50%			
SDC	41%	50%			
TDC	56%	50%			
EKS	21%	50%			
EKH	62%	50%			
Overall	44%	50%			
Follow up/ Progress Reviews;					
• Issued	30	-			
• Not yet due	15	-			
• Now overdue for Follow Up	17	-			
Percentage compliance with the CIPFA Code for Internal Audit 2006	97%	97%			



**BALANCED SCORECARD – QUARTER 2**

<u>CUSTOMER PERSPECTIVE:</u>	<u>2012-13 Actual</u>	<u>Target</u>	<u>INNOVATION &amp; LEARNING PERSPECTIVE:</u>	<u>2012-13 Actual</u>	<u>Target</u>
	Quarter 2			Quarter 2	
Number of Satisfaction Questionnaires Issued;	38		Percentage of staff qualified to relevant technician level	75%	75%
Number of completed questionnaires received back;	13 =34%		Percentage of staff holding a relevant higher level qualification	33%	33%
Percentage of Customers who felt that;			Percentage of staff studying for a relevant professional qualification	13%	13%
<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	1.46	3.5
	77%	90%	Percentage of staff meeting formal CPD requirements	33%	33%
	77%	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.