



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 2014.

2.0 SUMMARY OF REPORTS

	Service / Topic	Assurance level
2.1	Pest Control	Substantial
2.2	Anti-Money Laundering	Substantial
2.3	Procurement	Substantial
2.4	Printing and Post	Substantial
2.5	EKS - Debtors	Substantial
2.6	Land Charges	Substantial
2.7	Planning	Substantial/Reasonable
2.8	Contaminated Land, Pollution, Air and Water Quality	Reasonable
2.9	EKS - Employee Benefits-in-Kind	Reasonable
2.10	East Kent Housing – Rent Collection & Debt Management	Reasonable
2.11	Waste Vehicle Fleet Management	Reasonable/Limited
2.12	FOI, Data Protection and Information Management	Reasonable/Limited/ Limited
2.13	East Kent Housing – Tenant Health & Safety	Split Assurance

2.1 Pest Control – Substantial Assurance:

2.1.1 Audit Scope

Test to ensure the Council provides an efficient, economic and effective pest control service within the district.

2.1.2 Summary of Findings

The current pest control contract was awarded to Cannon Pest Control (for a four year period until 2016) in a joint procurement exercise with Dover and Shepway District Councils. Shepway District Council took the lead on the tendering process on behalf of the three authorities. Under the terms and conditions of the contract, there is no cost to the Council and the contractor is required to pay a concession fee to the

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Council if the income collected exceeds £35,000 per quarter, however, to date that income level has not been achieved.

The primary findings giving rise to the Substantial Assurance opinion in this area are as follows:

- The Council undertakes regular and effective monitoring of the contract (including performance indicators) as well as meetings with the contractor and the other authorities included in the contract
- The pest control service is advertised via the Council website and at landlords' forums for the selective licensing area.

2.2 Anti-Money Laundering – Substantial Assurance:

2.2.1 Audit Scope

To ensure that the Council's obligations and responsibilities regarding money laundering are adequately discharged, specifically to do all we can to prevent, wherever possible, the organisation and its staff being exposed to money laundering, to identify the potential areas where it may occur, and to comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases.

2.2.2 Summary of Findings

Money laundering is the term used for a number of offences involving the proceeds of crime and terrorist funds. The following acts constitute the act of money laundering:

- Concealing, disguising, converting, transferring or removing criminal property from England and Wales, or from Scotland, or from Northern Ireland.
- Becoming concerned in an arrangement in which someone knowingly or suspects and facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person.
- Acquiring, using or possessing criminal property.

The primary findings giving rise to the Substantial Assurance opinion in this area are as follows:

- The Council's Anti-Money Laundering process is working well.
- The Council has a nominated Anti-Money laundering Officer.
- Appropriate arrangements are in place to ensure that all relevant staff within the Council are aware of the Policy, procedures, reporting arrangements and the action that needs to be taken if they identify anything suspicious.

2.3 Procurement – Substantial Assurance:

2.3.1 Audit Scope

To evaluate the progress of Procurement processes developed by the Council in relation to: business objectives and emerging new policies/changes and evolving legislation & resulting obligations, further development of the procurement framework including systems to meet the needs of the business.

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2.3.2 Summary of Findings

“Procurement is the process of acquiring goods, works and services, covering both acquisitions from third parties and from in-house providers. The process spans the whole cycle from identification of needs, through to the end of a service contract or the end of the useful life of an asset. It involves option appraisal and critical ‘make or buy’ decisions which may result in the provision of services in-house in appropriate circumstances.” From National Procurement Strategy 2003.

Thanet District Council has a diverse range of procurement requirements with its extensive coastline, Ramsgate Royal Harbour and many housing and regeneration projects. Procurements range from contracts for supplies and services to more complex arrangements such as partnerships, management agreements, joint commissioning with other public sector organisations and construction projects.

The primary findings giving rise to the Substantial Assurance opinion are as follows:

- The Council has a Procurement Strategy that is regularly reviewed and updated.
- The Strategic Procurement Manager ensures that the strategy and other policies are promoted within the Council, and also engages the local business community.
- Purchase Order Processing is utilised throughout the organisation and a system is in place to train new originators.
- Purchase cards are used by Council officers and there are effective systems in place to manage their use.
- The Council is making effective use of electronic systems in Procurement.

2.4 Printing and Post – Substantial Assurance:

2.4.1 Audit Scope

To ensure that the Council has established adequate systems of control governing printing, postage and photocopying expenditure, recharges and income.

2.4.2 Summary of Findings

The Mail Room offers a variety of services to the Council, including receiving mail and delivering internally, folding and enveloping large mail outs, franking post and ensuring it is handed to the Royal Mail the same evening.

The Print Room manages the Canon multi-functional devices (which have print, scanning and photocopying capability) located throughout the Council offices and also the production printers in the Print Room itself. They offer many services including black and white photocopying, colour photocopying, administration, troubleshooting and general maintenance of the Council's photocopiers, laminating, hot and wire binding of documents, cutting, collating and padding and general finishing, provision and set up of visual aids to specific requirements, and private printing and finishing service.

The primary findings giving rise to the Substantial Assurance opinion in this area are as follows:

- The Mail Room has effective controls in place to deal with the post they receive and send.

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- They offer a scanning service and have effective controls in place to deal with the sensitive documents in a timely and effective manner.
- Confidential documents are kept secure.
- Both the Mail Room and the Print Room endeavour to keep costs low.
- External Printing work is undertaken to create income for the Council.

Minor scope for improvement was however identified in the following areas:

- The printing charges have not been reviewed for almost two years, and are reliant on usage from several years ago. This should be reviewed to improve accuracy.
- The user data on the uniflow print system needs cleansing following users transferring to EKDS usernames.

2.5 EKS Debtors – Substantial Assurance:

2.5.1 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.

2.5.2 Summary of Findings

EK Services manage the Debtors function at CCC, DDC and TDC. They are responsible for the collection of corporate debt on behalf of each council at the point the invoice is raised. The Customer Delivery Service Level Agreement has been approved by all of the partner authorities and is reviewed on an annual basis to ensure that it details the shared service programme and current delivery requirements.

In addition to the Service Level Agreement, an Income Management Policy has been created by EK Services and agreed by all of the partners. The policy refers to the collection of monies including Sundry Debtors and the power to recover monies due has been fully delegated to EK Services.

During April 2014 changes were made to the telephone system. Customers can contact their local council to discuss their overpayment/sundry debtor invoice and the call will be received into a central hub where any of the Corporate Income Team based at any location will be able to deal with their query.

The primary findings giving rise to the Substantial Assurance opinion in this area are as follows:

- There is an Income Management Policy in place which provides clear guidance as to how the collection of corporate debt will be undertaken for all partner authorities.
- Where possible consistent procedures have been implemented to ensure the Corporate Income Team are generic and can deal with enquiries for all sites.
- Since the last audit in 2011/12 a considerable amount of work has been undertaken to ensure that the Corporate Income Team are a success.

Scope for improvement was however identified in the following areas:

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- There is a lack of information being recorded on all financial systems detailing the action taken on the invoices. This could be a key issue with the introduction of the new telephone system and dealing with enquiries from all sites.
- There is an inconsistent approach when dealing with write offs as well as a lack of information available regarding the recovery action which has been taken prior to the debt being approved for write off.

2.6 Land Charges – Substantial Assurance:

2.6.1 Audit Scope

Test to ensure that the Council provides an efficient and effective Land Charges function.

2.6.2 Summary of Findings

Local Land charges play an important part in the conveyancing process. It provides vital information for house purchasers such as:

- Planning
- Road Adoption
- Restrictions of use of the land.

Searches are received within the Land Charges Department from solicitors, estate agents and home information pack providers on behalf of house sellers and purchasers.

The Local Land Charges Department carries out all official searches covered by the Local Land Charges Act 1975, guaranteeing complete and comprehensive replies by the Council to the Official Certificate of Search (LLC1) and CON29 enquiries.

- Full searches are usually carried out within 10 working days.
- Personal search requests need to be booked at least 24 hours in advance, by telephone, subject to availability.

Individual CON29 search requests should include the appropriate payment and will usually be dealt with within 5 working days but subject to the constraints of other Agencies.

The primary findings giving rise to the Substantial Assurance opinion in this area are as follows:

- Items are only to be added to or deleted from the register where there is appropriate authority to do so and all additions and deletions from the register are supported by appropriate, authorised documentation.
- Fees charged are in accordance with approved rates.
- Fees and charges (and how they are calculated) are published annually in accordance with legislation
- Complete and accurate records are maintained of all transactions.
- The register and all supporting documents are protected against loss or unauthorised access.

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2.7 Planning – Substantial/Reasonable Assurance:

2.7.1 Audit Scope

Planning Applications – to ensure that planning application procedures, including those in respect of fees and collection of income are in accordance with Statute, and the organisation's Standing Orders and Financial Regulations.

Section 106 Agreements – to ensure that S106 agreements are used where appropriate in planning applications and that all legal requirements are adhered to. All income/benefits from the agreement are received and conditions imposed are complied with to the benefit of the district.

2.7.2 Summary of Findings

The Council's planning function is responsible for deciding whether a proposed development should be allowed. Most new buildings, major alterations to existing buildings and significant changes to the use of a building or piece of land need planning permission. Certain minor building works do not need planning permission as the effect on neighbours or the surrounding environment is minimal and in these instances they are classed as permitted development.

The following table details the total number of decided applications in the last three years:-

Year	Major applications	Minor applications	Other applications	Total applications
2011/12	44	230	617	891
2012/13	31	211	559	801
2013/14	44	259	598	901

Key performance indicators reported quarterly for the planning function show that the targets are consistently being met each quarter.

2013/14 quarter	Major apps processed within 13 weeks	Major apps processed within 13 weeks	Minor apps processed within 8 weeks	Minor apps processed within 8 weeks	Other apps processed within 8 weeks	Other apps processed within 8 weeks
	Target	Actual	Target	Actual	Target	Actual
1	60%	56%	65%	74%	80%	83%
2	60%	43%	65%	63%	80%	81%
3	60%	69%	65%	75%	80%	81%
4	60%	100%	65%	73%	80%	84%

Management can place:

- Reasonable Assurance on the system of internal controls in operation for the planning application function; and

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- Substantial Assurance on the system of internal controls in operation for monitoring the S106 and planning obligations and conditions.

The primary findings giving rise to this split assurance opinion are as follows:

- Planning files are being maintained in an orderly manner.
- The planning conditions/obligations are monitored to ensure that they are discharged correctly.
- S106 agreement conditions are monitored closely and there are procedures in place to ensure that the S106 funds are spent in accordance with the agreement.

Scope for improvement was however identified in the following areas:

- The site visit notes are not being recorded on the file or Acolaid.
- Details of site visits and when the site notice is put up are not being recorded on Acolaid.
- Notes are not being recorded on the file or on Acolaid to provide a complete audit trail.
- Delays on the decision making process are not being recorded on the file or Acolaid.
- Extensions of time are not being obtained, which is having a negative impact on the Council's performance figures.
- Acolaid is not being used to record the action taken.
- The reporting facility is antiquated and unsupported.

2.8 Contaminated Land, Pollution, Air and Water Quality – Reasonable Assurance:

2.8.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established by the Council in the following areas of environmental protection:

- Air Quality Management and Air Quality Monitoring;
- Contaminated land;
- Polluting Industrial Processes (Pollution prevention and control regime); and
- Drinking Water.

2.8.2 Summary of Findings

The areas reviewed as part of this audit (Contaminated Land, Environmental Permitting and Air and Water Quality) carry out functions to ensure that land, air and water quality does not harm the quality of lives across the district. This is carried out by following legislation and having internal processes in place that assist officers in being able to meet these objectives.

The primary findings giving rise to the Reasonable/ Assurance opinion in this area are as follows:

- Established environmental permitting processes with good procedure notes and inspection routines have been established;
- Air quality monitoring and drinking water processes are in place; and
- Information is contained on the Council's Internet in respect of contaminated land, environmental permitting and air and water quality.

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Scope for improvement could be considered in the following areas:

- The Environmental Protection Manager should evaluate if the M3 system should be used in the future for recording the environmental permitting function or whether to continue with the current recording processes;
- The Environmental Protection Manager should ensure that resources are in place to deal with any major or complicated contaminated land issues without having an impact on the current service provision. (This could include investigating the use of another authorities Contaminated Land Officer if applicable).

2.9 Employee Benefits-in-Kind– Reasonable Assurance:

2.9.1 Audit Scope

To provide assurance that the correct regulatory requirements are being adhered to in relation to the benefits in kind that are being provided to the officers and members of the three partner councils.

2.9.2 Summary of Findings

Income Tax and Employees and Employers National Insurance are chargeable on employment income that includes:

- earnings – salary, wages, fees and other emoluments;
- amounts treated as earnings and;
- amounts which are not earnings but count as employment income (Benefits in Kind).

The payroll function as part of their role should ensure that where applicable dispensations for each Council are obtained that will help to reduce the level of reporting that is required to HMRC on an annual basis and also where applicable income tax and national insurance should be processed through the payroll system on appropriate benefits in kind.

The primary findings giving rise to the Reasonable Assurance opinion in this area are as follows:

- PAYE dispensations are in place but do need to be reviewed on a regular basis to ensure that all applicable dispensations have been applied for (as per the recent exercise carried out at Canterbury City Council).
- P11D information has been correctly submitted for 2012/13.
- Payroll processes are in place to ensure that payments made for car mileage are being processed correctly for income tax and national insurance.

Scope for improvement was identified in the following areas:-

- A regular timetable should be put in place to review the dispensations / agreements that are in place and ensure that they are still relevant and also to make sure that if any new applications need to be made to HMRC. (i.e. VDU eye tests or safety uniform).
- The Creditors sections need to be advised of the checking and reporting processes that need to be carried out to ensure that professional subscriptions

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are being processed correctly for employees. (This includes ensuring that the professional body is on the HMRC list 3 and what to do if the employee is reimbursed for paying the professional subscription)

- Any HMRC changes in the treatment of Elected Members car mileage should be fully investigated to ensure that the correct deductions are being taken from the payments or that the appropriate dispensation is in place or applied for.

2.10 East Kent Housing (Rent Collection & Debt Mgmt.) – Reasonable Assurance.

2.10.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the rent collection and recovery functions are carried out efficiently and effectively.

2.10.2 Summary of Findings

East Kent Housing collects the rent on behalf of the four East Kent authorities and is also responsible for the collection of arrears and former tenant arrears (not for Canterbury City Council). Below are figures taken from the 3rd quarter's performance report for 2013/14;

- The total current residential arrears for all four authorities is £1,066,961 against a target for the year of £1,009,471;
- The total former tenant arrears for three authorities (DDC, SDC and TDC) is £441,583 against a target for the year of £427,391; and
- The total number of evictions as at 31st December 2013 for rent arrears for all four authorities is 37.

Management can currently place Reasonable Assurance on the system of internal controls in operation with emerging evidence to support a Substantial assurance opinion in the future. The primary findings giving rise to this Reasonable Assurance opinion are as follows:

- Procedures for rent management and former tenant arrears are being followed by all staff within the Income Recovery team.
- Rent account statements are sent out to tenants every quarter.
- Pro-active efforts are in place to contact tenants before their arrears spiral out of control.
- Extensive reconciliation routines are in place for Canterbury, Shepway and Thanet; and
- Regular reporting of performance to Senior Management, Client Officers and tenants' area board meetings is implemented.

Scope for improvement was however identified in the following areas:

- Utilisation of scanning facilities for Dover and Shepway documentation;
- No longer using the in house rent refund request form at Shepway;
- Remove the need for a second manager to authorise documentation at Dover if it has already been approved by the Income Recovery Manager;
- Reduce the £1,000 limit at Dover for refunds that are checked with EK Services for outstanding debts;

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- The Administration team to take over the issuing of rent cards at Dover to free up additional time for the income recovery team to continue to chase for outstanding arrears; and
- Consider if a consistent approach to the preparation of legal documentation can be put in place. Ensuring that it complies with the Legal Services Act 2007.

2.11 Waste Vehicle Fleet Management - Reasonable/Limited Assurance

2.11.1 Audit Scope

In order to ensure that the Waste Management and Street Cleansing service is performed in an efficient and effective manner which safeguards Council assets and minimises the risks associated with the management of a large vehicle fleet the audit will provide assurance on the adequacy and effectiveness of the procedures and controls established surrounding the Council's Waste Management and Street Cleansing vehicle fleet, stocks of fuels and materials, and the management of the Manston Road depot.

2.11.2 Summary of Findings

The Manston Road depot is the main location for the Council's fleet of refuse and street cleansing vehicles, equipment and staff. Maintenance, fuelling facilities, stores and administrative support are located in offices and workshops on the site.

An assurance opinion of Reasonable has been concluded in respect of the adequacy and effectiveness of the procedures and controls established surrounding the Council's Waste Management and Street Cleansing vehicle fleet, stocks of fuels and materials, and the overall management of the Manston Road depot.

However, an assurance opinion of Limited has been concluded in respect of vehicle overloading.

The primary findings giving rise to the Reasonable Assurance opinion are as follows:

- Regular routine safety checks are being carried out on all vehicles on a specified basis and recorded using appropriate documentation.
- All requirements of the vehicle manufacturer's warranty conditions are being complied with.
- All replacement parts for vehicles are sourced from an approved supplier and comply with all warranty conditions.
- Fuel usage and price are monitored and compared with budgeted usage on a regular basis.
- Parts and materials are on the whole purchased in accordance with FPRs and CSOs where applicable, e.g. Tyres, Fuel and Oils, PPE. The exception to this being hire vehicles.
- The issuing of PPE is being suitably controlled and monitored with all PPE being held securely.

The primary findings giving rise to the Limited Assurance opinion are as follows:

- During the period 01/11/13 to 09/02/14, from a total of 1,686 trips undertaken by vehicles in the operational fleet to the weighbridge, 236 (14%) were overloaded.

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- After the implementation of revised procedures to monitor instances of vehicle overloading since 10/02/14 approximately 3% of trips are still over the vehicles approved weight.

2.12 FOI, Data Protection & Information Mgmt. – Reasonable/Limited/Reasonable Assurance:

2.12.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that:

- the Council fulfils its statutory obligations regarding requests for information from the public under the Freedom of Information Act (FOIA) 2000 and Environmental Information Regulations (EIR) 2004;
- 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 subject access requests and information sharing requests in accordance with the Act; and
- the authenticity, reliability, integrity and usability of the council's records is adequately maintained.

2.12.2 Summary of Findings

For many years public authorities have responded to requests for information, however access legislation has changed the culture from a 'need to know' to a 'right to know'. Under the Freedom of Information (FOI) Act and Environmental Information Regulations (EIR) the Council is obliged to disclose information to the requester unless it can be argued by exemption or exception that to disclose information would not be in the best interest of the public. The Council has a statutory obligation to respond to FOI/EIR requests within twenty working days of the date of the initial request or the date of any clarification. With regard to requests for personal information (subject access requests) under the Data Protection Act (DPA), the Council must respond within forty working days. There is no charge for FOI requests unless the time taken to compile the information/response exceeds 18 hours of combined officer time. Subject access requests incur a fee of £10. Persistent non-compliance with the FOI Act/EIR can result in the Information Commissioner's Office (ICO) serving an enforcement notice on the Council. Breach of the Data Protection Act can carry fines of up to £500,000.

Freedom of Information (FOI) and Environmental Information Regulations (EIR)

From January 2013 through to December 2013, Thanet District Council received a total of 602 freedom of information requests and 73 environmental information regulation requests.

Management can place Reasonable Assurance on the system of internal controls in place for the operation of Freedom of Information and Environmental Information Regulation requests.

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The primary findings giving rise to this Reasonable Assurance opinion are as follows:

- Robust procedures are in place to record and monitor information requests;
- A publication scheme is available on the Council's website;
- Published information about FOI provides helpful advice about how to make a request;
- All requesters are informed of the right to an internal review or appeal to the ICO; and
- 81% of requests are answered within the 20 working day timescale

Scope for improvement was however identified in the following areas:

- The publication scheme is in need of review;
- The document 'disposal type' within Civica should be activated to allow file deletion;
- All questions in information requests need to be considered to avoid appeals;
- Provide a quicker response to requests for internal reviews;
- All staff to complete FOI e-learning. Only approximately 3% of staff have completed this thus far; and
- Set targets to respond to 100% of FOI requests within 20 working days.

Data Protection

From January 2013 through to December 2013, Thanet District Council received a total of 20 requests under the Data Protection Act, 7 of which were completed subject access requests.

Management can place Limited Assurance on the system of internal controls in operation.

The primary findings giving rise to this Limited Assurance opinion are as follows:

- Personal information cannot be deleted from Civica when it is no longer required;
- The inability to delete data from Civica is potentially a breach of the requirement of principle 5 of the Data Protection Act not to keep data for longer than is necessary.

Effective control was however evidenced in the following areas:

- Robust procedures are in place to record and monitor information requests;
- Published information about DPA provides helpful advice about how to make a request;
- The Council is registered with the ICO as a data processor;
- Approximately 60% of staff at Thanet District Council have completed DPA e-learning; and
- Departmental data sharing agreements have been evidenced.

Records Management

Management can place Reasonable Assurance on the system of internal controls in place for the operation of Records Management.

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The primary findings giving rise to this Reasonable Assurance opinion are as follows:

- Each service has adequately documented the information it holds together with associated retention periods;
- Guidance regarding the storage of information within Outlook is published on the staff intranet; and
- Services sampled are complying with retention schedules.

Scope for improvement was however identified in the following areas:

- The Information Management Strategy requires updating;
- The document disposal type within Civica should be activated;
- All retention schedules are out of date/in need of review; and
- Add version date to updated retention schedules.

2.13 East Kent Housing - Tenant Health & Safety:

2.13.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established by East Kent Housing to ensure the safety of all residents in all properties for which they are responsible for is not compromised.

2.13.2 Summary of Findings

East Kent Housing (EKH) has been appointed by each of the councils in East Kent to undertake the management of all tenanted properties. Whilst EKH are responsible for the maintenance of the properties, the Law sets out that the Chief Executive of each Council remains ultimately accountable for the Health and Safety of tenants. From the testing completed during this review a number of the necessary systems of control surrounding fire safety and lift maintenance are currently absent. There is however evidence of compliance with the majority of the key controls surrounding Gas Safety and Asbestos Management which leads us to conclude an assurance level on each individual area, (rather than the system as a whole), as follows;

Area	Assurance
Gas safety	Substantial
Fire safety	Limited
Asbestos	Reasonable
Lifts	No
Legionella	Reasonable

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The primary findings giving rise to the audit opinions of Substantial assurance for Gas Safety and Reasonable assurance for Asbestos, and Legionella are as follows:

- All gas safety inspections are carried out by a Gas Safe registered contractor.
- Gas safety inspections are being completed prior to expiry.
- Asbestos registers are in place and are made available to contractors working at properties which are known to have asbestos present.
- Legionella temperature testing is undertaken at suitable intervals, however where it is identified that temperatures are outside of acceptable parameters, the remedial work is not always being completed in a reasonable timescale.

Significant scope for improvement was identified in the key areas of fire safety and lifts, and it is the following findings which result in a conclusion of Limited and No Assurance in these areas.

- The link between budget spend on Fire Prevention works and the actions identified in Fire Risk Assessments is not clear, the outstanding actions have not been monitored or reviewed for at least 3 years.
- Responsibilities in respect of the Responsible Person (Fire) are not clearly identified.
- Remedial work identified on risk assessments carried out in 2011 has not been completed.
- Registers detailing firefighting equipment, fire doors & fire detection systems are absent from all ten sites visited as part of this review.
- Eight fire extinguishers across six sites had not been serviced in accordance with BS 5306-3:2009.
- Dry risers in tower blocks in Thanet have not been inspected and tested in accordance with BS 5306-1.
- Personal Emergency Evacuation Plans (PEEPs) are out of date at the three sites inspected as part of this review.
- Remedial work identified on lift examination reports is not being carried out resulting in the same defects being evident on the next examination six months later, potentially breaching the law

2.13.3 Management Response.

We welcome the comprehensive and thorough review of health and safety in the audit report and most of the recommendations will help us deliver our commitment to ensure that our estates and tenants homes are safety places to live. The Board has taken a keen interest in developing a robust and consistent approach to health and safety and has appointed its own Health and Safety champion. The Board also conducts an annual review of Health and Safety as part of its Corporate Health meeting each July.

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A number of reports have been made to the Board on health and safety and as a result a number of improvements have already been made and a number of other actions were already in train at the time of the audit, including developing consistent policy and processes across all four districts. Similarly a number of changes were already being made in our approach to health and safety in sheltered housing scheme, for example the introduction of fire boxes and the roll out of personal Emergency Evacuation Plans. The implementation of the sheltered housing review later this year will ensure that a comprehensive, robust and consistent approach to health and safety in the sheltered housing schemes is achieved.

The timing of the audit, during a time at which the independent fire safety assessments were being carried out was unfortunate as it gave rise to findings and recommendations that would no doubt have been addressed had the risk assessment process been complete. Nevertheless the findings especially around quality control procedures have proved to be helpful. A number of recommendations, some classified as High in fire safety are not consistent with the requirements of the Regulatory Reform Order.

While we accept that there was a key failing in lift safety in respect of the LOLER reports, an oversight caused by the transition to an online service, there are corresponding safeguards and checks in place through existing maintenance and service contracts which significantly mitigate the potential risks and we believe that no assurance in this area is a harsh judgement. Given the potential risk and no assurance but the relative ease which the weakness can be addressed we would welcome an early re-assessment of this aspect of the audit.

The audit process has been appropriately challenging and the subsequent dialogue with the audit team has been positive and constructive. We are confident that the findings and the implementation of the recommendations will result in a very strong approach to the health and safety of tenants in the future.

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

- 3.1 As part of the period's work, six 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)	Public Health Burials	Limited	Reasonable	H	5	H	0
				M	2	M	0
				L	0	L	0
b)	Environmental Protection Complaints	Reasonable	Substantial	H	0	H	0
				M	2	M	2
				L	0	L	0

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Service/ Topic		Original Assurance level	Revised Assurance level	Original Number of Recs		No of Recs. Outstanding	
c)	Cemeteries and Crematoria	Substantial	Substantial	H M L	0 1 3	H M L	0 0 1
d)	EKS – ICT Software Licences	Limited	Limited	H M L	4 1 1	H M L	4 1 1
e)	Homelessness	Substantial/ Limited	Substantial	H M L	1 0 0	H M L	0 0 0
f)	EKS - Business Rates	Reasonable	Reasonable	H M L	4 0 0	H M L	0 0 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.

- 3.3 As highlighted in the above table, those areas previously reported as having either Limited or No assurance have been reviewed and, in respect of those remaining at below Reasonable assurance, Members are advised as follows:

a) EKS – ICT Software Licences

The follow up review of EK Services – ICT Software Licensing has found that no significant progress has been made implementing the recommendations due to an ongoing issue with the supplier of the required system.

- 3.4 After the follow-up review has been completed by the East Kent Audit Partnership any recommendations which remain outstanding are tracked through the Council's Policy & Business Planning team, via quarterly reminders, with an expectation that progress reports will be provided quarterly for all high priority matters. If the recommendations remain outstanding the tracking and reminders will continue for three years, which is the usual period between programmed internal audits. The current numbers involved and progress towards achieving currently outstanding recommendations is as follows:

ANNEX 1

Service/ Topic		Assurance level	No of Recs. Outstanding	
a)	HRA Business Plan – 2009/10	Substantial	H M L	1 0 0
b)	Your Leisure – 2012/13	Substantial Limited Limited	H M L	1 1 0
c)	Business Continuity and Emergency Planning – 2012/13	Reasonable	H M L	0 1 1
d)	Telephones, Mobiles and Utilities – 2013/14	Substantial	H M L	0 1 0
e)	Officer Code of Conduct and Prevention of Fraud & Corruption – 2013/14	Substantial	H M L	0 2 1
f)	Let Properties and Concessions – 2012-13	Reasonable	H M L	1 1 0
g)	Museums – 2012-13	Reasonable /Limited	H M L	3 3 0
h)	Partnerships and Shared Service Monitoring – 2012-13	Reasonable	H M L	0 1 0

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: Leasehold Services, Equality and Diversity, Licensing, Tenant Health & Safety, Overtime, Receipt and Opening of Tenders, Sports Development and Footprints in the Sand, Payroll, and Tackling Tenancy Fraud.

5.0 CHANGES TO THE AGREED AUDIT PLAN:

- 5.1 The 2013-14 internal audit plan was agreed by Members at the meeting of this Committee on 20th March 2014.
- 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.

ANNEX 1

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 three month period to 30th June 2014, 65.2 chargeable days were delivered against the planned target of 300 days which equates to 21.73% 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 2013-14 is attached as Appendix 5.
- 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 2014 against the agreed 2014-15 Audit Plan.
- Appendix 4 EKAP Balanced Scorecard of Performance Indicators to 30th June 2014.
- 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.
<i>EKS – ICT Software Licences (July 2014)</i>		
<p>Recommendation 1</p> <p>The process for purchasing, installing and uninstalling software should be redesigned and communicated to all staff involved in the process. The new process should ensure that once a technician has installed any new software or uninstalled any redundant software that information is documented regarding the serial number, security access key and asset number of the computer where the software has been installed or uninstalled is reported back to the Business Support Team before closing the call.</p>	<p>Agreed Management Action</p> <p>a) EK Services are investigating the use of a central SAM system, which will consider the management of all software licences.</p> <p>b) EK Services have planned the implementation of ITIL change control processes, which will incorporate procedures to undertake when managing software installations.</p> <p>Responsibility / Completion Date</p> <p>Head of ICT / 2014.</p>	<p>Follow Up Findings as at 16th July 2014</p> <p>EK Services intend to purchase and install new SAM software in 2015/16. Once implemented this should address all of the issues raised by Internal Audit.</p> <p>Action has been taken by EK Services to reduce the impact and likelihood of the risks identified. As mentioned EK Services have taken the following steps to reduce the risk and improve its position in terms of managing its licenses. These include: -</p> <ol style="list-style-type: none"> 1) Completed an Oracle licensing review for all partners to establish the effective licensing position; 2) Completed a Microsoft requested review of Microsoft Licensing at Canterbury City Council to establish the effective licensing position; 3) The roll-out of new equipment (157 laptops & 42 desktops) at Dover District Council has improved the licensing position at Dover District Council;

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.
		<p>4) The roll-out of new equipment (242 laptops & 54 desktops) at Canterbury City Council and has improved the licensing position at Canterbury City Council;</p> <p>5) The roll-out of new equipment (250 laptops & 26 desktops) at Thanet District Council and has improved the licensing position at Thanet District Council;</p> <p>6) The roll-out of new equipment (411 smart devices) to all partners</p> <p>7) Increased knowledge of licensing requirements and controls required.</p> <p>Conclusion This recommendation remains outstanding and will be escalated to the Audit Committees at Dover, Canterbury and Thanet.</p>

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.
<p>Recommendation 2 Work should be carried out prior to 2014 to ensure that; all software installed across all three Councils is established and recorded in an appropriate register (or three separate registers). Information should be collected to include: -</p> <ul style="list-style-type: none"> a) a description / title of software / license type (free and open source, proprietary or concurrent. b) the Council to which the software belongs c) date of procurement d) number of licences held e) number of authorised users f) expiry date of licence if applicable g) any restrictions on use h) details of PCs / laptops on which the software is installed i) software licence key code number j) location of software licensed disks and receipts / boxes k) Name of officer installing software 	<p>Agreed Management Action EK Services are investigating the use of a central SAM system, which will consider the management of all software licences. Due to the size of the task EK Services cannot complete this before 2014 but the recommendations contained within the audit report will be addressed as part of this process.</p> <p>Responsibility / Completion Date 2014, Head of ICT</p>	<p>Please see update for rec 1 Recommendation is outstanding at 2nd July 2014.</p> <p>The contract for the new software is in dispute. The Head of ICT (EK Services) will be following this up through the Thanet legal team. In the meantime EK Service will endeavour to manage assets and licences in the most effective way.</p> <p>Revised Implementation Date: 2015/16</p>

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.
<p>Recommendation 3</p> <p>The Business Support Team should gain full access to; and responsibility for maintaining the new Software Register or Software Registers as soon as they are correct and up to date.</p> <p>This will allow the Business Support Team who is currently responsible for purchasing software to control and update the central register of software and software licenses with accurate and timely information.</p>	<p>Agreed Management Action</p> <p>EK Services are investigating the use of a central SAM system, which will consider the management of all software licences. Responsibility for maintaining the software registers will be decided once a central SAM system has been implemented.</p> <p>Responsibility / Completion Date</p> <p>2013, Head of ICT</p>	<p>Please see update for rec 2 Recommendation is outstanding at 2nd July 2014.</p> <p>The contract for the new software is in dispute. The Head of ICT (EK Services) will be following this up through the Thanet legal team. In the meantime EK Service will endeavour to manage assets and licences in the most effective way.</p> <p>Revised Implementation Date: 2015/16</p>
<p>Recommendation 4</p> <p>A full reconciliation of software currently being used, against licences held should be carried out using a TRACK IT (if the functionality can be resolved) or a suitable alternative Software Asset Management Tool SAM.</p> <p>This should be undertaken to ascertain what software is currently being used across all three Councils. This will assist management to gather information to help produce an appropriate software asset register or registers for each Council.</p>	<p>Agreed Management Action</p> <p>EK Services are investigating the use of a central SAM system, which will consider the management of all software licences.</p> <p>Responsibility / Completion Date</p> <p>2013, Head of ICT</p>	<p>Please see update for rec 1 Recommendation is outstanding at 2nd July 2014.</p> <p>The contract for the new software is in dispute. The Head of ICT (EK Services) will be following this up through the Thanet legal team. In the meantime EK Service will endeavour to manage assets and licences in the most effective way.</p> <p>Revised Implementation Date: 2015/16</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
Absence Management	June 2013	Limited	On-going management action in progress to remedy the weaknesses identified.	As part of a planned audit in 2014-15
EK Services – Change Control	June 2014	Limited	On-going management action in progress to remedy the weaknesses identified.	Autumn 2014/15
Waste Vehicle Fleet Management.	September 2014	Reasonable/Limited	On-going management action in progress to remedy the weaknesses identified.	Winter 2014
FOI, Data Protection and Information Management	September 2014	Reasonable/Limited/ Limited	On-going management action in progress to remedy the weaknesses identified.	Winter 2014

PROGRESS TO DATE AGAINST THE AGREED 2014-15 AUDIT PLAN – APPENDIX 3

THANET DISTRICT COUNCIL:

Area	Original Planned Days	Revised Budgeted Days	Actual days to 30-06-2014	Status and Assurance Level
FINANCIAL SYSTEMS:				
Car Parking and Enforcement	10	10	0	Quarter 3
Creditors and CIS	8	8	0	Quarter 3
Income	10	10	0	Quarter 3
Insurance and Inventories of Portable Assets	10	10	0	Quarter 3
RESIDUAL HOUSING SERVICES:				
Right to Buy	8	8	0	Quarter 4
HRA Business Plan	10	10	0.17	Work-in-Progress
GOVERNANCE RELATED:				
Fraud Prevention	10	10	0	Quarter 3
Anti-Money Laundering	6	6	5.83	Finalised – Substantial
Complaints Monitoring	10	10	0.17	Quarter 3
Scheme of Officer Delegations	7	7	0	Quarter 4
Corporate Advice/SMT	2	2	1.28	Work-in-progress throughout 2014-15
s.151 Officer Meetings and Support	9	9	2.62	Work-in-progress throughout 2014-15
Governance & Audit Committee Meetings and Report Preparation	12	12	4.23	Work-in-progress throughout 2014-15
2015-16 Audit Plan and Preparation Meetings	9	9	0.41	Work-in-progress
CONTRACT RELATED:				
Receipt and Opening of Tenders	6	6	0.81	Work-in-progress
SERVICE LEVEL:				
Community Safety	10	10	0	Quarter 3
CCTV	10	10	0	Quarter 4
Dog Warden, Street Scene and Litter Enforcement	10	10	0	Quarter 4
Equality and Diversity	10	10	0.26	Work-in-Progress
Airport and Port Health	10	0	0	Delete and replace with overtime review

Area	Original Planned Days	Revised Budgeted Days	Actual days to 30-06-2014	Status and Assurance Level
Pest Control	10	10	6.01	Finalised – Substantial
Contaminated Land, Pollution, Air and Water Quality	8	8	8.18	Finalised – Reasonable
Dalby Square and Housing Intervention Grants	10	10	0	Quarter 4
Land Charges	8	8	4.11	Finalised – Substantial
Licensing	10	10	0.24	Work-in-progress
Printing and Post	5	5	0.24	Finalised - Substantial
Your Leisure	10	10	0	Quarter 4
Sports Development and Footprints in the Sand	8	8	0.24	Work-in-progress
Waste Vehicle Fleet Management	12	12	11.34	Finalised – Reasonable/Limited
Garden Waste Income	5	5	0	Quarter 4
OTHER :				
Liaison With External Auditors	2	2	0.38	Work-in-progress throughout 2014-15
Follow-up Reviews	15	15	5.71	Work-in-progress throughout 2014-15
UNPLANNED WORK:				
Overtime Review	0	10	0	Work-in-progress
FINALISATION OF 2013-14 AUDITS:				
Days under delivered in 2013-14	0	20.31	0	Completed
Procurement	5	5	10.65	Finalised - Substantial
Planning			8.59	Finalised – Substantial/Reasonable
Tackling Tenancy Fraud			2.64	Work-in-progress
Budgetary Control			0.58	Finalised - Substantial
Payroll			1.72	Work-in-progress
Employee Benefits-in-Kind			0.94	Finalised – Reasonable
FOI, Data Protection and Information Management.			8.08	Finalised - Reasonable/Limited/ Reasonable
EK HUMAN RESOURCES:				
Absence Management	5	5	0.08	Work-in-progress
Payroll	5	5	0	Quarter 3

Area	Original Planned Days	Revised Budgeted Days	Actual days to 30-06-2014	Status and Assurance Level
Employee Allowances and Expenses	5	5	0	Quarter 3
TOTAL - THANET DISTRICT COUNCIL RESIDUAL DAYS	300	320.31	85.54	27% Complete as at 30-06-2014
UNPLANNED ADDITIONAL WORK				
Interreg Grant – Maritime (Yacht Valley)	4	4	0.95	Work-in-progress throughout 2014-15
Interreg Grant – LOPINOD	4	4	0.07	Work-in-progress throughout 2014-15
Interreg Grant – PAC2	4	4	2.77	Work-in-progress throughout 2014-15

EAST KENT HOUSING LIMITED:

Review	Original Planned Days	Revised Planned Days	Actual days to 30-06-2014	Status and Assurance Level
Planned Work:				
Audit Ctte/EA Liaison/Follow-up	8	8.5	1.5	Work-in-Progress throughout 2014-15
Finance & ICT Systems	10	0	0	Postpone until 2015-16
Tenant Health & Safety	17	30	24.16	Finalised – Split Assurance
Void Property Management.	15	18	0	Quarter 4
Sheltered Housing	30	0	0	Postpone until 2015-16
Finalisation of 2013-14 Audits:				
Leasehold Services	0	21	20.11	Work-in-progress
Rent Collection and Debt Management	0	2.5	2.36	Finalised - Reasonable
Days under delivered in 2013-14	0	0	-0.32	Completed
Total	80	80	47.81	60% at 30-06-2014
Additional Days purchased with saving from 2013-14	0	8.1	0	Allocated to Leasehold Services Audit

EK SERVICES:

Review	Original Planned Days	Revised Planned Days	Actual days to 30-06-2014	Status and Assurance Level
Planned Work:				
Housing Benefits Admin & Assessment	15	15	0.10	Work-in-progress
Housing Benefits Payments	15	15	1.72	Work in progress
Council Tax	30	30	0	Work in progress
Customer Services	15	15	0	Work in progress
ICT File Controls / Data Protection / Back ups	12	12	0	Work in progress
ICT Internet & Email	12	12	10.80	Work in progress
ICT Physical & Environment	12	12	0.20	Work in progress
Corporate/Committee/follow-up	9	9	2.81	Work-in-progress throughout 2014-15
DDC / TDC HB reviews	40	40	0.96	Ongoing
<u>Finalisation of 2013-14 audits:</u>				
Housing Benefit Verification	0	15.15	1.08	Work in progress
2013/14 reviews to be completed	0	16	12.88	Work in progress
Total	160	191.15	30.55	16% Complete as at 30-06-2014

BALANCED SCORECARD – QUARTER 1

<u>INTERNAL PROCESSES PERSPECTIVE:</u>	<u>2014-15 Actual</u>	<u>Target</u>	<u>FINANCIAL PERSPECTIVE:</u>	<u>2014-15 Actual</u>	<u>Target</u>
	Quarter 1		Reported Annually		
Chargeable as % of available days	84%	80%	• Cost per Audit Day		£312.86
Chargeable days as % of planned days			• Direct Costs (Under EKAP management)		£392,980
CCC	25%	25%	• Indirect Costs (Recharges from Host)		£19,990
DDC	29%	25%	• ‘Unplanned Income’		Zero
SDC	29%	25%	• Total EKAP cost		£412,970
TDC	27%	25%			
EKS	16%	25%			
EKH	60%	25%			
Overall	28%	25%			
Follow up/ Progress Reviews;					
• Issued	19	-			
• Not yet due	25	-			
• Now due for Follow Up	27	-			
Compliance with the PIAS for Internal Audit Standards	Partial	Full			

BALANCED SCORECARD – QUARTER 1

<u>CUSTOMER PERSPECTIVE:</u>	<u>2014-15 Actual</u>	<u>Target</u>	<u>INNOVATION & LEARNING PERSPECTIVE:</u>	<u>2014-15 Actual</u>	<u>Target</u>
	Quarter 1		Quarter 1		
Number of Satisfaction Questionnaires Issued;	26		Percentage of staff qualified to relevant technician level	88%	75%
Number of completed questionnaires received back;	8 =31%		Percentage of staff holding a relevant higher level qualification	43%	32%
Percentage of Customers who felt that;			Percentage of staff studying for a relevant professional qualification	25%	13%
<ul style="list-style-type: none"> Interviews were conducted in a professional manner 	100%	100%	Number of days technical training per FTE	1.94	3.5
<ul style="list-style-type: none"> The audit report was 'Good' or better 	100%	100%	Percentage of staff meeting formal CPD requirements	43%	32%
<ul style="list-style-type: none"> That the audit was worthwhile. 	100%	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.