



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 September 2014.

2.0 SUMMARY OF REPORTS

	Service / Topic	Assurance level
2.1	Receipt and Opening of Tenders	Substantial
2.2	EKS – Housing Benefit Payments	Substantial

2.1 Receipt and Opening of Tenders – Substantial Assurance:

2.1.1 Audit Scope

To ensure that the Council's procedures for the receipt and opening of tenders is in accordance with Contract Standing Orders and ensures the probity of the tendering procedure.

2.1.2 Summary of Findings

All of the requisite internal controls have been established to ensure that Tender processes are undertaken in an open and transparent way.

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

- The procedures for the receipt and opening of tenders are in accordance with Contract Standing Orders.
- Tenders are opened with minimum delay and only opened by employees with authority to do so.
- Evidence exists which records who was responsible for the opening of tenders for each contract and a record is maintained of any tenders opened in the presence of elected Members.

2.2 EKS Housing Benefit Payments – Substantial Assurance.

2.2.1 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 authorities of Canterbury CC, Dover DC and Thanet DC and incorporate relevant internal controls regarding the payments of Housing Benefit.

2.2.2 Summary of Findings

Housing Benefit payments are processed and administered by EK Services inline with the Social Security Contributions and Benefits Act 1992 and the Housing Benefit Regulations 2006. Housing Benefit payments across the UK totalled £23.8 billion during 2013/14, this accounts for almost 30% of the total welfare bill. It is therefore important that the controls in place are robust to ensure error detection and fraud detection controls are effective.

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

- Policies, processes and procedures are in place which supports the business objectives set out by EK Services;
- Robust system based controls across all three Councils; and
- Effective reconciliation routines in place.

The only scope for improvement identified was the need to align a few of the processes across the three sites to encourage a consistent approach across EK Services.

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)	HMO and selective licensing	Substantial	Substantial	H	0	H	0
				M	2	M	0
				L	2	L	0
b)	Building Control	Substantial	Substantial	H	0	H	0
				M	2	M	2
				L	0	L	0
c)	EKS – Housing benefit Fraud	Substantial	Substantial	H	0	H	0
				M	2	M	0
				L	0	L	0
d)	EKS – Sundry Debtors	Substantial	Substantial	H	0	H	0
				M	3	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.

- 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)

- 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:

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 0 0
c)	Business Continuity and Emergency Planning – 2012/13	Reasonable	H M L	0 0 1
d)	Officer Code of Conduct and Prevention of Fraud & Corruption – 2013/14	Substantial	H M L	1 1 0
e)	Museums – 2012-13	Reasonable /Limited	H M L	1 1 0
f)	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, 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.

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 month period to 30th September 2014, 162.55 chargeable days were delivered against the planned target of 320.31 days which equates to 50.74% 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>None to Report this Quarter</i>		

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.	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 30-09-2014	Status and Assurance Level
FINANCIAL SYSTEMS:				
Car Parking and Enforcement	10	10	0.17	Work-in-Progress
Creditors and CIS	8	8	0.17	Work-in-Progress
Income	10	10	0.24	Work-in-Progress
Insurance and Inventories of Portable Assets	10	10	0.17	Work-in-Progress
RESIDUAL HOUSING SERVICES:				
Right to Buy	8	8	0	Quarter 4
HRA Business Plan	10	10	5.69	Substantial/Reasonable
GOVERNANCE RELATED:				
Fraud Prevention	10	10	0	Quarter 4
Anti-Money Laundering	6	6	5.83	Finalised – Substantial
Complaints Monitoring	10	10	0.17	Work-in-Progress
Scheme of Officer Delegations	7	7	0	Postpone to 2015-16 to accommodate unplanned work
Corporate Advice/SMT	2	2	1.75	Work-in-progress throughout 2014-15
s.151 Officer Meetings and Support	9	9	5.11	Work-in-progress throughout 2014-15
Governance & Audit Committee Meetings and Report Preparation	12	12	7.92	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	5.89	Finalised - Substantial
SERVICE LEVEL:				
Community Safety	10	10	0	Quarter 3
CCTV	10	10	0.34	Work-in-Progress
Dog Warden, Street Scene and Litter Enforcement	10	10	0	Quarter 4
Equality and Diversity	10	10	4.56	Work-in-Progress

Area	Original Planned Days	Revised Budgeted Days	Actual days to 30-09-2014	Status and Assurance Level
Airport and Port Health	10	0	0	Delete and replace with overtime review
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	8.36	Finalised – Substantial
Licensing	10	10	0.24	Work-in-progress
Printing and Post	5	5	7.77	Finalised - Substantial
Your Leisure	10	10	0	Quarter 4
Sports Development and Footprints in the Sand	8	8	1.67	Work-in-progress
Waste Vehicle Fleet Management	12	12	11.44	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	7.07	Work-in-progress throughout 2014-15
UNPLANNED WORK:				
Overtime Review	0	10	35.34	Work-in-progress
FINALISATION OF 2013-14 AUDITS:				
Days under delivered in 2013-14	0	20.31	0	Completed
Procurement	5	5	11.29	Finalised - Substantial
Planning			10.19	Finalised – Substantial/Reasonable
Tackling Tenancy Fraud			3.09	Work-in-progress
Budgetary Control			0.58	Finalised - Substantial
Payroll			2.6	Work-in-progress
Employee Benefits-in-Kind			0.94	Finalised – Reasonable
FOI, Data Protection and Information Management.			8.9	Finalised - Reasonable/Limited/Reasonable
EK HUMAN RESOURCES:				
Absence Management	5	5	0.08	Work-in-progress

Area	Original Planned Days	Revised Budgeted Days	Actual days to 30-09-2014	Status and Assurance Level
Payroll	5	5	0	Quarter 3
Employee Allowances and Expenses	5	5	0	Quarter 3
TOTAL - THANET DISTRICT COUNCIL RESIDUAL DAYS	300	320.31	162.55	50.74% Complete as at 30-09-2014
UNPLANNED ADDITIONAL WORK				
Interreg Grant – Maritime (Yacht Valley)	4	4	3.18	Work-in-progress throughout 2014-15
Interreg Grant – LOPINOD	4	4	2.77	Work-in-progress throughout 2014-15
Interreg Grant – PAC2	4	4	0.07	Work-in-progress throughout 2014-15
Empty Homes Cluster Grant	0	0.5	0.54	Finalised

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	2.96	Work-in-Progress throughout 2014-15
Finance & ICT Systems	10	0	0	Postpone until 2015-16
Tenant Health & Safety	17	30	27.93	Finalised
Void Property Management.	15	18	0	Quarter 4
Sheltered Housing	30	0	0.2	Postpone until 2015-16
Finalisation of 2013-14 Audits:				
Leasehold Services	0	21	21.5	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	54.63	68.29% at 30-09-2014
Additional Days purchased with saving from 2013-14				
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	6.11	Work-in-progress
Housing Benefits Payments	15	15	4.59	Finalised - Substantial
Council Tax	30	30	0.27	Work in progress
Customer Services	15	15	0.27	Work in progress
ICT File Controls / Data Protection / Back ups	12	14	0.34	Work in progress
ICT Internet & Email	12	18	17.64	Finalised - Reasonable
ICT Physical & Environment	12	14	0.20	Work in progress
Corporate/Committee/follow-up	9	9	5.31	Work-in-progress throughout 2014-15
DDC / TDC HB reviews	40	40	9.44	Ongoing
Finalisation of 2013-14 audits:				
Housing Benefit Verification	0	5.15	4.59	Completed
2013/14 reviews to be completed	0	16	14.62	Completed
Total	160	191.15	63.38	33% Complete as at 30-09-2014

BALANCED SCORECARD – QUARTER 2

<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 2		Reported Annually		
Chargeable as % of available days	84%	80%	<ul style="list-style-type: none"> • Cost per Audit Day 		£312.86
Chargeable days as % of planned days			<ul style="list-style-type: none"> • Direct Costs (Under EKAP management) 		£392,980
CCC	46%	50%	<ul style="list-style-type: none"> • Indirect Costs (Recharges from Host) 		£19,990
DDC	55%	50%	<ul style="list-style-type: none"> • ‘Unplanned Income’ 		Zero
SDC	56%	50%	<ul style="list-style-type: none"> • Total EKAP cost 		£412,970
TDC	51%	50%			
EKS	33%	50%			
EKH	68%	50%			
Overall	51%	50%			
Follow up/ Progress Reviews;					
<ul style="list-style-type: none"> • Issued 	26	-			
<ul style="list-style-type: none"> • Not yet due 	25	-			
<ul style="list-style-type: none"> • Now due for Follow Up 	30	-			
Compliance with the PIAS for Internal Audit Standards	Partial	Full			

BALANCED SCORECARD – QUARTER 2

<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 2				
Number of Satisfaction Questionnaires Issued;	44		Percentage of staff qualified to relevant technician level	88%	75%
Number of completed questionnaires received back;	12 =27%		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 • The audit report was 'Good' or better • That the audit was worthwhile. 	100%	100%	Number of days technical training per FTE	2.68	3.5
	100%	100%	Percentage of staff meeting formal CPD requirements	43%	32%



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.