



## **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 31<sup>st</sup> December 2014.

### **2.0 SUMMARY OF REPORTS**

<b>Service / Topic</b>		<b>Assurance level</b>
2.1	Licensing	Substantial
2.2	EKS – Council Tax	Substantial
2.3	EKS – Housing Benefit Administration & Assessment	Substantial
2.4	Income	Substantial/Limited
2.5	HRA Business Plan	Substantial/Limited
2.6	Sports Development & Footprints in the Sand	Reasonable
2.7	Right to Buy	Reasonable
2.8	EKS – Customer Services	Reasonable
2.9	EKS – ICT Physical & Environmental Controls	Reasonable
2.10	EKS – ICT Internet and email	Reasonable
2.11	CCTV	Reasonable/Limited
2.12	East Kent Housing – Leasehold Services	Limited
2.13	Authorisation of Overtime within Waste, Recycling & Street Cleansing	No Assurance
2.14	EKS – Quarterly Housing Benefit Testing (Quarter 1 of 2014-15)	Not Applicable

#### **2.1 Licensing – Substantial Assurance:**

##### **2.1.1 Audit Scope**

To ensure that Licences are issued correctly to applicants who qualify for the various licensing categories, the information is recorded accurately and the income receivable by the Council is collected correctly and on a timely basis in line with the procedures laid down.

##### **2.1.2 Summary of Findings**

The Council is the Licensing Authority under the Licensing Act 2003 and is responsible for granting premises licences, club premises certificates, temporary

events notices and personal licences in respect of the sale and/or supply of alcohol. The Licensing Authority also licenses the provision of regulated entertainment, late night refreshment and sexual entertainment venues. The Licensing Authority aims to permit the use of premises for gambling as set out in Section 153 of the Gambling Act 2005.

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

- The service is well managed in accordance with the prevailing legislation;
- The sample of license files examined were kept in good administrative order;
- The sample of licenses examined were all correctly administered;
- The software application system is used effectively to administer the different categories of licenses across the district; and
- There is a clear audit trail in place for all transactions and licences.

Some minor scope for improvement was however identified in the following areas:

- The income collection controls could be improved with a simple reconciliation between the Licensing M3 system and Cedar e-financials (the Council's main accounting system) at year end which would provide assurance on the effectiveness of the initial financial control in place; and
- The level of management information captured in the performance data could marginally be improved upon.

## **2.2 EK Services Council Tax – 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 councils and incorporate relevant internal controls regarding the administration of Council Tax especially the recording of accounts, billing and monitoring of accounts including changes in responsible person.

### **2.2.2 Summary of Findings**

Canterbury City Council, Dover District Council and Thanet District Council participate in a shared service programme with EK Services. A Service Level Agreement (SLA) has been created between the partner organisations detailing service delivery. Included within the SLA is the provision for EK Services to undertake the processing and administration of Council Tax for the three authorities. The SLA is reviewed annually by all partners and it is updated accordingly.

The performance of EK Services is monitored very closely by EK Services Senior Management and the client officers from the partner authorities. Targets have been set to ensure that EK Services meet the expectations set by each authority and the commitments agreed in the SLA.

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

- There is a SLA in place which details the expectations of the partner authorities

- There are targets and performance indicators in place to ensure that EK Services attain a high standard for the processing and administration of council tax and this is reported regularly to the relevant senior management.

Scope for improvement was however identified in the following areas:

- The notes or diary are not always being utilised to provide a clear picture of the action taken on an account.
- The council tax accounts in credit need to be reviewed periodically to ensure they are kept to a minimum.

## **2.3 EK Services – Housing Benefit Admin & Assessment - Substantial Assurance:**

### **2.3.1 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 administration and assessment of housing benefit claims.

### **2.3.2 Summary of Findings**

EK Services undertake the administration of housing benefit and council tax support for the three East Kent authorities. The SLA is reviewed annually by all partners and it is updated accordingly.

Since the last audit in March 2013, significant work has been undertaken to create a payment page on the EK Services Intranet which provides all staff with a central place where they can access assessment tools, training aids, benefit circulars, forms, case law, useful desk tools and internal guidance and procedures.

The performance of EK Services is monitored very closely by EK Services Senior Management and the client officers from the partner authorities. Targets have been set to ensure that EK Services meet the expectations set by each authority and the commitments agreed in the SLA.

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

- There is a SLA in place which details the expectations of the partner authorities
- There are targets and performance indicators in place to ensure that EK Services attain a specific standard for the administration of housing benefit and this is reported regularly to the relevant senior management.
- Since the last audit, action has been taken to collate all important and relevant information regarding the processing of housing benefit on to a page on the EK Services intranet which all staff can access.
- The Systems Team ensure that comprehensive testing is undertaken on any software patches and upgrades before they are installed onto the live systems.

Scope for improvement was however identified in the following areas:

- The procedures and records used by the Quality Team are not being consistently applied across all partner authorities.

## **2.4 Income – Substantial/Limited Assurance.**

### 2.4.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that all income due to the Council is completely and accurately accounted for in a timely manner.

### 2.4.2 Summary of Findings

The Council has a new income accounting system, CAPITA. This system went live on 11 June 2014. The income process is currently split across three of the Council's departments, that being Finance, EK Services on behalf of TDC, and Car Parks.

Testing has established that Management can place both Substantial and Limited Assurance on the system of internal controls in operation. The primary reason for this is due to the process being split and no one major reporting line being in place to govern and oversee the function as a whole, which in turn has led to a disjointed process with some vital elements being overlooked and as such left the Council open to risk.

The controls that are effective and give rise the substantial assurance level are as follows; (With minor improvements required in some procedures)

- Post Opening;
- Cheque, Giro and Bank processing; and the
- Reconciliation Process.

The primary findings giving rise to the Limited Assurance opinion are given as follows, it should be noted that these are all part of the income process and as such attention should be drawn to and given to these areas;

- Out of date safe limits and insurance levels;
- Expired Loomis contract (cash collection contract);
- Missing risk assessments and PPE for the Council's Cash Collector; and
- Review of Adelante Systems with regards to Data Protection and PCI DSS compliance.

## **2.5 HRA Business Plan – Substantial/Reasonable Assurance:**

### 2.5.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Council maintains a Housing Revenue Account in accordance with Section 74 of the Local Government and Housing Act 1989 and that the current business plan clearly demonstrates that the Council can maintain its properties to the Decent Homes Standard Plus for the full 30 years of the plan (which runs to 2036).

### 2.5.2 Summary of Findings

The Housing Revenue Account Business Plan was created in 2010 focusing on the next 6 years, with the financial projection covering the next 30 years up to 2040.

The HRA finances are monitored closely by Finance to ensure that the Council's housing stock is maintained to the Decent Home Standard and that the surplus finances are used to fund new projects providing affordable housing and new properties for the Council's housing portfolio.

The Government's self-financing reform was introduced in April 2012. Many authorities had to enter into large loan agreements with the Public Works and Loan Board to pay for their housing stock. However Thanet District Council received a one off settlement payment of £925,000 from the Government as their housing stock had been valued for subsidy purposes higher than the self-financing valuation.

The Government's social rent reform published in 2003 required all local authorities to move to a formula rent and a 'target' rent level would be reached by initially 2012 but this date was postponed to 2015/16. This guidance was updated in May 2014 where the rent was to be set on a social rent basis based on the condition, location, size of the property and the local earnings. Although the rent levels have been closely monitored there are a number of properties where the rent level is below the 'target' rent, resulting in an annual loss of approximately £100,000.

<b>Beds</b>	<b>Number of Properties</b>	<b>Weekly Rent Loss</b>	<b>Annual Rent Loss</b>
1	12	£4.23	£220.08
2	139	£293.18	£15,245.12
3	459	£1461.06	£75,975.10
4	50	£168.99	£8,787.73
5	1	£0.60	£31.09
	661	£1928.06	£100,259.12

Action has been taken by Finance to receive approval for when one of these particular properties becomes vacant that it will be re-let at the target rent level therefore reducing the shortfall.

Management can place Reasonable Assurance on the system of internal controls in operation to ensure that the housing stock meets the Decent Home Standard.

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

- The Housing System has a stock condition database.
- The EKH Surveyors maintain a programme of works each year although this is not based on the database.

Scope for improvement was however identified in the following areas:

- The Local Authority Housing Statistic return is not being correctly completed and this may have a financial implication to the Council in the future if grant funding is available for decent homes.
- The EKH Surveyors are not using the Housing System correctly and therefore the stock condition database may not be up to date and accurate.
- A periodic review should be undertaken of the non-decent and potentially non-decent component's to ensure the information on the stock condition database is correct.

Management can place Substantial Assurance on the adequacy and effectiveness of the HRA Business Plan and the controls in place to ensure that the HRA is monitored closely and used for appropriate purposes.

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

- The HRA Business Plan is a comprehensive document which has been appropriately approved.
- The monitoring of the HRA income and expenditure is being closely monitored by Finance to ensure that the projections and assumptions are realistic.

## **2.6 Sports Development & Footprints in the Sand – Reasonable Assurance:**

### **2.6.1 Audit Scope**

To ensure that the Council has established adequate arrangements to deliver upon its Corporate Plan objective to ‘support a broad range of sports, leisure and coastal facilities, and activities’.

### **2.6.2 Summary of Findings**

The Sport and Leisure department ensures the Council can deliver its Corporate Plan objective to “support a broad range of sports, leisure and coastal facilities and activities.” This is undertaken by delivery of regular participation programmes, support packages for local sports clubs, coaches and talented performers and one-off events.

Sport 4 NRG is the main delivery programme for the department aimed at 12-18 year olds and offers the young people of Thanet the chance to take part in sport for free right on their doorstep. The project provides daily after school sessions and special holiday events. The Sport 4 NRG programme is the Council’s commitment to delivering sporting opportunities for young people and attracts hundreds of young people every year. In 2013/14 there were over 4,000 attendances.

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

- A programme of free events is in place for the local community.
- Risk assessment processes are in place and the risk assessment documentation is reviewed on a regular basis. This includes the ones for the national beach volleyball competition that is held on Margate sands and is broadcast on television.
- Thanet sports awards ceremony is held each year to help promote and recognise the local effort of clubs and individuals across the district.
- Grants are available for talented performers, coach education and club development with application processes in place.
- The Footprints in the Sand project exceeded all its targets in respect of events and the number of participants.

Scope for improvement was however identified in the following areas:

- Review the Sport for 4 NRG web pages to ensure that the information is up to date.

- There is currently a backlog of six months attendance sheets and registration forms that still needs to be scanned and processed into CIVICA. This needs to be addressed as it is proposed to use CIVICA for the producing of reports on events and activities in the future and would also remove the need to maintain spreadsheets and other records for the preparation of management reports.
- Procedure notes need to be put in place for the awarding of grants and also the application form could be revised to include an in-house section on how the grant decision was made, by who and when a follow up is to be carried out to ensure that the grant conditions have been complied with.
- The electronic filing system for documents, spreadsheets etc. could be reviewed to assist in making things easier to find (i.e. for financial years for spreadsheets or grant applications and then sub folders for each grant).

## **2.7 Right to Buy – Reasonable Assurance:**

### **2.7.1 Audit Scope**

To examine and evaluate the whole system of controls, both financial and otherwise, established by management in order to carry on the business of the enterprise in regard to Right to Buy applications in an orderly and efficient manner, ensure adherence to management policies, safeguard the Authority's assets and secure as far as possible the completeness and accuracy of its accounting records

### **2.7.2 Summary of Findings**

Council tenants have, under the Right to Buy scheme, the opportunity to purchase their property at a discounted rate based upon the number of years they have been a council tenant and providing they are secure tenants in applicable accommodation. The government has introduced changes to help 'reinvigorate' the scheme and the Right to Buy discount is now up to £77,000 for council tenants living in Kent.

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

- Tenants are be able to exercise their rights in accordance with the Housing Act 1985 (Part V) that provides for the right to buy and information is readily available to them from various Council sources.
- Legislative processes and timeframes are followed in respect of processing right to buy applications.
- Tenancies are verified to confirm that they comply with the appropriate qualifying period and the offer price should be correctly calculated from the appropriate base figure.

Scope for improvement was however identified in the following areas:

- East Kent Housing (EKH) do not currently fully utilise the scanning facility within CIVICA for all right to buy documentation (i.e. application forms); at present they only use it for generating documents and action reminders.
- EKH need to liaise with the Head of Housing and the Legal team at Thanet District Council to identify if there is a more efficient, and potentially safer way of providing documentation between the Dover and Thanet offices.

## **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 to respond to customer enquiries and requests for service via e-mail/internet, post, telephone and face-to-face contact points.

### 2.8.2 Summary of Findings

Customer Services is the first point of contact for most of the customers that visit or call Canterbury City, Dover District and Thanet District Councils. EK Services operates with a total of 90 full and part-time staff. Resources are distributed at a ratio of approximately 34 staff for Canterbury, 26 staff for Dover and 30 staff for Thanet. EK Services have built some resilience within the service, training some staff to cover two or three sites in order to meet operational needs such as peaks and troughs in demand throughout the year.

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

- The service is supported by well documented and clearly defined Service Level Agreement and Service Plan;
- The Service Standards expected of staff are clearly defined in the Customer Service Standards Policy which is available on the intranet;
- Face to face contact and telephone contact was compliant with the expectations set out in the Customer Service Standards Policy;
- The training regime was well implemented;
- Information made available to the public was clear and concise; and
- The Risk Management Process seemed to be working effectively.

Scope for improvement was however identified in the following areas:

- EK Services could be more effective by introducing performance indicators which attempt to measure how effective it is at meeting it's own objective of 'right first time';
- No recorded minutes are currently being taken at Management Team Meetings and Meetings with Client Officers at each of the three councils;
- There is still some cash handling routines in place which present some level of risk to two of the Councils; and
- There is no clear instruction on what to do in an emergency available on the intranet for employees based at Thanet.

## **2.9 EK Services – ICT Physical & Environment - Reasonable Assurance:**

### 2.9.1 Audit Scope

To ensure that the physical and environmental controls over the main 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 Councils.

### 2.9.2 Summary of Findings



EK Services ICT services is responsible for protecting and maintaining the network and providing ICT support services across all partner authorities. EK Services Business Support procures ICT equipment according to the specifications provided by EK ICT Services.

Individual authorities retain ownership of their ICT assets and are responsible for the physical and environmental controls of their ICT suites e.g. fire suppressant and cooling systems, power supplies and access controls.

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

- ICT security policies are in place and are accessible to all staff;
- Approximately 95% of local authority ICT equipment is recorded on a centrally held system (Track-IT);
- EK Services/all partner authorities are members of the PSN which means that they must satisfy an independent IT Health Check and be CoCo compliant;
- A new, more efficient, back-up system is currently being implemented.

Scope for improvement was however identified in the following areas:

- ICT server rooms should be kept clear of hazards;
- Reconcile ICT equipment across all partner authorities.

## **2.10 EKS ICT Internet and email – 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 Council's Officers and Members use of the Internet and email facilities are in line with corporate guidelines and legislative requirements such as the Misuse of Computers Act.

### 2.10.2 Summary of Findings

Canterbury City Council, Dover District Council and Thanet District Council provide technology devices, such as PCs, laptops, thin client devices, Blackberrys, and PDAs, together with access to the Internet and email to officers and members

There are a number of legislative requirements that must be adhered to in relation to telephony, IT networks and any specific applications, e-mail and Internet use. The acceptable use policy defines for all staff what is acceptable and unacceptable use of Council systems and equipment.

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

- There are clear and concise policies relating to the acceptable use of the Councils' internet and email facilities.
- EK Services are able to run reports to show usage if management request them.
- Suitable virus protection is in place to protect the Councils' networks.
- Internet filtering takes place to stop access to inappropriate websites.

Scope for improvement was however identified in the following areas:

- The policies need reviewing to ensure they are still up to date with legislation.
- Internal emails are not monitored, the councils should determine if they would benefit from some monitoring to prevent miss-use.

## **2.11 CCTV – Reasonable/Limited Assurance.**

### 2.11.1 Audit Scope

To evaluate the procedures and processes of the CCTV function, with a view to providing assurance on the adequacy, application and effectiveness of the internal controls present and to ensure their full compliance with national and Council Policies.

### 2.11.2 Summary of Findings

The use of cameras is covered by a CCTV Code of Practice and a CCTV Operators Procedures Manual which sets out how the operation will be conducted on a daily basis. According to the Council's Code of Practice there are 132 cameras operational across Margate, Broadstairs and Ramsgate, the vast majority of which are of the tilt, pan and zoom configuration with only a small number of static cameras.

To ensure public confidence in the CCTV system there is in operation the use of lay visitors to carry out random checks of the operation comparing its use to the two guiding Codes and an annual peer review undertaken by another service.

Management can place both limited and reasonable assurance on the system of internal controls in operation.

The areas that Management can place limited assurance on are as follows, both of which could give rise to breach of Data Protection and possible legal action:

- No formal arrangements/agreement in place for data sharing with the Thanet Safe Scheme, and;
- No clear and defined roles and responsibilities in place over the use/ability to view images for the Parish Council's CCTV system. Testing identified that this system may not even be registered.

The areas that Management can place reasonable assurance on are as follows:

- There is an up to date, comprehensive, code of practice and Procedures Guide in place;
- The system is inspected/audited through Lay Visitors and Peer reviews;
- The system has been registered with the Information Commissioners Officer and therefore complies with Data Protection;

However, scope for improvement has been identified in the following areas:

- Data sharing protocols for all parties within the Code of Practice;
- Staff training records and risk assessments;
- The use of Privacy Zones;
- The use of annual reports.

- The reviewing of signage.

## **2.12 East Kent Housing Leasehold Services – Limited Assurance.**

### 2.12.1 Audit Scope

To provide assurance that the service costs incurred by the partner council in respect of relevant properties within the housing portfolio, for which the Council owns the freehold, and which are occupied on lease, or have been sold are appropriately re-charged to the tenants/leaseholders/owners in accordance with statutory provisions and Council policy.

### 2.12.2 Summary of Findings

There are approximately 1,400 Leaseholders in the housing stock of the four East Kent councils, representing around 8% of the housing stock managed by East Kent Housing (EKH). EKH provides a management service to these leaseholders, although the nature of the service varies quite widely between each council dependant on the arrangements in place prior to the transfer of the service from each Local Authority to EKH.

The main focus of the review was directed at the following arrangements listed below. It should be noted that the results of the audit have been passed on to City West Homes who was also completing an independent review of the leaseholder service at the same time as this audit review: -

- Examination of key areas and the links between departments and partner councils;
- Examination of the consultation arrangements with leaseholders;
- Examination of the invoicing and debt collection arrangements;
- Examination of documentation and completeness of the audit trail;
- Examination of the way in which service charges were calculated and apportioned.

From the testing completed during this review many of the necessary controls were found to be either partially effective or not effective. This leads us to conclude a Limited Assurance opinion.

Despite this assurance opinion there were identified areas of good practice. Each authority could benefit from adopting at least one of the processes in place at one or more of the partner authorities. Some of the issues that arose spanned across all four sites and these are summarised below: -

- Reliable procedure notes needed to be developed and used;
- EKH needs to strengthen the links between leaseholder services and asset management;
- The Section 20 consultation process was not well exercised and a new process should be adopted which lays out clear areas of responsibility;
- Specified leaseholder satisfaction questionnaires are not provided to leaseholders for major works;
- The annual reports containing individual jobs which are passed to the leaseholder section for the purpose of annual billing should be redesigned in order to strengthen the reconciliation routines; and

- The Leaseholder Handbooks are out of date and should be rebranded, updated and put online.

Some of the issues that arose spanned across two or three sites and these are summarised below: -

- Those Councils that produce estimates should consider reviewing the arrangements and consider changing the word 'estimate' to 'payment in advance';
- Some debt collection arrangements were found to be weak;
- In some instances the audit trail was not complete; and
- In some instances the reconciliation routines were weak;

Some of the other issues that arose were individual to either each Council or to EKH.

## **2.13 Authorisation of Overtime within Waste, Recycling and Street Cleansing – No Assurance.**

### 2.13.1 Audit Scope

To ensure that the Council has confidence that overtime payments made in Operational Services are not fraudulent, are within existing agreements, were correctly authorised and paid.

### 2.13.2 Summary of Findings

As a Waste Collection Authority the Council is responsible for the collection of household waste throughout the District; this is a statutory responsibility under the Environmental Protection Act 1990 and the EU Waste Framework Directive. The Waste (England and Wales) (Amendment) Regulations 2012 came into force on 1 October 2012. They amend the Waste (England and Wales) Regulations 2011 by replacing regulation 13. From 1 January 2015, waste collection authorities must collect waste paper, metal, plastic and glass separately. The Council also provides a chargeable collection service for garden waste which is non statutory.

Extensive compliance testing of samples of timesheets and overtime sheets highlighted significant control weaknesses giving rise to the conclusion that Management can have no assurance in this area. Failure to address these weaknesses increases the likelihood of errors being made and/or fraudulent claims being paid without being noticed due to a: -

- a. Failure to implement sufficient authorisation controls;
- b. Inadequate checking of timesheets prior to submission (agency and direct employees);
- c. No procedure notes; and
- d. Lack of consistency.

Management has responded to the report by implementing immediate controls that all timesheets must be authorised prior to payment and the effectiveness of this will be tested and confirmed after the follow up review has been completed, to be reported to this committee in due course.

## **2.14 EK Services – Housing Benefit Quarterly Testing (Quarter 1 of 2014-15):**

### 2.14.1 Background:

Over the course of 2014/15 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.

#### 2.14.2 Findings:

For the first quarter of 2014/15 financial year (April to June 2014) 40 claims including new and change of circumstances of each benefit type were selected by randomly selecting the various claims for verification.

A fail is categorised as an error that impacts on the benefit calculation. However, data quality errors are also shown but if they do not impact on the benefit calculation then for reporting purposes the claim will be recorded as a pass.

#### 2.14.3 Audit Conclusion:

Forty benefit claims were checked and of these three had financial errors that impacted upon the benefit calculation (7.5%) and one had a data quality error. An additional claim is awaiting further clarification regarding the entitlement to income support.

### 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)	East Kent Housing – Rent Collection and Debt Management	Reasonable	Reasonable	H	1	H	1
				M	5	M	1
				L	1	L	0
b)	Ramsgate Marina	Reasonable/ Limited	Reasonable	H	3	H	2
				M	7	M	2
				L	1	L	0
c)	EKS – Housing Benefit Payments	Substantial	Substantial	H	0	H	0
				M	1	M	0
				L	1	L	0
d)	Contaminated Land, Pollution, Air and Water Quality	Reasonable	Reasonable	H	1	H	1
				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.

- 3.3 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 1 0
d)	Officer Code of Conduct and Prevention of Fraud & Corruption – 2013/14	Substantial	H M L	0 1 1
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
g)	Building Control – 2013-14	Substantial	H M L	0 2 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: Payroll, Insurance, Creditors, Car Parking, Complaints Monitoring, Equality and Diversity, 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 20<sup>th</sup> 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:**

All unplanned work is summarised in the table contained at Appendix 3.

## **8.0 INTERNAL AUDIT PERFORMANCE**

8.1 For the nine month period to 31<sup>st</sup> December 2014, 208.55 chargeable days were delivered against the planned target of 320.31 days which equates to 65.11% 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 31<sup>st</sup> December 2014 against the agreed 2014-15 Audit Plan.
- Appendix 4 EKAP Balanced Scorecard of Performance Indicators to 31<sup>st</sup> December 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>Ramsgate Marina (December 2014):</i>		
<p>The Council should explore different ways in which Port Control could improve the accuracy of their records relating to vessels arriving and departing particularly under the cover of darkness.</p>	<p><b>Initial Agreed Action:</b> A database of visiting vessels would aid Port Control with this process. Will be reviewed as part of the current admin review.</p> <p><b>Proposed Completion Date:</b> December 14</p> <p><b>Responsibility:</b> Marina Services Manager</p>	<p><b>Response (December 2014) :</b> The Council is preparing to introduce a new Marina Management System which will include a function for maintaining details on all visiting vessels on a single database</p> <p><b>Revised Implementation Date:</b> September 2015</p>
<p>In the medium to long term the Council should consider undertaking a cost / benefit analysis of replacing the boarding card system for visiting vessels with a new electronic and interactive harbour monitoring system capable of allowing Port Control, Dock Masters and the Port Office to share data and capture accurate customer records.</p>	<p><b>Initial Agreed Action:</b> Currently being undertaken as part of the Admin Review.</p> <p><b>Proposed Completion Date:</b> March 14</p> <p><b>Responsibility:</b> Marina Services Manager</p>	<p><b>Response (December 2014) :</b> The Council is preparing to introduce a new Marina Management System which will include a function for maintaining details on all visiting vessels on a single database. It is intended that this will work along side a new electronic and interactive harbour monitoring system capable of allowing Port Control, Dock Masters and the Port Office to share data and capture accurate customer records.</p> <p><b>Revised Implementation Date:</b> September 2015</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.
Contaminated Land, Pollution, Air and Water Quality – January 2015		
<p>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 service provision. This could include investigating the use of another authorities’ Contaminated Land Officer if applicable.</p>	<p>Investigate possibility of additional resources for dealing with contaminated land issues (including use of external contractors and/or increased resources/resilience within EP team).</p> <p><b>Proposed Completion Date:</b> End December 2014</p> <p><b>Responsibility:</b> Environmental Protection Manager /Head of Safer Neighbourhoods</p>	<p>This recommendation is being addressed by a restructure, due to be considered by MT in January 2015.</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.	Work-in-progress as part of a planned audit
EK Services – ICT 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.	Spring 2015
FOI, Data Protection and Information Management	September 2014	Reasonable/Limited/ Limited	On-going management action in progress to remedy the weaknesses identified.	Spring 2015
Authorisation of Overtime within Waste, Recycling and Street Cleansing	March 2015	No Assurance	On-going management action in progress to remedy the weaknesses identified.	Spring 2015
Employee Benefits-in-Kind	September 2014	Limited	On-going management action in progress to remedy the weaknesses identified.	Work-in-progress

**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 31-12-2014	Status and Assurance Level
<b>FINANCIAL SYSTEMS:</b>				
Car Parking and Enforcement	10	10	0.24	Work-in-Progress
Creditors and CIS	8	8	0.17	Work-in-Progress
Income	10	10	14.89	Finalised – Substantial/Limited
Insurance and Inventories of Portable Assets	10	10	0.17	Work-in-Progress
<b>RESIDUAL HOUSING SERVICES:</b>				
Right to Buy	8	8	1.33	Finalised - Reasonable
HRA Business Plan	10	10	9.31	Finalised - Substantial/Reasonable
<b>GOVERNANCE RELATED:</b>				
Fraud Prevention	10	0	0	Postpone to 2015-16 to accommodate unplanned work
Anti-Money Laundering	6	6	5.83	Finalised – Substantial
Complaints Monitoring	10	10	0.65	Work-in-Progress
Scheme of Officer Delegations	7	7	0	Postpone to 2015-16 to accommodate unplanned work
Corporate Advice/SMT	2	2	2.13	Work-in-progress throughout 2014-15
s.151 Officer Meetings and Support	9	9	8.02	Work-in-progress throughout 2014-15
Governance & Audit Committee Meetings and Report Preparation	12	12	9.96	Work-in-progress throughout 2014-15
2015-16 Audit Plan and Preparation Meetings	9	9	3.37	Work-in-progress
<b>CONTRACT RELATED:</b>				
Receipt and Opening of Tenders	6	6	6.26	Finalised - Substantial
<b>SERVICE LEVEL:</b>				
Community Safety	10	10	0.24	Work-in-progress
CCTV	10	10	11.16	Finalised – Reasonable/Limited
Dog Warden, Street Scene and Litter Enforcement	10	10	0.17	Work-in-progress

Area	Original Planned Days	Revised Budgeted Days	Actual days to 31-12-2014	Status and Assurance Level
Equality and Diversity	10	20	14.82	Work-in-Progress
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	Work-in-progress
Land Charges	8	8	8.36	Finalised – Substantial
Licensing	10	10	1.18	Finalised – Substantial
Printing and Post	5	5	7.77	Finalised - Substantial
Your Leisure	10	10	0.22	Work-in-progress
Sports Development and Footprints in the Sand	8	8	12.6	Finalised - Reasonable
Waste Vehicle Fleet Management	12	12	11.44	Finalised – Reasonable/Limited
Garden Waste Income	5	5	0	Work-in-progress
<b>OTHER :</b>				
Liaison With External Auditors	2	2	0.68	Work-in-progress throughout 2014-15
Follow-up Reviews	15	15	8.55	Work-in-progress throughout 2014-15
<b>UNPLANNED WORK:</b>				
Overtime within Waste and Recycling	0	10	10	Finalised – No Assurance
<b>FINALISATION OF 2013-14 AUDITS:</b>				
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			6.24	Work-in-progress
Budgetary Control			0.58	Finalised - Substantial
Payroll			6.52	Work-in-progress
Employee Benefits-in-Kind			0.94	Finalised – Reasonable
FOI, Data Protection and Information Management.			8.9	Finalised - Reasonable/Limited/Reasonable
<b>EK HUMAN RESOURCES:</b>				

Area	Original Planned Days	Revised Budgeted Days	Actual days to 31-12-2014	Status and Assurance Level
Absence Management	5	5	0.18	Work-in-progress
Payroll	5	5	0	Work-in-progress
Employee Allowances and Expenses	5	5	0	Work-in-progress
<b>TOTAL - THANET DISTRICT COUNCIL RESIDUAL DAYS</b>	<b>300</b>	<b>320.31</b>	<b>208.55</b>	<b>65.11% Complete as at 31-12-2014</b>
<b>UNPLANNED ADDITIONAL WORK</b>				
Interreg Grant – Maritime (Yacht Valley)	4	4	5.72	Work-in-progress throughout 2014-15
Interreg Grant – LOPINOD	4	4	3.52	Work-in-progress throughout 2014-15
Interreg Grant – PAC2	4	4	0.84	Work-in-progress throughout 2014-15
Empty Homes Cluster Grant	0	0.5	0.54	Finalised
Complaint Investigation – CSO Compliance	0	0	6.28	Finalised
Overtime within Waste and Recycling	0	0	47.45	Finalised – No Assurance

**EAST KENT HOUSING LIMITED:**

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-2014	Status and Assurance Level
<b>Planned Work:</b>				
Audit Ctte/EA Liaison/Follow-up	8	8	6.41	Work-in-Progress throughout 2014-15
Finance & ICT Systems	10	10	0	Postpone until 2015-16
Tenant Health & Safety	17	27.93	27.93	Finalised
Void Property Management.	15	0	0	Postpone until 2015-16
Sheltered Housing	30	0	0.2	Postpone until 2015-16
<b>Finalisation of 2013-14 Audits:</b>				
Leasehold Services	0	14.77	23.19	Finalised – Limited Assurance
Rent Collection and Debt Management	0	2.36	2.36	Finalised - Reasonable
Days under delivered in 2013-14	0	0	-0.32	Completed

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-2014	Status and Assurance Level
Unplanned – CSO Compliance	0	16.94	0	Work-in-Progress
<b>Total</b>	<b>80</b>	<b>80</b>	<b>59.77</b>	<b>74.71% at 31-12-2014</b>
<b>Additional Days purchased with saving from 2013-14</b>				
Additional Days purchased with saving from 2013-14	0	8.1	0	Allocated to Leasehold Services Audit
Complaint Investigation – CSO Compliance	0	0	6.28	Finalised

### EK SERVICES:

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-2014	Status and Assurance Level
<b>Planned Work:</b>				
Housing Benefits Admin & Assessment	15	15	14.8	Finalised - Substantial
Housing Benefits Payments	15	16	16.14	Finalised - Substantial
Council Tax	30	16	8.18	Finalised - Substantial
Customer Services	15	15	14.36	Finalised - Reasonable
ICT File Controls / Data Protection / Back ups	12	12	4.15	Work in progress
ICT Internet & Email	12	18	17.64	Finalised - Reasonable
ICT Physical & Environment	12	17	16.69	Finalised - Reasonable
Corporate/Committee/follow-up	9	10	8.87	Work-in-progress throughout 2014-15
DDC / TDC HB reviews	40	40	12.45	Work-in-progress throughout 2014-15
ICT SAM Procurement	0	11	11.16	Finalised
<b>Finalisation of 2013-14 audits:</b>				
Housing Benefit Verification	0	5.15	4.59	Completed
2013/14 reviews to be completed	0	16	15.64	Completed
<b>Total</b>	<b>160</b>	<b>191.15</b>	<b>144.67</b>	<b>76% Complete as at 31-12-09-2014</b>

**BALANCED SCORECARD – QUARTER 3**

<b>INTERNAL PROCESSES PERSPECTIVE:</b>	<b>2014-15 Actual</b>	<b>Target</b>	<b>FINANCIAL PERSPECTIVE:</b>	<b>2014-15 Actual</b>	<b>Target</b>
	<b>Quarter 3</b>		<b>Reported Annually</b>		
Chargeable as % of available days	86%	80%	<ul style="list-style-type: none"> <li>• Cost per Audit Day</li> </ul>		£312.86
Chargeable days as % of planned days			<ul style="list-style-type: none"> <li>• Direct Costs (Under EKAP management)</li> </ul>		£392,980
CCC	61%	75%	<ul style="list-style-type: none"> <li>• Indirect Costs (Recharges from Host)</li> </ul>		£19,990
DDC	75%	75%	<ul style="list-style-type: none"> <li>• ‘Unplanned Income’</li> </ul>		Zero
SDC	80%	75%	<ul style="list-style-type: none"> <li>• Total EKAP cost</li> </ul>		£412,970
TDC	65%	75%			
EKS	76%	75%			
EKH	75%	75%			
Overall	72%	75%			
Follow up/ Progress Reviews;					
<ul style="list-style-type: none"> <li>• Issued</li> </ul>	41	-			
<ul style="list-style-type: none"> <li>• Not yet due</li> </ul>	17	-			
<ul style="list-style-type: none"> <li>• Now due for Follow Up</li> </ul>	33	-			
Compliance with the PIAS for Internal Audit Standards	Partial	Full			

**BALANCED SCORECARD – QUARTER 3**

<u>CUSTOMER PERSPECTIVE:</u>	<u>2014-15 Actual</u>	<u>Target</u>	<u>INNOVATION &amp; LEARNING PERSPECTIVE:</u>	<u>2014-15 Actual</u>	<u>Target</u>
	Quarter 3				
Number of Satisfaction Questionnaires Issued;	65		Percentage of staff qualified to relevant technician level	88%	75%
Number of completed questionnaires received back;	18 = 28%		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"> <li>• Interviews were conducted in a professional manner</li> <li>• The audit report was 'Good' or better</li> <li>• That the audit was worthwhile.</li> </ul>	100%	100%	Number of days technical training per FTE	4.18	3.5
	100%	100%	Percentage of staff meeting formal CPD requirements	43%	32%





## 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.