# EAST KENT
### DOVER·FOLKESTONE&HYTHE·THANET·CANTERBURY

## AUDIT PARTNERSHIP

**QUARTERLY 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 31st December 2018.

**2.0    SUMMARY OF REPORTS**

| | Service / Topic | Assurance level | No. of Recs. | |
|---|---|---|---|---|
| 2.1 | Value Added Tax | Substantial | C<br>H<br>M<br>L | 0<br>0<br>0<br>0 |
| 2.2 | Car Parking & Enforcement | Substantial | C<br>H<br>M<br>L | 0<br>0<br>0<br>0 |
| 2.3 | CCTV | Substantial | C<br>H<br>M<br>L | 0<br>0<br>0<br>0 |
| 2.4 | Performance Management* | Reasonable/Limited | C<br>H<br>M<br>L | 5<br>4<br>3<br>1 |
| 2.5 | Complaints Monitoring | Limited | C<br>H<br>M<br>L | 0<br>2<br>1<br>5 |
| 2.6 | CIVICA – Housing Benefit Quarterly Testing | Not Applicable | | |
| 2.7 | Tenancy Fraud & Right to Buy Fraud | Limited | C<br>H<br>M<br>L | 0<br>9<br>8<br>2 |
| 2.8 | Anti-Fraud Assurance Mapping | Not Applicable | C<br>H<br>M<br>L | 0<br>6<br>0<br>0 |

* Reasonable Assurance after follow-up – see section 3 below.

## 2.1   VAT – Substantial Assurance:

2.1.1   Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that VAT is completely and correctly accounted for in a timely manner in accordance with the prevailing legislation.

2.1.2   Summary of Findings

The Council applies output tax, where applicable, to the services it provides and reclaims input tax on expenditure.  Like any other business the Council is required to keep account of both the VAT paid (input) and the VAT received (output) from its transactions and detail these in a monthly return to HMRC.  The Council tends to pay more VAT than it receives which results in a net monthly refund from HMRC.  The Council must observe VAT legislation and ensure the correct treatment of VAT as this, and effective recovery of VAT, impacts upon Council budgets.

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

- Up to date VAT guidance is available to all staff.
- A suitably qualified and experienced officer is available to advise about VAT.
- Knowledge of VAT legislation is maintained via a subscription to KPMG.
- External VAT advice is available.
- Option to tax treatment is regularly reviewed.
- Partial exemption is calculated on a yearly and half yearly basis, including sensitivity analysis, and seven year averages are monitored.
- All of the debtor invoices tested as part of this audit were found to be in order.

## 2.2  Car Parking & Enforcement – Substantial Assurance:

2.2.1   Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that:
- Car park machine income (on-street and off-street), should be adequately monitored and reconciled to expected income and that income trends are monitored for individual car parks for management information.
- Income due to the Council from PCNs should be adequately monitored and reconciled to expected income and that income trends are monitored for management information.
- Income arising from car parking should be appropriately accounted for in accordance with the Road Traffic Regulation Act 1984 and the Department for Transport document Traffic Management Act 2004 Operational Guidance to Local Authorities: Parking Policy and Enforcement.
- Effective enforcement arrangements for dog fouling and littering.

2.2.2   Summary of Findings

Car parking generates a significant amount of income for the Council and is often a sensitive issue amongst residents and visitors. The majority of parking charges were not increased in 2018/19; some charges were increased in the range of 10-25%.

The Council has 105 parking machines installed across the district, 93 of which are Parkeon machines which link to a sophisticated back office system.which improves controls and efficiency. The remaining 12 machines are currently the original metric style and these will be replaced by September 2019.

The table below shows the main parking income streams for the last two years, year to date (October 2018) and, the bottom line (surplus)/deficit balance:

| Income | 2016/17 £ | 2017/18 £ | Variance £ | | 2018 to date £ |
|---|---|---|---|---|---|
| On-street pay & display | (835,595) | (871,157) | (35,562) | | (538,719) |
| On-street PCN | (379,801) | (408,576) | (28,775) | | (316,758) |
| **Balance after costs** | **(133,353)** | **(87,011)** | **46,342** | | **TBC** |
| | | | | | |
| Off-street pay & display | (1,139,770) | (1,146,412) | (6,642) | | (904,891) |
| Season Tickets | (112,440) | (158,000) | (45,560) | | (130,923) |
| Off-street PCN | (99,719) | (77,906) | 21,813 | | (51,891) |
| **Balance after costs** | **(468,195)** | **(290,204)** | **177,991** | | **TBC** |

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

- Income and expenditure is closely monitored by the Finance department;
- The back office system provides details of cash held and received, including denominations, at 93 out of 105 Parkeon machines. The 12 remaining metric machines will be replaced by Parkeon machines by September 2019;
- Many manual processes are removed by the 3Sixty System with regard to recovering PCN income through the various stages and this service is provided by a contractor;
- The introduction of a new permit system in April 2019 will provide more efficiency and self-service.

## 2.3    CCTV – Substantial Assurance

2.3.1   Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the CCTV operation is undertaken in accordance with the Code of Practice and all prevailing legislation such as the GDPR and the Human Rights Act.

2.3.2   Summary of Findings

The Council has made a significant investment in the recent installation of new high definition CCTV cameras across the district, and a new CCTV control room. There are currently 170 CCTV cameras installed in the district and these are monitored for 24 hours per day, 7 days per week. Installation of the new cameras started around April 2018 and completed in November 2018.

An annual report is yet to be produced for the new system to assess the full benefit, however the skill of the operators in recognising suspicious behaviour, enabling the police to make arrests, is evident. High quality recorded images also assist in prosecutions.

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

- The CCTV system is operated in accordance with the ICO: *'Data protection code of practice for surveillance cameras and personal information'*.
- The Council has a Code of Practice based on the ICO data protection code, which is publicly available on its website. The Council's Code of Practice is also supported by a CCTV manual.
- The CCTV equipment is brand new and very effective.
- Access to the CCTV room is restricted to authorised personnel and strict procedures are in place around requests for, and removal of, data.
- Signage within the CCTV surveillance zones appears to be adequate but may benefit from a peer review.

## 2.4 Performance Management – Reasonable/Limited Assurance

2.4.1 <u>Audit Scope</u>

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Council is taking action in response to actual performance to make outcomes for users and the public better than they would otherwise be.

2.4.2 <u>Summary of Findings</u>

Performance Management is one of the most important mechanisms and processes within organisations as it underpins the governance framework and measures and drives performance against corporate objectives. Effective performance management strengthens responsibility and accountability through a process of ensuring senior officers and elected members get the right information, at the right time in the right way.

There are 29 Key Performance Indictors in place which are reported quarterly to CMT, the Corporate Performance Working Party (now the Finance, Budget and Performance Scrutiny Panel) and the Cabinet. These performance indicators help measure success in terms of achievement against the three Corporate Priorities and three Corporate Values.

- CP1 - A Clean and Welcoming Environment;
- CP2 - Supporting Neighbourhoods;
- CP3 - Promoting Inward Investment and Job Creation;
- CV1 - Delivering Value for Money;

- CV2 - Supporting the Workforce; and
- CV3 - Promoting Open Communications.

Management can place Reasonable Assurance on the system of internal controls in operation but Limited Assurance on the effectiveness of the staff appraisal arrangements, which it is acknowledged that the staff appraisals process had changed recently.

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

- There is a Performance Management Framework in place to sustain the good governance arrangements in place;
- Performance is sufficiently monitored and reported to CMT and elected members as part of the quarterly performance monitoring process; and
- All but one Key Performance Indicator are in place and are deemed appropriate and effective for measuring performance.

Scope for improvement was however identified in the following areas:

- The Performance Management Framework should be reviewed to ensure all roles and responsibilities, particularly in relation to managing risks, are clearly communicated;
- A number of Performance Targets should be introduced for performance indicators in place which are measuring Corporate Objective 1 – A Clean and Welcome Environment;
- The Council should re-look at one of its performance indicators '% streets with detritus below acceptable levels' to provide clarity over what is deemed 'acceptable'; and
- Service Plan information should be reviewed to ensure the plans are well documented and information sufficiently communicated.

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

- In six out of fourteen (43%) of the appraisals samples selected the Head of Service sampled could not or did not produce appraisal documentation for examination; and
- The new appraisal template does not provide enough clarity about how long the appraisal documentation should be retained nor does it record the date staff objectives are set and agreed.

**2.5  Complaints Monitoring – Limited 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 records, monitors, reports upon and learns from all complaints, comments and compliments that they receive.

2.5.2  Summary of Findings

The Local Government & Social Care Ombudsman (LGSCO) guidance advises that complaints systems should be an integral part of a council's service provision and not a mechanism for apportioning blame; but an important part of a council's learning and development.

'*The purpose of a complaints system is to put right what has gone wrong and to learn from it*, LGSCO Guidance on running a complaints handling system.

Improvements have been made since the management of complaints, compliments and feedback was centralised to the Executive Support Unit; the complaints procedure has been reduced to two distinct stages; and management have determined the Council's corporate definition of a complaint. For the period 02/05/2018 to 31/10/2018 the Council received 462 complaints.

| Directorate | Service | No of complaints |
|---|---|---|
| Corporate Resources | Housing & Planning | 6 |
| | Housing Options | 10 |
| | Planning | 19 |
| | Strategic Procurement | 1 |
| Corporate Governance | Asset Management | 4 |
| | Facilities Management | 1 |
| | Kent Innovation and Media Centres | 1 |
| | Legal Services | 3 |
| Operational & Commercial Services | Cemeteries and Crematorium | 3 |
| | Civil Enforcement | 10 |
| | Coastal Tourism & Development | 2 |
| | Community Safety and leisure | 1 |
| | Environmental Protection | 1 |
| | Maritime Operations | 1 |
| | Open Spaces | 4 |
| | Operational Services | 32 |
| | Port & Technical Services | 3 |
| | Recycling and Waste | 288 |
| | Regulatory Services | 3 |
| | Safer Neighbourhoods | 4 |
| | Street Cleaning | 48 |
| | Street Scene Enforcement | 15 |
| | Tourism | 1 |
| | Other | 1 |

The Council has defined a complaint as: '*A complaint is an expression of dissatisfaction or concern about the delivery of a service which makes that individual feel like the Council has let them down; either by doing something wrong or failing to meet service standards.*'

The new processes are currently embedding and the Council is yet to corporately begin monitoring themes of complaints and compliments and therefore identify where improvements can be made or strengths can be shared.

Some councils log notifications of single service failures, such as a missed refuse collection, as complaints whereas others log these as service requests. Collecting information about this kind of avoidable contact is a useful way of assessing service delivery. Whether the contact is logged as a service request or complaint, there

should be clarity and consistency and some mechanism for ensuring that repetition of such failures can be identified, as they may indicate more systemic problems.

Whilst there is emerging evidence to suggest a direction of travel towards an overall Reasonable Assurance opinion, at the present time processes need further time to be developed and become embedded within Council working practices Consequently, due to the infancy of complaints analysis to identify lessons that can be learnt to assist in driving improvements in services; this leads us to conclude Limited Assurance at the present time.

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

- Although a new centralised two stage complaints process in now in place the policy is yet to be updated to reflect this; and communicated to staff and stakeholders.
- Monitoring of lessons that can be learnt from complaints and compliments is yet to be effectively developed; and used to drive forward improvement in services.
- Clarification for staff and stakeholder should be issued on how complaints in respect of the performance of Council contractors will be dealt with and by whom.
- The Council does not have a policy or guidance for staff on when a goodwill or compensation payment will be made
- The corporate definition of a complaint is not publicised on either the Intranet as a reminder to staff, nor on the Council's public facing web pages for complaints.
- The application of the Council's definition of a complaint is arguably subjective. As an example, for the Waste and Recycling Section anything that is reported for their service is only treated as a complaint if they have reported the same issue three times in the past six months i.e. there are three recorded instances on M3 of the customers' bin being missed; otherwise the email is treated as a service request. Given the corporate definition of a complaint many members of the public may regard any missed bin as a complaint.
- At present any compliments received via social media are not passed onto the ESU for recording centrally on the Civica system.
- No monitoring of compliments has yet taken place, although this is a target for the future.

Effective control was however evidenced in the following areas:

- The new centralised processes enable complaints monitoring, and ensure a consistency of responses.
- Management have determined the Council's corporate definition of a complaint.
- A consistent approach is applied to what is dealt with as a service request and what is a complaint.
- In the majority of cases responses are issued within the Council's prescribed timescales and this is being monitored.
- Complaints are being effectively escalated through the new two stage process.

| 2.6 | CIVICA – Housing Benefit Quarterly Testing |
|---|---|

2.6.1 Introduction

Over the course of 2018/19 financial year the East Kent Audit Partnership will complete a sample check of Council Tax, Rent Allowance and Rent Rebate and Local Housing Allowance benefit claims.

2.6.2 Findings

For the first 2 quarters of 2018/19 financial year (April to September 2018) 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 now categorised as an error that impacts on the benefit calculation. However data quality errors are still to be shown but if they do not impact on the benefit calculation then for reporting purposes the claim will be recorded as a pass.

2.6.3 Audit Conclusion

For this period forty benefit claims were checked and two (5%) had a financial error and there were no data quality errors.

**2.7     Tenancy Fraud & Right to Buy Fraud  – Limited Assurance:**

2.7.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that effective arrangements are in place between the four councils and East Kent Housing Ltd (EKH) to ensure that housing tenancy and right to buy fraud is being tackled.

2.7.2 Summary of Findings

Individuals who commit tenancy fraud prevent those who are legally entitled to social housing from being housed.

The most common types of tenancy fraud include:
•    Moving out of social housing and renting it to someone else (sub-letting);
•    Moving out of social housing and leaving it empty;
•    Providing false information to obtain a tenancy (deception);
•    Making a fraudulent application to 'succeed' – i.e. obtain rights to remain in the property, after the current tenant dies;
•    Illegally passing a social housing to someone else; and
•    Taking (or making) a payment for a mutual exchange.

The CiPFA Fraud and Corruption Tracker Summary report 2018 estimates that for local authorities in the UK 71.4% of fraud prevented or detected in 2017/2018 was Housing Fraud.  The estimated total value lost from housing fraud investigated in 2017/2018 is £216m.  None of the four partner councils contributed to this fraud survey due to the tight deadline and the fact that the survey is very lengthy and requires data that simply is not gathered in one place.  The Transparency agenda requires some of the data to be published on the Council's website, however when a search was made none of the four partner councils has published a complete set of fraud data.  (Please see separate Anti-Fraud Assurance Mapping Report 2018.)

To enable effective mitigation of losses through tenancy fraud, the partner Council's and EKH need to have assessed or measured their potential risk without any controls

in place. Through their Anti-Fraud policies all four councils have expressed the sentiment that 'no' fraud will be tolerated.

Below the fraud risk based at the levels of 1%, 2% and 5% of the total housing stock and net housing services expenditure has been calculated for each Council.

| Council | Housing Stock Dwelling Rental Income (gross) * | Fraud Risk at 1% | Fraud Risk at 2% | Fraud Risk at 5% |
|---|---|---|---|---|
| CCC | 23,167,000 | 231,670 | 463,340 | 1,158,350 |
| DDC | 19,005,000 | 190,050 | 380,100 | 950,250 |
| F&HDC | 14,716,000 | 147,160 | 294,320 | 735,800 |
| TDC | 12,754,000 | 127,540 | 255,080 | 637,700 |
| | Housing Stock (in property numbers**) | | | |
| CCC | 5,475 | 55 | 110 | 275 |
| DDC | 4,730 | 47 | 95 | 237 |
| F&HDC | 3,533 | 36 | 72 | 178 |
| TDC | 3,203 | 33 | 66 | 165 |

(* housing stock rental income for 2017/2018 from statement of accounts and **Stock numbers as at 31st March 2018 as provided by EKH.)

Whilst there is a an acknowledgement to all the good work that has been undertaken and in accepting the certainty that there is the will within EKH to do more, Management can place Limited Assurance on the controls in place to prevent tenancy and right to buy housing fraud; taking into account the resource currently available to EKH. It is likely that without some skilled enforcement and investigation resources being committed by the four partner Councils the effectiveness of preventative action and enforcement against tenancy and right to buy fraud that EKH may take would have a very limited impact.

In addition, the most effective control against tenancy and right to buy fraud is having thorough and stringent controls in place at the housing application and allocation stage; this work is undertaken within the Councils own service and is not within the remit of EKH, and so each Council must satisfy themselves that these preventative controls are sufficient to reduce the risk of tenancy fraud being perpetrated.

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

- The four councils in liaison with EKH must assess their housing fraud risk fully in order to determine the level of resources required to effectively prevent, detect and investigate tenancy and right to buy fraud.
- There is a lack of skilled fraud investigative resources and services available to EKH from the four partner councils; without which EKH may be aware of possible indications of fraud in specific cases but have no specialist resource to investigate as a result EKH may have no option but take no further action to prevent a Right to Buy (RTB) or recover a property.
- There is no regular reporting on the level of suspected frauds notified, investigated and the outcome, without transparent reporting fraud is not discussed or highlighted at management level.
- Further work is required to focus tenancy audits towards areas at high risk of fraud and identifying resources that can deliver tenancy audits in addition to their day to day work.

- Use is not made of anti-fraud and credit check services available i.e. NAFN and Experian to validate identity, financial circumstances and residencies prior to allocation of social housing as part of the Council's role.
- Use is not made of anti-fraud and credit check services available i.e. NAFN and Experian to validate identity, financial circumstances and residencies prior or acceptance of RTB, succession, mutual exchange etc. Although undertaking these checks would serve no purpose without a resource being provided by the four partner Councils to investigate any discrepancies in a timely manner.
- Although Anti-money Laundering declarations are required to be completed as part of the RTB process, limited checks are made to verify the information provided. As the responsible parties the Money Laundering Officers at each council should provide resources to assist with these checks.

Effective control was however evidenced in the following areas:
- EKH are proactive in identifying possible fraud and take action to recover property where they have evidence to support a breach of tenancy agreement; however, action is not taken to prosecute where fraud may have occurred due to a lack of skilled investigative resources within the client Council's.
- EKH have restructured its teams by service provision, with the aim of strengthening focus, standardising processes and utilising officer skills and experience more effectively.
- Training needs of the Regulation & Enforcement Teams in respect of tenancy fraud have been identified; although the broader awareness training needs/ programme of all EKH officers in this respect is not documented.
- Evidence based identity and tenancy history checks are undertaken as part of the RTB application process; with challenges being made where concerns are raised, however use of specialist resources i.e. Experian and NAFN is not made.
- There is a tenancy fraud policy in place, although this is overdue a review and update.
- The anti-fraud message is proactively publicised, although action must be taken to ensure that contact numbers and email addresses are valid, and innovations including more use of social media could be made.

## 2.8     Anti–Fraud Assurance Mapping  – Not Applicable:

2.8.1   Audit Scope

The first step for this review, was to identify and map all the various assurances built into the anti-fraud framework, the second step was then to evaluate them, and in so doing identify any gaps or duplication; and then to evaluate their overall effectiveness.

2.8.2   Summary of Findings

The latest set of government estimates indicate that fraud costs the public sector at least £20.6bn annually, with local government fraud accounting for £2.1bn of this. The most recent CIPFA Fraud and Corruption Tracker (CFaCT) report has found that fraud continues to pose a major financial threat to local authorities, with £302m detected or prevented by councils in 2017/18. While this was £34m less than last

year's total, of £336.2m, there was an overall increase in the number of frauds detected or prevented – up to 80,000, from the 75,000 cases found in 2016/17.

The objective of this review is to map all of the counter fraud sources of assurance currently operating, identify any gaps or overlaps and comment on the effectiveness of the anti-fraud assurance process in place.

The review also sought to review best practice principles, and test where other councils were investing in counter fraud teams, what examples of results are being achieved, and what else might be possible.

The review also sought to establish how the collective work of the Kent Intelligence Network fits in with the overall assurance being achieved to date.

The review concludes that the East Kent councils have strong internal control environments, but also notes that Local Authorities provide a variety of services to its residents and visitors; both statutory and discretionary.  Many of these require an application to be completed and submitted before the service can be provided.  This is to assist the council with ensuring the service is given to legitimate applicants.  It also helps us to use the limited resources we have in an effective way. The application stage is in effect, the 'gateway' to that service provision.  This is also the stage at which the process is most vulnerable to fraud by way of false statements and/or omissions of information, and as a result it is possible for a deception to occur. Furthermore, with the advent of new technology and the increased use of oral applications via the contact centres, this also exposes us to this and other sorts of Fraud.

Whilst Local Authorities usually have a robust system of checks to detect and prevent fraud, what is done when fraud is detected?  At present, the only area where fraud is dealt with by a qualified Fraud Investigator is within the Revenues Service Area as it relates to Single Occupier Discounts, in Folkestone and Hythe District Council. And similarly the work of the Compliance Officers working for Canterbury, Dover and Thanet councils through Civica, via EK Services, have investigated NNDR and CTax cases.

There are however, other areas of the Council where residents and visitors have applied for and been given a council service where they have made a false statement or have omitted information that might affect the outcome or decision.  If detected, this may be referred to Internal Audit for further investigation. Each council has a solid policy and strategy on what it will do if fraud or corruption is detected.

This report is able to conclude that there are gaps in the current process, and best practice being applied elsewhere is achieving good results. Should additional resources be deployed on an 'invest to save' basis they should be self-funding in a very short timescale.

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

3.1    As part of the period's work, seven 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. Not yet implemented | |
|---|---|---|---|---|---|---|---|
| a) | Environmental Protection | Substantial | Substantial | C<br>H<br>M<br>L | 0<br>1<br>2<br>2 | C<br>H<br>M<br>L | 0<br>0<br>0<br>1 |
| b) | Scheme of Officer Delegations | Substantial | Substantial | C<br>H<br>M<br>L | 0<br>0<br>1<br>3 | C<br>H<br>M<br>L | 0<br>0<br>0<br>1 |
| c) | East Kent Housing – Leasehold Services | Reasonable | Reasonable | C<br>H<br>M<br>L | 0<br>0<br>5<br>1 | C<br>H<br>M<br>L | 0<br>0<br>1<br>0 |
| d) | Risk Management | Reasonable | Reasonable | C<br>H<br>M<br>L | 0<br>3<br>5<br>2 | C<br>H<br>M<br>L | 0<br>0<br>1<br>0 |
| e) | East Kent Housing – Performance Indicator Data Quality | Reasonable | Reasonable | C<br>H<br>M<br>L | 0<br>0<br>1<br>2 | C<br>H<br>M<br>L | 0<br>0<br>0<br>0 |
| f) | Car Parking & Enforcement | Reasonable | Reasonable | C<br>H<br>M<br>L | 0<br>1<br>2<br>1 | C<br>H<br>M<br>L | 0<br>0<br>0<br>0 |
| g) | Performance Management | Reasonable /Limited | Reasonable | C<br>H<br>M<br>L | 0<br>4<br>3<br>1 | C<br>H<br>M<br>L | 0<br>0<br>0<br>0 |

3.2 Details of any individual Critical and High priority recommendations still to be implemented at the time of 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 high-priority recommendation which have not been implemented is to try to gain support for any additional resources (if required) to resolve the risk, or to ensure that risk acceptance or tolerance is approved at an appropriate level.

**4.0 WORK-IN-PROGRESS:**

4.1 During the period under review, work has also been undertaken on the following topics, which will be reported to this Committee at future meetings: Cash Collection, Income & Bank Rec, Business Continuity and Emergency Planning, Street Cleansing, Dog Warden, and Street Scene Enforcement.

**5.0 CHANGES TO THE AGREED AUDIT PLAN:**

5.1 The 2018-19 internal audit plan was agreed by Members at the meeting of this Committee on 6th March 2018.

5.2 The Head of the Audit Partnership meets on a quarterly 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 being investigated by the EKAP to bring to Members attention at the present time.

5.4 **UNPLANNED WORK:**

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

5.4 **INTERNAL AUDIT PERFORMANCE**

8.1 For the six-month period to 31st December 2018, 243.16 chargeable days were delivered against the revised target of 323.36 days which equates to 75.2% 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.

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.

**Attachments**

Appendix 1 Summary of Critical and High priority recommendations not implemented at the time of follow-up.
Appendix 2 Summary of services with Limited / No Assurances.
Appendix 3 Progress to 31st December 2018 against the agreed 2018-19 Audit Plan.
Appendix 4 Balanced Scorecard to 31st December 2018.
Appendix 5 Definition of Audit Assurance Statements & Recommendation Priorities

| SUMMARY OF CRITICAL & HIGH PRIORITY RECOMMENDATIONS NOT IMPLEMENTED AT THE TIME OF FOLLOW-UP – APPENDIX 1 | | |
|---|---|---|
| **Original Recommendation** | **Agreed Management Action , Responsibility and Target Date** | **Manager's Comment on Progress Towards Implementation.** |
| *None this Quarter* | | |

| SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED – APPENDIX 2 | | | |
|---|---|---|---|
| Service | Reported to Committee | Level of Assurance | Follow-up Action Due |
| Compliance with General Data Protection Regulations | December 2018 | Limited | Work-in-Progress |
| Asset Management | December 2018 | Limited | Spring 2019 |
| East Kent Housing – Contract Management | December 2018 | Limited | Work-in-progress |

**PROGRESS TO DATE AGAINST THE AGREED 2018-19 AUDIT PLAN – APPENDIX 3**

**THANET DISTRICT COUNCIL:**

| Area | Original Planned Days | Revised Budgeted Days | Actual days to 31-12-2018 | Status and Assurance Level |
|---|---|---|---|---|
| **FINANCIAL SYSTEMS:** | | | | |
| Car Parking & Enforcement | 10 | 17 | 17.44 | Finalised - Substantial |
| VAT | 10 | 10 | 9.81 | Finalised - Substantial |
| **RESIDUAL HOUSING SERVICES:** | | | | |
| Housing Allocations | 10 | 10 | 10.49 | Finalised - Substantial |
| HRA Business Plan | 10 | 10 | 0 | Quarter 4 |
| **GOVERNANCE RELATED:** | | | | |
| Anti-Fraud & Corruption Assurance Mapping | 10 | 10 | 4.07 | Finalised – N/A |
| Complaints Monitoring | 10 | 13 | 13.11 | Finalised - Limited |
| Corporate Advice/CMT | 2 | 2 | 0.27 | Work-in-progress throughout 2018-19 |
| s.151 Officer Meetings and Support | 9 | 9 | 10.47 | Work-in-progress throughout 2018-19 |
| Governance & Audit Committee Meetings and Report Preparation | 12 | 12 | 9.01 | Work-in-progress throughout 2018-19 |
| 2019-20 Audit Plan and Preparation Meetings | 9 | 9 | 4.16 | Work-in-progress |
| **SERVICE LEVEL:** | | | | |
| Thanet Lottery | 10 | 10 | 0 | Quarter 4 |
| Safeguarding Children & Vulnerable Groups | 10 | 0 | 0 | Postpone to accommodate unplanned work |
| Community Safety | 10 | 10 | 13.07 | Work-in-progress |
| CCTV | 10 | 10 | 6.97 | Finalised - Substantial |
| Dog Warden & Environmental Crime Enforcement | 10 | 10 | 0.31 | Work-in-progress |
| Electoral Registration & Election Management | 10 | 10 | 14.17 | Finalised |
| Food Safety | 10 | 10 | 9.72 | Finalised - Substantial |

| Area | Original Planned Days | Revised Budgeted Days | Actual days to 31-12-2018 | Status and Assurance Level |
|---|---|---|---|---|
| Pest Control | 7 | 7 | 0 | Quarter 4 |
| Business Continuity & Emergency Planning | 10 | 10 | 11.27 | Work-in-progress |
| Equality & Diversity | 10 | 10 | 0.18 | Work-in-Progress |
| Events Management | 10 | 10 | 0 | Quarter 3 |
| Grounds Maintenance | 15 | 15 | 0 | Quarter 4 |
| Licensing | 10 | 10 | 7.79 | Work-in-Progress |
| Museums | 10 | 10 | 0.23 | Postponed |
| East Kent Opportunities | 10 | 10 | 11.26 | Work-in-Progress |
| Street Cleansing | 10 | 10 | 0.18 | Work-in-progress |
| Employee Health, Safety & Welfare | 10 | 10 | 0 | Quarter 4 |
| **OTHER :** | | | | |
| Liaison With External Auditors | 1 | 1 | 0.17 | Work-in-progress throughout 2018-19 |
| Follow-up Reviews | 15 | 15 | 10.18 | Work-in-progress throughout 2018-19 |
| **FINALISATION OF 2017-18 AUDITS:** | | | | |
| Days under delivered in 2017-18 | 0 | 38.36 | | Allocated |
| Service Contract Management | | | 0.95 | Finalised - Reasonable |
| Compliance with GDPR | | | 14.36 | Finalised - Limited |
| Creditors & CIS | | | 9.79 | Finalised - Substantial |
| Cash Collection, Income & Bank Reconciliation | 5 | 5 | 15.89 | Finalised – Substantial/Limited |
| Performance Management | | | 14.46 | Finalised – Reasonable |
| Asset Management | | | 16.67 | Finalised - Limited |
| Your Leisure | | | 0.54 | Postponed |
| Inward Investment | | | 0.22 | Postponed |
| **RESPONSIVE WORK:** | | | | |
| Duplicate Payments | 0 | 0 | 1.15 | Finalised |

| Area | Original Planned Days | Revised Budgeted Days | Actual days to 31-12-2018 | Status and Assurance Level |
|---|---|---|---|---|
| SHL Accounts Inspection | 0 | 0 | 1.32 | Finalised |
| Google Access Review | 0 | 0 | 3.48 | Finalised |
| **TOTAL** | **285** | **323.36** | **243.16** | **75.20% as at 31-12-2018** |

**EAST KENT HOUSING LIMITED:**

| Review | Original Planned Days | Revised Planned Days | Actual days to 31-12-2018 | Status and Assurance Level |
|---|---|---|---|---|
| **Planned Work:** | | | | |
| CMT/Audit Sub Ctte/EA Liaison | 4 | 4 | 3.95 | Work-in-progress throughout 2018-19 |
| Follow-up Reviews | 4 | 4 | 12.88 | Work-in-progress throughout 2018-19 |
| Repairs & Maintenance | 30 | 30 | 2 | Work-in-progress |
| Void Property Management | 20 | 20 | | |
| Health & Safety | 20 | 20 | 0 | Quarter 4 |
| Contract Monitoring | 17 | 17 | 27.41 | Finalised - Limited |
| Staff Performance Management | 15 | 15 | 5.66 | Work-in-progress |
| Welfare Reform | 10 | 10 | 0.35 | Quarter 4 |
| Resident Involvement | 10 | 10 | 0.35 | Quarter 4 |
| Service Level Agreements | 10 | 10 | 15.09 | Work-in-progress |
| **Finalisation of 2017-18 Audits:** | | | | |
| Days under delivered in 2017-18 | 0 | 10.94 | | Allocated |
| Complaints Management | 0 | 0 | 0.36 | Finalised - Reasonable |
| GDPR & Information Management | 0 | 0 | 4.14 | Finalised - Reasonable |
| Leasehold Services | 0 | 0 | 1.15 | Finalised - Reasonable |
| Tenancy & RTB Fraud Prevention | 0 | 0 | 14.22 | Finalised - Limited |
| Property Services Action Plan | 0 | 0 | 8.14 | Finalised - Reasonable |

| Review | Original Planned Days | Revised Planned Days | Actual days to 31-12-2018 | Status and Assurance Level |
|---|---|---|---|---|
| **Responsive Work:** | | | | |
| Contract Management – supplementary work | 0 | 0 | 4.74 | Finalised |
| Single System Planned Maintenance Module | 0 | 0 | 0.18 | Finalised |
| **Total** | **140** | **150.94** | **100.59** | **66.64% at 31-12-2018** |

**EKS, EKHR & CIVICA:**

| Review | Original Planned Days | Revised Planned Days | Actual days to 31-12-2018 | Status and Assurance Level |
|---|---|---|---|---|
| EKS & Civica Reviews: | | | | |
| Housing Benefit Assessment | 15 | 15 | 0.18 | Quarter 4 |
| Housing Benefit Testing | 15 | 17 | 17.08 | Finalised |
| Housing Benefits – DHPs | 15 | 17 | 17.15 | Finalised - Reasonable |
| Debtor Accounts | 20 | 20 | 0.47 | Work-in-Progress |
| ICT – Network Security | 15 | 0 | 0.32 | Replaced by PSN |
| ICT – PSN Review | 0 | 16 | 16.11 | Finalised – N/A |
| ICT – PCI-DSS Compliance | 15 | 15 | 0 | Quarter 4 |
| KPIs | 5 | 0 | 0.10 | No Longer Required |
| EKHR Reviews: | | | | |
| Payroll | 15 | 15 | 0 | Quarter 4 |
| Apprenticeships | 15 | 15 | 16 | Finalised - Reasonable |
| Absence Management | 15 | 15 | 6 | Work-in-Progress |
| Other; | | | | |
| Corporate/Committee | 8 | 8 | 4.71 | Work-in-progress throughout 2018-19 |
| Follow up | 7 | 7 | 4.76 | Work-in-progress throughout 2018-19 |
| Days under delivered in 2017-18 | 0 | 47.79 | | Allocated |

| Review | Original Planned Days | Revised Planned Days | Actual days to 31-12-2018 | Status and Assurance Level |
|---|---|---|---|---|
| Finalisation of 2017/18 Audits: | | | | |
| Housing Benefit Testing | | | 6.82 | Finalised – N/A |
| Payroll | | | 4.96 | Finalised - Substantial |
| Employee Allowances & Expenses | 0 | | 1.28 | Finalised - Reasonable |
| ICT Procurement & Disposal | | | 14.92 | Finalised – Reasonable |
| Council Tax Reduction Scheme | | | 9.92 | Finalised - Substantial |
| **Total** | **160** | **207.79** | **120.79** | **58% at 31/12/2018** |

EAST KENT
DOVER·FOLKESTONE&HYTHE·THANET·CANTERBURY
AUDIT PARTNERSHIP

| INTERNAL PROCESSES PERSPECTIVE: | 2018-19 Actual | Target | FINANCIAL PERSPECTIVE: | 2018-19 Actual | Original Budget |
|---|---|---|---|---|---|
| | Quarter 3 | | Reported Annually | | |
| Chargeable as % of available days | 86% | 80% | • Cost per Audit Day | £ | £300.38 |
| | | | • Direct Costs | £ | £385,970 |
| Chargeable days as % of planned days | | | • + Indirect Costs (Recharges from Host) | £ | £10,530 |
| CCC | 63% | 75% | | | |
| DDC | 74% | 75% | • - 'Unplanned Income' | £ | Zero |
| F&HDC | 63% | 75% | | | |
| TDC | 75% | 75% | • = Net EKAP cost (all Partners) | £ | £396,500 |
| EKS | 58% | 75% | | | |
| EKH | 67% | 75% | • Saving Target (10% of 2016-17) | £34,620 | 10% |
| Overall | 67% | 75% | | | |
| Follow up/ Progress Reviews; | | | | | |
| • Issued | 43 | - | | | |
| • Not yet due | 23 | - | | | |
| • Now due for Follow Up | 26 | - | | | |
| Compliance with the Public Sector Internal Audit Standards (PSIAS) (see Annual Report for more details) | Partial | Full | | | |

# EAST KENT

## DOVER·FOLKESTONE&HYTHE·THANET·CANTERBURY

## AUDIT PARTNERSHIP

| CUSTOMER PERSPECTIVE: | 2018-19 Actual | Target | INNOVATION & LEARNING PERSPECTIVE: | 2018-19 Actual | Target |
|---|---|---|---|---|---|
| | Quarter 3 | | Quarter 3 | | |
| Number of Satisfaction Questionnaires Issued; | 37 | | Percentage of staff qualified to relevant technician level | 75% | 75% |
| Number of completed questionnaires received back; | 16 | | Percentage of staff holding a relevant higher level qualification | 36% | 36% |
| | = 43% | | Percentage of staff studying for a relevant professional qualification | 14% | N/A |
| Percentage of Customers who felt that; | | | Number of days technical training per FTE | 2.37 | 3.5 |
| • Interviews were conducted in a professional manner | 100% | 100% | Percentage of staff meeting formal CPD requirements (post qualification) | 36% | 36% |
| • The audit report was 'Good' or better | 100% | 90% | | | |
| • That the audit was worthwhile. | 100% | 100% | | | |

**Definition of Audit Assurance Statements & Recommendation Priorities**

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.

Priority of Recommendations Definitions:

**Critical** – A finding which significantly impacts upon a corporate risk or seriously impairs the organisation's ability to achieve a corporate priority.  Critical recommendations also relate to non-compliance with significant pieces of legislation which the organisation is required to adhere to and which could result in a financial penalty or prosecution. Such recommendations are likely to require immediate remedial action and are actions the Council must take without delay.

**High** – A finding which significantly impacts upon the operational service objective of the area under review. This would also normally be the priority assigned to recommendations relating to the (actual or potential) breach of a less prominent legal responsibility or significant internal policies; unless the consequences of non-compliance are severe. High priority recommendations are likely to require remedial action at the next available opportunity or as soon as is practical and are recommendations that the Council must take.

**Medium –** A finding where the Council is in (actual or potential) breach of - or where there is a weakness within - its own policies, procedures or internal control measures, but which does not directly impact upon a strategic risk, key priority, or the operational service objective of the area under review.  Medium priority recommendations are likely to require remedial action within three to six months and are actions which the Council should take.

**Low –** A finding where there is little if any risk to the Council or the recommendation is of a business efficiency nature and is therefore advisory in nature.  Low priority recommendations are suggested for implementation within six to nine months and generally describe actions the Council could take.