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**Subject:** **QUARTERLY INTERNAL AUDIT UPDATE REPORT**

**Meeting and Date:** **Governance Committee – 29<sup>th</sup> September 2016**

**Report of:** **Christine Parker – Head of Audit Partnership**

**Decision Type:** **Non-key**

**Classification:** **Unrestricted**

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**Purpose of the report:** This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance Committee meeting, together with details of the performance of the EKAP to the 30<sup>th</sup> June 2016

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**Recommendation:** That Members note the update report.

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**1. Summary**

This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance Committee meeting, together with details of the performance of the EKAP to the 30<sup>th</sup> June 2016.

**2. Introduction and Background**

2.1 For each Audit review, management has agreed a report, and where appropriate, an Action Plan detailing proposed actions and implementation dates relating to each recommendation. Reports continue to be issued in full to each member of Corporate Management Team, as well as an appropriate manager for the service reviewed.

2.2 Follow-up reviews are performed at an appropriate time, according to the status of the recommendation, timescales for implementation of any agreed actions and the risk to the Council.

2.3 An Assurance Statement is given to each area reviewed. The assurance statements are linked to the potential level of risk, as currently portrayed in the Council's risk assessment process. The assurance rating given may be Substantial, Reasonable, Limited or No assurance.

2.4 Those services with either Limited or No Assurance are monitored, and brought back to Committee until a subsequent review shows sufficient improvement has been made to raise the level of Assurance to either Reasonable or Substantial. A list of those services currently with such levels of assurance is attached as Annex 2 to the EKAP report.

2.5 The purpose of the Council's Governance Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent review of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

2.6 To assist the Committee meet its terms of reference with regard to the internal control environment an update report is regularly produced on the work of internal audit. The purpose of this report is to detail the summary findings of completed audit

reports and follow-up reviews since the report submitted to the last meeting of this Committee.

## **SUMMARY OF WORK**

- 2.7 There have been ten Internal Audit reports that have been completed during the period, of which four reviews were classified as providing Substantial Assurance, three as Reasonable Assurance, and one as Limited. There were two additional assignments undertaken for which an assurance opinion is not applicable as they comprised of quarterly benefit testing.
- 2.8 In addition six follow-up reviews have been completed during the period, which are detailed in section 3 of the quarterly update report.
- 2.9 For the three-month period to 30<sup>th</sup> June 2016, 55.35 chargeable days were delivered against the planned target of 284.10, which equates to 19% plan completion.

## **3 Resource Implications**

- 3.1 There are no additional financial implications arising directly from this report. The costs of the audit work will be met from the Financial Services 2016-17 revenue budgets.
- 3.2 The financial performance of the EKAP is currently on target at the present time.

## **Appendices**

Appendix 1 – Internal Audit update report from the Head of the East Kent Audit Partnership.

## **Background Papers**

- Internal Audit Annual Plan 2016-17 - Previously presented to and approved at the 24<sup>th</sup> March 2016 Governance Committee meeting.
- Internal Audit working papers - Held by the East Kent Audit Partnership.

Contact Officer: Christine Parker, Head of Audit Partnership



**INTERNAL AUDIT UPDATE REPORT FROM THE HEAD OF THE EAST KENT AUDIT PARTNERSHIP.**

**1. INTRODUCTION AND BACKGROUND**

- 1.1 This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance Committee meeting, together with details of the performance of the EKAP to the 30<sup>th</sup> June 2016.

**2. SUMMARY OF REPORTS:**

Service / Topic		Assurance level	No. of Recs.	
2.1	EKS – Housing Benefit Overpayments	Substantial	C H M L	0 0 0 0
2.2	EKS – Customer Services	Substantial	C H M L	0 0 1 3
2.3	Members' Allowances & Expenses	Substantial	C H M L	0 0 0 0
2.4	Disabled Facilities Grants	Substantial	C H M L	0 0 2 2
2.5	Shared Service Monitoring	Reasonable	C H M L	0 0 1 2
2.6	FOI, Data Protection and Records Management	Reasonable	C H M L	0 3 3 1
2.7	EKS – Business Rates Credits	Reasonable	C H M L	0 3 1 0
2.8	EKS – PCI-DSS	Limited	C H M L	0 5 1 0

2.9	EKS – Quarterly Housing Benefit Testing (Quarter 4 of 2015-16)	Not Applicable
2.10	EKS – Quarterly Housing Benefit Testing (Quarter 1 of 2016-17)	Not Applicable

## **2.1 EKS Housing Benefit Overpayments – Substantial Assurance.**

### **2.1.1 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 overpayments of Housing Benefit.

### **2.1.2 Summary of Findings**

EK Services manage the housing benefit overpayment (HBOP) process for Canterbury City Council, Dover District Council and Thanet District Council. EK Services are responsible for the processing of Housing Benefit claims and the billing and collection of overpaid housing benefits by raising invoices, agreeing and monitoring repayment arrangements.

During 2015/16, the Corporate Income Team within EK Services achieved the following performance at each authority in terms of Housing Benefit Overpayments.

Authority	Overpayments identified	Overpayments recovered	Recovery Rate
Canterbury City Council	£1,557,126	£1,091,950	70.13%
Dover District Council	£1,495,909	£1,028,813	68.78%
Thanet District Council	£2,785,454	£1,894,466	68.01%

Our testing concludes 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 HBOP.

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

- Comprehensive information is made available to members of the public at each authority in terms of housing benefit overpayments.
- Detailed procedure notes are available to officers to give guidance on the housing benefit overpayments process.
- EK Services make good use of various preventative measures to ensure that overpayments are kept to a minimum.
- There is a consistent approach used at all partner authorities for the identification, recovery and writing off of housing benefit overpayments.
- Management information is produced regularly for the partner authorities for them to monitor EK Services performance in terms of housing benefit overpayments.

## **2.2 EKS Customer Services – 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 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 and especially the controls and safety of officers at remote offices.

### **2.2.2 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 the Customer Services function across 10 sites and a total of approximately 85 FTE's. Staff are split between face to face contact, email enquires and telephone calls. During 2015/16 EK Services handled 303,307 telephone calls at Canterbury, 179,734 calls at Dover and 385,967 calls at Thanet.

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

- The service is supported by a 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 requirements for staff are well identified.
- The Risk Management Process is well documented.

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

- Align face to face waiting time targets for EK Services set by each Council and East Kent Housing
- Ensure that partner councils are aware that waiting times for face to face contacts do not reflect the waiting times at area offices.
- Update the Dover website to reflect locations where meeting rooms are and are not available.
- Update the Dover website to include service standards for the Customer Services function

## **2.3 Members' Allowances & Expenses – Substantial Assurance.**

### **2.3.1 Audit Scope**

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that Members' allowances and expenses are calculated and paid in accordance with the prevailing rules.

#### 2.3.1 Summary of Findings

The Local Authorities (Members Allowances) (England) Regulations 2003 requires local authorities to prepare schemes for the payment of allowances to their members. Authorities making schemes are required to make provision for the payment of basic allowances and may also provide for the payment of special responsibility allowances, dependants carers allowances, travelling and subsistence and co-optees' allowances.

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

- Established monthly processes are in place to verify, authorise and process claims that are submitted by Members.
- The Members allowances scheme is reviewed on a regular basis through the Independent Remuneration Panel in conjunction with Canterbury City Council and Thanet District Council.

### **2.4 Disabled Facilities Grants – Reasonable Assurance.**

#### 2.4.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that Disabled Facility Grants are efficiently and effectively administered to maximise the funds available to make the most difference to those in need of the scheme.

#### 2.4.2 Summary of Findings

The delivery of the disabled facilities grants programme is mandatory and a statutory function of the Local Housing Authority. It is governed by the Housing Grants, Construction and Regeneration Act 1996.

The Better Care fund for Kent during 2015/16 was £101m of which £7.2m was earmarked for Disabled Facilities Grants in Kent. The following table provides some financial context in relation to the amount of money paid out in disabled facilities grants during 2015/16 and also the number of grants awarded.

Year	Total Grants Paid for DFGs in Dover	Number of applications processed	Average Total Grant awarded
2015/16	£803,186	86	£9,339.37

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

- The grant application process was generally working well;
- Applications are signed by the applicant and supported by documentation.
- Applications are supported by a referral from an appropriate occupational therapist.
- Quotations for works are sought in line with legislation;

- Segregation of duties in place is sufficient to help minimise the risk of fraud, bribery and collusion;
- Inspection regimes are sufficient; and
- Samples tested revealed no significant weaknesses within the processes controlled and managed from within the Council.

Small scope for improvement was identified in the following areas:

- There are no operational or administrative procedure notes in place which could help provide resilience within the team;
- Local land charges were being registered automatically for every occupancy type incorrectly.
- There is evidence at a partnering authority to suggest that the Home Improvement Agency recommended by Dover to applicants may not have robust vetting procedures in place;
- Records supporting general out of the ordinary decision making for additional works could be improved.

## **2.5 Shared Service Monitoring – Reasonable Assurance.**

### **2.5.1 Audit Scope**

To provide assurance on the adequacy and effectiveness of the monitoring and feedback arrangements for EK Services, EK Human Resources and East Kent Housing.

### **2.5.2 Summary of Findings**

The Council is a partner in a number of shared services: East Kent Housing is an arms length management organisation which is governed through the East Kent Housing Board and EK Services and EK Human Resources are governed through the East Kent Services Board and East Kent Services Committee which have approved to give delegated powers to the Director of Collaborative Services who is also the Director of Shared Services (DW).

The two governance models have naturally reduced the control the Council has at a strategic and operational level but it still retains ultimate responsibility for the service delivered by each shared service partner. The Council therefore has a major interest in ensuring these governance arrangements are working effectively and provides more of a consultancy and guiding role to the senior management within the shared service vehicles.

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

#### **EK Services & EKHR:**

- The collaboration agreements have recently been renewed or are in the process of being renewed;
- The collaboration arrangements in place are effective;
- The discharge of functions and delegated authority have been formally authorised and discharged correctly;
- The objectives are well documented and communicated well;

- The use of Key Performance Indicators (KPIs) within EK Services to monitor the service is effective; and
- A sample of KPIs tested were successfully validated;

#### East Kent Housing:

- The owners agreement and the managers agreement are well documented;
- The collaboration arrangements in place are well documented;
- The objectives are documented and communicated;
- There are a large number of KPIs in place to provide all stakeholders with necessary performance information to satisfy a wide range of needs; and
- Whilst there are known areas for improvement surrounding the procurement processes, officers at Dover District Council are working with colleagues at East Kent Housing and the other East Kent councils to resolve these issues.

Please note: There is an independent parallel piece of work being undertaken by an external consultant which will report on the governance arrangements within EKH and will be shared with all major stakeholders.

Scope for improvement was however identified in the following areas:

#### EK Services & EK Human Resources:

- There are some KPIs which could be adopted within EKHR to provide better management information to the Council; and
- There is one EK Services KPI which records the number of non-switchboard abandon calls but actually includes calls to the switchboard;

#### East Kent Housing:

- The discharge of functions (annex 2 of the Management Agreement) within the EKH Management Agreement should be revisited to provide a more prescriptive list clarifying the roles and responsibilities of EKH and the Council (i.e. responsibility for disabled adaptations and specific responsibilities in the procurement process).

## **2.6 FOI, Data Protection and Records Management – Reasonable Assurance.**

### **2.6.1 Audit Scope**

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

- a) The Council fulfils its statutory obligations regarding requests for information from the public under the Freedom of Information Act 2000 (FOIA) and Environmental Information Regulations 2004 (EIR);
- b) The Council creates, holds, and maintains personal information about living individuals in accordance with the requirements of the Data Protection Act 1998 (DPA) and deals with subject access requests and information sharing requests in accordance with the Act; and
- c) The authenticity, reliability, integrity and usability of the Council's records is adequately maintained.



## 2.6.2 Summary of Findings

Dover District Council has statutory obligations in respect Data Protection, Freedom of Information and records retention. Below is information in respect of the service provided and the training of employees:

- In 2015/16 there were approximately 1,200 FOI requests of which 1/3<sup>rd</sup> were for Building Control data.
- In 2015/16 there were 53 Data Protection requests.
- Data Protection E-Learning Course – Out of 233 members of Council staff, 187 employees completed and passed the course. (80.25%)
- Freedom of Information e-Learning Course – Out of 233 members of Council staff, 52 employees completed and passed the course (22.31%)

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

- Established processes are in place for dealing with data subject requests and Freedom of Information requests.
- Supporting policies and guidance are in place although there is a need for the Records Management Guidance to be reviewed in accordance with the Code of Practice (i.e. every 2 years).
- The East Kent Corporate Information Governance Group is currently developing a new set of Information Management Policies for adoption by the Council and then for acceptance by each employee.

Scope for improvement was however identified in the following areas:

- A records retention schedule needs to be put in place for the Planning Department and acted on immediately along with the other departments that have not complied with their retention schedules.
- Records retention guidance and schedules should be readily available to all staff on the intranet.
- Departments should ensure that they are complying with the records retention schedule and that they are carrying out regular disposal exercises to ensure compliance. This includes the records held in the dead store and other storage rooms around the building.
- The Complaints / Corporate Resilience Officer should then be checking to ensure compliance with the records retention schedules, and timely disposal of expired records has been carried out. .
- There should be an escalation process for those staff that fail to complete all mandatory e-learning courses within the stipulated timeframes.

## **2.7 EKS Business Rates Credits – Reasonable Assurance.**

### 2.7.1 Audit Scope

To ensure that the processes established by EK Services, on behalf of the partner councils, are sufficient to adequately manage the monitoring of Business Rates accounts where these are in credit and that these procedures comply with legislation.

### 2.7.2 Summary of Findings

The Council has a duty under the Local Government Finance Act 1988, The Non Domestic Rating (Collection & Enforcement) (Local Lists) Regulations 1989, NDR (Payment of interest) Regulations 1990 to apply and collect Business Rates – NNDR. Delegated authority has been given via a collaboration agreement and service level agreement for EK Services to undertake this duty and administer business rate accounts on the Council's behalf.

From time to time a set of circumstances may arise which will lead to a Business Rate Account to become in credit, these primarily are:

- Changes in Rateable Value
- A ratepayer continues to make payments on the account (over and above what they should be paying)
- An account is terminated (whether they had paid by direct debit or manual instalments)
- They have been awarded an exemption/relief

These accounts will therefore become creditors of the authority and be dealt with in accordance with prescribed policies and procedure.

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

- There is an up to date refunds procedure which is being complied with where refunds are made, however, it does not account for any interest to be added or tax deducted where relevant.
- There was evidence on the existence of a separation of duties during the refunds process but this will need to be documented to ensure this remains in place and is consistently being applied.
- Information is being made available on the Council website detailing the credits existing against business rate accounts.
- Scope for improvement was however identified in the following areas:
- The Income Policy and Discretionary Reliefs Policy will need to be updated to ensure roles and responsibilities can be clearly identified; and
- The treatment of closed accounts which remain in credit need to be prescribed as it would appear they remain in credit indefinitely; there was found to be no cut off dates or write offs occurring.

## **2.8 EKS PCI-DSS– Limited Assurance.**

### **2.8.1 Audit Scope**

To ensure that the controls over the administration of the PCI-DSS procedures are robust and sufficient to enable the partner councils to comply with the industry requirements for this service.

### **2.8.2 Summary of Findings**

For clarification, customer's card data is not exposed to any additional risk. This is a review against the new more robust standards – and the assurance level allocated relates to that aspect specifically.

The Payment Card Industry Data Security Standards (PCI-DSS) are specific technical and operational requirements set by the Payment Card Industry Security Standards Council (PCI SSC) to protect cardholder data from fraud, exposure or misuse. The PCI SSC has introduced PCI-DSS to raise standards in relation to the protection of card holder data which exonerates them and the bank from any complaint or breach of the standards. This means that any breach is solely the responsibility of the Council processing the card details. During 2015/16 all three Councils were working towards compliance with PCI-DSS. There are two main areas of risk relating to non-compliance i) technology used to process and store cardholder data and ii) people processing sensitive cardholder information incorrectly.

Despite the very good work that has been carried out across all sites, and the internal controls that are already in place, the review concludes a Limited Assurance that each Council will become compliant and sustain compliance by the end of 2016/17 because the controls that need to be put in place require considerable investment. There are five actions in the agreed action plan.

The PCI-DSS are continuously changing due to new threats and risks which require new controls. This audit was measured against version 3. However the latest version of the standards is version 3.2 which was released in April 2016. This review has therefore concentrated on the preparedness for full compliance, and whilst some payment streams have been fully actioned, some rely on new software being procured and implemented, therefore it would be premature at this stage to be able to provide a higher assurance level as any audit is a 'snapshot in time'. It is important to stress that the matter is progressing and the Corporate Information Governance Group (representing the three partner councils and EKS ICT) have oversight of the requirements in progress.

### 2.8.3 Management Response

The CIGG welcomes the audit and has made good progress in implementing the new requirements. A follow up has been scheduled for December 2016 by when the new suite of ICT policies will have been rolled out to staff. This includes the broader data security issues and specifically the Card Payments Policy. Where required the procurement and implementation of new technical solutions and software has been identified, the overall compliance is being overseen within the individual councils at Management Team level and additionally in partnership through the CIGG. In the meantime the individual councils are taking every opportunity to introduce good practices mitigate and manage potential risks.

**Senior Information Risk Officer for TDC, CCC and DDC.**

## **2.9 EK Services – Housing Benefit Quarterly Testing (Quarter 4 of 2015-16):**

### 2.9.1 Background:

Over the course of 2015/16 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.

### 2.9.2 Findings:

For the fourth quarter of 2015/16 financial year (January to March 2016) 20 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.

### 2.9.3 Audit Conclusion:

Twenty benefit claims were checked and of these one (5%) had a financial error that did impact on the benefit calculation; that was due to officer error.

## **2.10 EK Services – Housing Benefit Quarterly Testing (Quarter 1 of 2016-17):**

### 2.10.1 Background:

Over the course of 2016/17 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.

### 2.10.2 Findings:

For the first quarter of 2016/17 financial year (April to June 2016) 20 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.

### 2.10.3 Audit Conclusion:

Twenty benefit claims were checked and of these none of them had a financial error that impacted on the benefit calculation.

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

- 3.1 As part of the period's work, six follow up reviews have been completed of those areas previously reported upon to ensure that the recommendations previously 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 – Sheltered and Supported housing	Limited	Reasonable	C H M L	0 5 6 3	C H M L	0 0 0 0
b)	East Kent Housing – CSO Compliance	Reasonable	Reasonable	C H	0 5	C H	0 0

Service/ Topic		Original Assurance level	Revised Assurance level	Original Number of Recs		No of Recs Outstanding	
				M	8	M	0
				L	0	L	0
c)	Housing Allocations	Substantial	Substantial	C	0	C	0
				H	0	H	0
				M	1	M	0
				L	0	L	0
d)	Capital	Reasonable	Substantial	C	0	C	0
				H	0	H	0
				M	1	M	0
				L	2	L	0
e)	VAT	Limited	Reasonable	C	0	C	0
				H	3	H	0
				M	4	M	4
				L	0	L	0
f)	EK Services - Debtors	Substantial	Substantial	C	0	C	0
				H	0	H	0
				M	1	M	0
				L	1	L	0

- 3.2 Details of each of the individual high priority recommendations outstanding after follow-up are included at Annex 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 Committee.

The purpose of escalating outstanding high-risk matters is to try to gain support for any additional resources (if required) to resolve the risk, or to ensure that risk acceptance or tolerance is approved at an appropriate level.

#### 4.0 WORK-IN-PROGRESS:

- 4.1 During the period under review, work has also been undertaken on the following topics, which will be reported to this Committee at future meetings: Equality & Diversity, Business Continuity and Emergency Planning, Performance Management, and Insurance and Inventories of Portable Assets..

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

- 5.1 The 2016-17 Audit plan was agreed by Members at the meeting of this Committee on 24<sup>th</sup> March 2016.
- 5.2 The Head of the Audit Partnership meets on a quarterly basis with the Section 151 Officer 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 Annex 3.

- 5.3 Following discussions at CMT, the following audits have been postponed until 2017-18 in order not to clash with the current digitalisation work, and accordingly the following audits have been brought forward:

<b>Postponed</b>		<b>Brought Forward</b>	
Food Safety	10 days	Playgrounds	8 days
Port Health	10 days	Right to Buy	8 days
Licensing	10 days	Garden Waste & Recycling Income	8 days
Contaminated Land	10 days	Inward Investment, External Funding & project Management	26 days
Officers' Code of Conduct & Gifts & Hospitality	10 days		
<b>Totals</b>	<b>50 days</b>		<b>50 days</b>

## 6.0 FRAUD AND CORRUPTION:

- 6.1 There were no other new or recently reported instances of suspected fraud or irregularity that required either additional audit resources or which warranted a revision of the audit plan at this point in time.

## 7.0 INTERNAL AUDIT PERFORMANCE

- 7.1 For the three-month period to 30<sup>th</sup> June 2016, 55.35 chargeable days were delivered against the planned target of 284.10, which equates to 19% plan completion.
- 7.2 The financial performance of the EKAP is currently on target at the present time.
- 7.3 As part of its commitment to continuous improvement and following discussions with the s.151 Officer Client Group, the EKAP has improved on the range of performance indicators it records and measures. The performance against each of these indicators is attached as Annex 4.
- 7.4 The EKAP introduced 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 Annex 4.

### Attachments

- Annex 1 Summary of High priority recommendations outstanding after follow-up.
- Annex 2 Summary of services with Limited / No Assurances
- Annex 3 Progress to 30<sup>th</sup> June 2016 against the agreed 2016/17 Audit Plan.
- Annex 4 EKAP Balanced Scorecard of Performance Indicators to 30<sup>th</sup> June 2016.
- Annex 5 Assurance statements

<b>SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING OR IN PROGRESS AFTER FOLLOW-UP – ANNEX 1</b>		
<b>Original Recommendation</b>	<b>Agreed Management Action, Responsibility and Target Date</b>	<b>Manager's Comment on Progress Towards Implementation.</b>
<i>None to report this Quarter</i>		

SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED			
Service	Reported to Committee	Level of Assurance	Follow-up Action Due
EK Human Resources; Sickness Absence, Leave & Flexi	December 2015	Reasonable/ Limited	Work-in-progress
East Kent Housing – Repairs, Maintenance and Void Management	March 2016	Limited	Work-in-progress



# PROGRESS AGAINST THE AGREED 2016-17 AUDIT PLAN.

## DOVER DISTRICT COUNCIL:

Review	Original Planned Days	Revised Planned Days	Actual days to 30-06-2016	Status and Assurance Level
<b>FINANCIAL SYSTEMS:</b>				
Treasury Management	5	5	0	Work-in-Progress
Main Accounting System	10	10	0	Work-in-Progress
Budgetary Control	10	10	0	Work-in-Progress
Insurance & Inventories of Portable Assets	10	10	0.25	Work-in-Progress
<b>RESIDUAL HOUSING SYSTEMS:</b>				
Homelessness	10	10	0	Quarter 4
HRA Business Plan	10	10	0	Quarter 4
<b>GOVERNANCE RELATED:</b>				
Data Protection, FOI, and Information Records Management	10	10	11.2	Finalised – Reasonable
Officers' Code of Conduct & Gifts and Hospitality	10	0	0.24	Postpone until 2017-18; replace with unplanned reviews
Anti-Fraud & Corruption	10	10	0	Quarter 3
Performance Management	10	10	0.18	Quarter 3
Corporate Advice/CMT	2	2	1.09	Work-in-Progress throughout 2015-16
s.151 Meetings and support	9	9	3.44	Work-in-Progress throughout 2015-16
Governance Committee Meetings and Reports	12	12	4.87	Work-in-Progress throughout 2015-16
2017-18 Audit Plan Preparation and Meetings	9	9	0	Quarter 4
<b>CONTRACT RELATED:</b>				
Receipt & Opening of Tenders	8	8	0	Quarter 4
<b>SERVICE LEVEL:</b>				
Cemeteries	10	10	0	Quarter 4
Safeguarding Return to KCC (s11)	1	1	0	Quarter 3

Review	Original Planned Days	Revised Planned Days	Actual days to 30-06-2016	Status and Assurance Level
Food Safety	10	0	0	Postpone until 2017-18; replace with unplanned reviews
Port Health	10	0	1.11	Postpone until 2017-18; replace with unplanned reviews
Contaminated Land	10	0	0.21	Postpone until 2017-18; replace with unplanned reviews
Business Continuity & Emergency Planning	10	10	4.46	Work-in-Progress
Disabled Facilities Grants	10	10	4.57	Finalised - Substantial
Land Charges	10	10	0	Quarter 4
Licensing	10	0	0.3	Postpone until 2017-18; replace with unplanned reviews
Members Allowances	10	10	0	Finalised - Substantial
Planning Applications, Income & s.106 Agreements	12	12	0	Quarter 4
<b>OTHER</b>				
Liaison with External Auditors	2	0	0	Work-in-Progress throughout 2016-17
Follow-up Work	10	10	3.46	Work-in-Progress throughout 2016-17
<b>FINALISATION OF 2015-16- AUDITS</b>				
Grounds Maintenance	5	5	0.68	Finalised - Limited
Shared Service Monitoring			3.81	Finalised – Reasonable
Commercial Properties and Concessions			8.7	Finalised - Reasonable
Dog Warden & Litter Enforcement			3.96	Finalised - Reasonable
Election Management			0.65	Work-in-Progress
Equality & Diversity			0	Work-in-Progress
Recruitment			0	Work-in-Progress
Procurement			0.27	Finalised - Reasonable
Days under delivered in 2015-16	0	14.1		Completed
<b>UNPLANNED WORK:</b>				

Review	Original Planned Days	Revised Planned Days	Actual days to 30-06-2016	Status and Assurance Level
Cash Counting Arrangements	0	2	1.9	Finalised
Right to Buy	0	8	0	Quarter 3
Playgrounds	0	8	0	Quarter 3
Garden Waste & Recycling Income	0	8	0	Quarter 3
Inward Investment, external Funding & Project Management	0	26	0	Quarter 3
<b>EK HUMAN RESOURCES</b>				
Payroll	5	5	0	Quarter 3
Employee Benefits in Kind	5	5	0	Quarter 4
Leavers and Disciplinary	5	5	0	Quarter 4
<b>TOTAL</b>	<b>270</b>	<b>284.10</b>	<b>55.35</b>	<b>19% as at 30<sup>th</sup> June 2016</b>

**EAST KENT HOUSING LIMITED:**

Review	Original Planned Days	Revised Planned Days	Actual days to 30-06-2016	Status and Assurance Level
<b>Planned Work:</b>				
Governance	15	0	0	Postponed to future audit plan
Finance Systems and ICT Controls	15	0	0	Postponed to future audit plan
Audit Ctte/EA Liaison/Follow-up	6	6	5.59	Work-in-progress throughout 2016-17
Rent Accounting & Collection	15	15	0	Quarter 4
Tenancy & Estate Management	29	29	1.8	Work-in-Progress
Days over delivered in 2015-16	0	-18.15	0	Completed
<b>Unplanned Work:</b>				
Procurement	0	15	8.39	Finalised
Single System Controls	0	15	1.93	Work-in-Progress
<b>Total</b>	<b>80</b>	<b>61.85</b>	<b>17.71</b>	<b>29% at 30-06-2016</b>

**EK SERVICES:**

Review	Original Planned Days	Revised Planned Days	Actual days to 30-06-2016	Status and Assurance Level
<b>Planned Work:</b>				
Housing Benefit Overpayments	15	15	13.85	Finalised - Substantial
Fraud Investigations	15	0	0.64	No longer required
Housing Benefit Subsidy	15	15	0.26	Quarter 3
Council Tax	30	25	0	Quarter 3
Customer Services	15	15	15.01	Finalised - Substantial
ICT Change Controls	12	12	0.2	Quarter 2
ICT Software Licensing	12	12	0	Quarter 3
ICT Network Security	12	12	0	Quarter 4
Corporate/Committee	8	8	1.37	Ongoing
Follow-up	6	6	0.38	Work-in-progress throughout 2016-17
DDC / TDC Quarterly Housing Benefit Testing	20	20	6.93	Work-in-progress throughout 2016-17
Finalisation of 2015-16 work-in- progress	0	27.33	27.65	Completed
Days under delivered in 2015-16	7.33	0	0	
<b>Total</b>	<b>167.33</b>	<b>167.33</b>	<b>66.29</b>	<b>40% at 30-06-2016</b>

**BALANCED SCORECARD – QUARTER 1**

<b><u>INTERNAL PROCESSES PERSPECTIVE:</u></b>	<b><u>2016-17 Actual</u></b>	<b><u>Target</u></b>	<b><u>FINANCIAL PERSPECTIVE:</u></b>	<b><u>2016-17 Actual</u></b>	<b><u>Original Budget</u></b>
	<b>Quarter 1</b>		<b>Reported Annually</b>		
Chargeable as % of available days	85%	80%	• Cost per Audit Day	£	£326.61
Chargeable days as % of planned days			• Direct Costs	£	£419,420
CCC	29%	25%	• + Indirect Costs (Recharges from Host)	£	£11,700
DDC	19%	25%	• - 'Unplanned Income'	£	Zero
SDC	26%	25%	• = Net EKAP cost (all Partners)	£	£431,120
TDC	25%	25%	• Saving Target	£	10%
EKS	40%	25%			
EKH	29%	25%			
Overall	27%	25%			
Follow up/ Progress Reviews;					
• Issued	26	-			
• Not yet due	22	-			
• Now due for Follow Up	31	-			
Compliance with the Public Sector Internal Audit Standards (PSIAS) (see Annual Report for more details)	Partial	Full			

**BALANCED SCORECARD – QUARTER 1**

<b><u>CUSTOMER PERSPECTIVE:</u></b>	<b><u>2016-17 Actual</u></b>	<b><u>Target</u></b>	<b><u>INNOVATION &amp; LEARNING PERSPECTIVE:</u></b>	<b><u>2016-17 Actual</u></b>	<b><u>Target</u></b>
	<b>Quarter 1</b>		<b>Quarter 1</b>		
<b>Number of Satisfaction Questionnaires Issued;</b>	<b>18</b>		<b>Percentage of staff qualified to relevant technician level</b>	<b>83%</b>	<b>75%</b>
<b>Number of completed questionnaires received back;</b>	<b>10</b>		<b>Percentage of staff holding a relevant higher level qualification</b>	<b>36%</b>	<b>32%</b>
	<b>= 56%</b>		<b>Percentage of staff studying for a relevant professional qualification</b>	<b>28%</b>	<b>N/A</b>
<b>Percentage of Customers who felt that;</b>			<b>Number of days technical training per FTE</b>	<b>0.19</b>	<b>3.5</b>
<ul style="list-style-type: none"> <li>Interviews were conducted in a professional manner</li> </ul>	<b>100%</b>	<b>100%</b>	<b>Percentage of staff meeting formal CPD requirements (post qualification)</b>	<b>36%</b>	<b>32%</b>
<ul style="list-style-type: none"> <li>The audit report was 'Good' or better</li> </ul>	<b>100%</b>	<b>100%</b>			
<ul style="list-style-type: none"> <li>That the audit was worthwhile.</li> </ul>	<b>100%</b>	<b>100%</b>			

## 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.