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

**Meeting and Date:** **Governance Committee – 24<sup>th</sup> March 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 31<sup>st</sup> December 2015.

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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 31<sup>st</sup> December 2015.

**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 twelve Internal Audit reports that have been completed during the period, of which four reviews were classified as providing Substantial Assurance, four as Reasonable Assurance, and two as Limited. There were two additional assignment undertaken for which an assurance opinion is not applicable as they comprised of quarterly benefit testing.
- 2.8 In addition five follow-up reviews have been completed during the period, which are detailed in section 3 of the quarterly update report.
- 2.9 For the nine-month period to 31<sup>st</sup> December 2015, 155.14 chargeable days were delivered against the planned target of 270, which equates to 57% 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 2015-16 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 2015-16 - Previously presented to and approved at the 26<sup>th</sup> March 2015 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 31<sup>st</sup> December 2015.

**2. SUMMARY OF REPORTS:**

Service / Topic		Assurance level	No. of Recs.	
2.1	Printing, Photocopying and Postage	Substantial	H M L	0 2 2
2.2	Housing Allocations	Substantial	H M L	0 1 0
2.3	Community Safety	Substantial	H M L	0 0 0
2.4	Environmental Health & Safety at Work	Substantial	H M L	0 0 0
2.5	Risk Management	Reasonable	H M L	1 3 0
2.6	Public Health Burials	Reasonable	H M L	0 2 4
2.7	Employee Health, Safety and Welfare	Reasonable	H M L	3 3 0
2.8	Building Control	Reasonable	H M L	4 4 1
2.9	VAT	Limited	H M L	3 4 0

2.10	East Kent Housing - Repairs, Maintenance and Void Management	Limited	H M L	7 9 3
2.11	EKS – Quarterly Housing Benefit Testing (Quarter 2 of 2015-16)	Not Applicable		
2.12	EKS – Quarterly Housing Benefit Testing (Quarter 3 of 2015-16)	Not Applicable		

## **2.1 Printing, Photocopying & Postage – Substantial Assurance.**

### **2.1.1 Audit Scope**

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

### **2.1.2 Summary of Findings**

The post and print room provides an efficient service to the organisation in ensuring that printing, postage and photocopying and associated expenditure recharges and income are carried out in a timely fashion.

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

- Established processes are in place for the recharging of postage, photocopying and printing.
- Processes are in place to ensure that both incoming and outgoing post is processed in a timely fashion.
- Internal colour printing work is being scheduled through an online request process and once approved by the Design, Print and Postal Service Manager that it complies with Council standards is scheduled into the print room work.
- Processes are in place to ensure that work for external organisations is charged in accordance with the price list that is in place and that appropriate sundry debtor requests for payment are raised for the works that have been carried out.

Scope for improvement was however identified in the following areas:

- Processes could be enhanced to speed up the monthly reconciliation work carried out by Accountancy in respect of the use of the Multi-Functional Device's.
- Trend analysis that shows that colour printing on the multi-functional devices is increasing year on year from 43,573 items in 12/13 to 136,905 items for the current financial year (up to 02/02/16). The costs associated are also increasing and the reasons for the increase should be further challenged.

## **2.2 Housing Allocations – Substantial Assurance.**

### **2.2.1 Audit Scope**

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that housing property is allocated efficiently and effectively to qualifying tenants in accordance with Council policy and procedures and

offers choice to prospective tenants through the allocations process in accordance with prevailing legislation.

## 2.2.2 Summary of Findings

The Council operates within the provisions of the Housing Act 1996 – Part VI (as amended) and takes into account the Government's statutory guidance on social housing allocations for local authorities in England. The Council must also fulfil its duty to the homeless under Section 184 of the Housing Act 1996 Part VII.

The Council is owner and landlord of 4,443 properties as at January 2016. In 2014/15 372 households were housed in DDC properties and 155 nominations were made to Housing Association properties. The new Housing Allocation policy implemented in August 2013 did not result in a significant reduction in the number of households on the housing register; 2,901 in April 2013 and 2,663 in April 2015. This is because the register was comparatively manageable and, apart from changing from a points system to a banding system, there was little change in the eligibility criteria such as local connection rules.

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

- The Council has an approved Housing Allocations Policy which is written in accordance with legislation and Government guidance;
- Housing applications are submitted online and assessed for eligibility in accordance with the policy;
- Advertisements are accessible and up to date and allocations are made in accordance with the policy;
- There is a full audit trail of allocation decisions made; and
- Operational performance targets are maintained.

Scope for improvement was however identified in the following areas:

- The Council should investigate the possibility of a holding bay within Locata for additional scanned information later received in support of housing applications.

## **2.3 Community Safety – Substantial Assurance.**

### 2.3.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to continue co-ordinating the activities of the Dover District Community Safety Partnership (CSP), ensuring it achieves the objectives in the CSP Plan to make the district a safer place in which to live.

### 2.3.2 Summary of Findings

The Crime and Disorder Act 1998, Section 17 places an obligation on local authorities to consider crime, disorder, environmental issues affecting the local area and substance misuse for all their activities and to do all they reasonably can to prevent them. It also places a statutory duty on the police and local authorities to work together with key partners and agencies in partnership to formulate and implement local crime reduction strategies. The partners are required to identify local crime and disorder priorities, formulate strategies to reduce crime and monitor and

evaluate those strategies. As a result of this the Dover District Community Safety Partnership was created with a number of statutory agencies involved in promoting public safety, reducing anti-social behaviour and crime.

The Community Safety Partnership Executive Group are responsible for monitoring the partnership's progress and achievement against targets.

Complaints regarding anti-social behaviour are received by the Community Safety Unit. The Unit brings together Officers from the Council, Kent Police, Kent Fire & Rescue, KCC Community Wardens and other voluntary and community organisations who will work together to provide a joint resolution to issues that arise.

The Community Safety Partnership Officer is responsible for co-ordinating all partnership activities. In addition to this the Officer leads on all partnership projects, explores potential external funding opportunities, monitors government strategies, national good practice and provides general advice to the partnership on any developments in community safety and crime reduction.

Management can place Substantial Assurance on the system of internal controls in operation to ensure that the CSU and CSP meet their objectives and thus assist in ensuring that the Council meets its statutory responsibilities regarding community safety.

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

- The CSP Officer ensures that a CSP plan is produced each year and is approved by the DDCSP Executive Group.
- The CSP facilitates many projects that meet its objectives as well as reacting to current community safety concerns which have been raised through the CSU.
- The CSU and CSP publicise their work and ensure they engage the community when considering their priorities, planning their work for the following year and ensuring they demonstrate compliance with Section 17.
- The CSP receives good feedback from partners, Councillors and members of the public who are affected by community safety issues including ASB.
- The website pages for the CSU and CSP are up to date and provide comprehensive information to the public on anti-social behaviour and the work of the Council/Partnership.

## **2.4 Environmental Health & Safety at Work – Substantial Assurance.**

### **2.4.1 Audit Scope**

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Council is adequately fulfilling its responsibilities under the Health and Safety Act 1974.

### **2.4.2 Summary of Findings**

The Health & Safety Executive (HSE) work with the Local Authority to enforce health and safety legislation. They ensure that duty holders manage the health and safety of their workforce and of those affected by their work.

In March 2011 the Government published 'Good Health and Safety, Good for Everyone'; this document set out the plans to refocus occupational health and safety

for Britain's businesses. As a result of this in May 2015 the framework for health and safety law was simplified to help businesses comply more easily. The Government made major changes and shifted its focus to concentrate on businesses in the higher risk industries and specific categories of risk, for example LPG and Legionnaires disease. The intervention regime was reviewed and new guidance was issued to assist Local Authorities to meet the requirements of the National Local Authority Enforcement Code.

The officers in the Public Protection Team who are involved in Health and Safety at Work have been provided with sufficient training to ensure that they are competent and are able to comply with the HSE requirements.

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

- Procedure notes have been created and are reviewed regularly to ensure that they reflect current working practices and the latest HSE guidance.
- All staff have been provided with the necessary training to ensure they are competent in dealing with health and safety at work.
- Relevant documentation and notes are recorded on each worksheet to provide a comprehensive record of the action taken for each inspection/intervention.
- There is a dedicated page on the Council's Internet site for health and safety at work; this provides information on the legislation along with a link to the Health and Safety Executive's (HSE) website.

## **2.5 Risk Management – 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 adopts best practices in the identification, evaluation and cost effective control of risks to ensure that they are reduced to an acceptable level or eliminated, and also maximise opportunities to achieve the Council's vision.

### **2.5.2 Summary of Findings**

Following the Priority Service Review during 2010, it was agreed that the Council would apply its risk management strategy to monitoring risks at a corporate and project level only. Corporate priorities will continue to be risk assessed as a fundamental part of the Governance process. Service / Day to Day risks are monitored as appropriate by individual departments.

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

- There are Established processes in place to monitor the corporate risk register at a CMT level.
- Supporting policies are in place to provide guidance to the risk management processes at a corporate level. This includes an agreed Risk Management Strategy and supporting processes.
- Members have had the appropriate training to be able to sit on the Governance Committee.

Scope for improvement was however identified in the following areas:

- The Corporate Risk Register is not regularly reported to Members via the Governance Committee. Whilst this is not specifically required by the terms of reference of the Committee, it is best practice to do so.
- There is no central list of corporate projects in place, to monitor and ensure that the officers responsible for corporate projects are updating their risk assessments as the projects develop, and that the risks are being communicated on a regular basis as part of the monitoring process.
- Outstanding 2015/16 business plans need to be submitted to the Head of Corporate Services so that the operational risks can be reviewed and where appropriate added to the corporate risk register.
- Copies of internal audit reports used to be sent to the Head of Corporate Services but this ceased some time ago. It may be beneficial to recommence this process in order that any high priority recommendations from internal reviews may be captured for consideration for inclusion on the corporate risk register; OR, at least to give those responsible for monitoring risk, an overview of the high level recommendations and issues being raised across the service areas of the Council as a result of the audits being carried out.

## **2.6 Public Health Burials – Reasonable Assurance.**

### **2.6.1 Audit Scope**

To provide assurance on the adequacy and effectiveness of the procedures and controls established for Public Health Act Burials, ensuring that any burials undertaken are performed in line with procedures, and sufficient records maintained to safeguard the officer(s) making arrangements / fulfil statutory requirements should there be any estate.

### **2.6.2 Summary of Findings**

The requirement to arrange a funeral is for the protection of health and is provided for by law under Section 46 of the Public Health (Control of Disease) Act 1984. It is therefore the duty of the Council to bury or cremate the body of any person who has died or been found within their jurisdiction, in any case where it appears to the Council that no suitable arrangements have been or are otherwise being made.

Under this obligation the Council will deal with all aspects of the organisation of a state-assisted funeral i.e. registering the death; dealing with the undertakers and organising the details of the funeral; involving where possible, friends and relatives of the deceased in the process; and paying for the funeral. The Council will look to recover its expenses from any estate left by the deceased as a civil debt.

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

- There are clear documented procedures in place and officers are aware of the statutory requirements for the service.
- The undertaker fees are regularly reviewed to ensure best value is obtained.
- All reasonable steps are taken to identify the deceased's next of kin.



- Undertakers' costs are being recovered from the deceased's estate where there are sufficient funds.
- Appropriate referrals are being made to the Treasury Solicitor.

Scope for improvement was however identified in the following areas:

- There is a lack of a full management trail for cash and documentation seized from the deceased premises.
- It is not possible at present to reconcile the cash seized to that actually banked.
- The documented procedures require some updating to ensure they remain fit for purpose.

## **2.7 Employee Health, Safety & Welfare – Reasonable Assurance.**

### **2.7.1 Audit Scope**

To provide assurance on the adequacy and effectiveness of the policies and procedures established to protect the partner Council's staff in relation to various health and safety issues, such as lone working, home working and any relevant issues within the workplace, whilst also taking into account the legislative requirements placed upon the Council's as their employer and the confirm the role of the EKHR Health & Safety Advisors.

### **2.7.2 Summary of Findings**

The Council is committed to achieving a high standard of health and safety compliance in all service areas through effective, proactive management and a co-operative effort at all levels. This undertaking will ensure, as far as is reasonably practicable, the health and safety of their employees and of others that may be affected by their acts or omissions. This includes the provisions of the Health & Safety at Work Act 1974 and all other regulations made under this and other relevant acts. The Council is assisted in this by EKHRP, who undertakes to provide each of the East Kent authorities with competent H&S advice and guidance to ensure their full compliance with Regulation 7 of the Management of Health and Safety at work Regulations.

The Health and Safety Project Group have carried out a considerable amount of work over the last couple of years to put in place health and safety processes across the Authority. Projects have been carried out on Departmental Risk Assessments, Lone Working and a Staff Risk Register. An ongoing project is in relation to staff training and ensuring that staff have completed the appropriate training courses. To assist in this a monitoring system has been put in place for all Corporate Training and this was recently reported to Corporate Management Team.

A new staff risk register has been implemented with guidance notes that explain the processes that have to be carried out. There are now 5 entries made on to the register (as at December 2015) following a recent email reminder that has been sent out to staff.

The Health and Safety Advisors at EKHR have in place an audit plan for each authority for the current year and the next two. The findings and recommendations are presented in a report to the Head of Service and Managers and a follow up review is also carried out to ensure that the recommendations have been actioned. The Council should consider implementing a formal reporting process, through the

Joint Health Safety and Welfare Consultative forum and its designated function, for the health and safety audits (including follow ups) so that Members and Senior Officers are aware of the issues that are impacting on the organisation and its employees, and what is being carried out or not being carried out to address the situations and risks. Alternatively, the quarterly management information report produced by EKHR could be developed to include this information.

Clarification over the responsibility for ensuring that staff are advised of changes to health and safety issues that are relevant to them and on EKHR's expected role regarding service delivery and reporting should be resolved.

## **2.8 Building Control – Reasonable Assurance.**

### **2.8.1 Audit Scope**

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that Building Control procedures are operated in accordance with the Building Act 1984, and the organisation's Financial Regulations and approved policy.

### **2.8.2 Summary of Findings**

From January 2016 the Building Control function has gone paperless with officers using handhelds with direct access into the Acolaid system whilst out on site along with the electronic management of workloads, applications and plans. For this to have happened, a considerable amount of work has taken place over the last 15 months along with buy in from staff to develop processes and carry out appropriate training.

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

- Established building control processes are in place and are being complied with in accordance with legislation.
- Partnerships are in place with various firms of architects with formal LABC agreements being put in place.

Scope for improvement was however identified in the following areas:

- Banking of income should be carried out on a daily basis in accordance with Financial Procedure Rules.
- The Acolaid system should be updated to reflect payments received from invoices that have been raised for building control services.
- Consideration should be given to introducing a charge for processing demolition notices. Additionally, inspections should be carried out to ensure that such works are carried out in accordance with the application.
- With paper files no longer being set up for new applications, there is a need to ensure that consistent file naming is in place on the documentation that is scanned into Idox and also for any information/notation that is shown on the other screens on Acolaid.

## **2.9 VAT – Limited Assurance.**

### **2.9.1 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.

### **2.9.2 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 on Council budgets.

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

- The last partial exemption figure was calculated for 2012/13; this should be monitored and calculated annually at year end;
- A VAT inspection in March 2014 highlighted some incorrect treatment of VAT and reduced the Council's VAT recovery schedule by £89,666.32; this related mainly to grounds maintenance work supplied by KCC. KCC later accepted a separate VAT invoice allowing DDC to recover this amount; the error was however repeated the following period, thus highlighting a need to correct this from recurring.
- No sample testing of creditors and debtors is carried out during the VAT return process to ensure correct treatment of VAT on transactions;
- There is no VAT guidance or signposting available to staff on the intranet; and
- VAT training for spending officers outside of Finance is limited;
- Five actions agreed to in the previous audit have not been effectively and consistently implemented.

Effective control was however evidenced in the following areas:

- VAT returns are submitted within the HMRC deadlines;
- Creditors will only reclaim VAT where a proper VAT invoice is supplied; and
- 100% of the 12 creditor invoices selected and tested were found to be in order.

### **2.9.3 Management Response**

Management are grateful to the audit team for raising their concerns.

Management have offered to have a further follow up meeting and have queried some aspects of the report. In particular, the following points are brought to the committee's attention.

- *The last partial exemption figure was calculated for 2012/13; this should be monitored and calculated annually at year end;*

The last partial VAT calculation showed that input VAT on exempt outputs constituted 1.2% of the total. This is only an issue when it approaches 5% of the total. This circumstance would only generally arise, for a district council such as Dover, when a major capital project is underway that will generate exempt outputs. An obvious example is the construction of a crematorium. The VAT accountant is also responsible for reviewing major capital projects in order to ensure that such potential issues are spotted. The calculation for 2014/15 has since been undertaken and has confirmed that DDC remains comfortably below the 5% at 1.46%.

- *A VAT inspection in March 2014 highlighted some incorrect treatment of VAT and reduced the Council's VAT recovery schedule by £89,666.32; this related mainly to grounds maintenance work supplied by KCC. KCC later accepted a separate VAT invoice allowing DDC to recover this amount; the error was however repeated the following period, thus highlighting a need to correct this from recurring.*

Clearly we want to have no VAT errors. This example is relevant, but it related to a specific issue and there was no overall loss to the Council and therefore does not illustrate a significant problem. The summary does not provide overall context. 100% of the 12 creditor invoices selected and tested during the audit were found to be in order. If there are significant concerns, then audit sampling has not revealed them.

Generally HMRC's VAT inspections have not identified systemic or fundamental problems and penalties have not generally (including the case above) been imposed on DDC by HMRC.

In addition, special exercises have been undertaken leading to additional VAT recovery recently of £30k VAT on postage and £10k VAT on car parking, in 2011 over £200k was reclaimed relating to the Fleming case for backdated claims and various other claims are currently lodged awaiting outcomes / settlement.

The total VAT recovered in 2014/15 was £3.88m across nearly 8000 transactions.

- *There is no VAT guidance or signposting available to staff on the intranet*

This is not correct. There is a VAT checker in place and the two Accountancy staff with specific VAT expertise are listed on the FH&C team page on the Intranet. The management view is that that signposting is not necessary in a small organisation like Dover where the finance team are known to all budget managers and within finance responsibility for VAT is clear.

Management consider that this level of information is sufficient and appropriate for the organisation. The VAT checker currently available is produced & maintained by our VAT advisors LAVAT. To provide more, a VAT manual would have to be produced & maintained in-house which would require significant resource to create and ensure on-going accuracy. In a small organisation with limited resources it is considered more appropriate for budget managers to discuss any issues with Finance rather than referring to a manual which would be at risk of becoming out of date if staff were unable to allocate sufficient resource to regularly updating it.

- *VAT training for spending officers outside of Finance is limited;*

There is a balance between too much & too little information. There is also a danger that any VAT training beyond the basics carries the danger that managers will assume they have greater expertise than is the case. Managers are encouraged to come to Finance for queries rather than using their own initiative and potentially getting things wrong, causing bigger problems. VAT reminders are included as part of budget manager training sessions as considered appropriate and when significant changes are made that need to be implemented across the organisation.

## **2.10 East Kent Housing Repairs, Maintenance and Void Management – Limited Assurance.**

### **2.10.1 Audit Scope**

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Councils' housing stock is well maintained, providing a good level of service to Council tenants (which demonstrates value for money and tenant participation), in partnership with the Councils' contractors and in accordance with Council policy and procedures.

### **2.10.2 Summary of Findings**

East Kent Housing (EKH) was appointed in April 2011 to manage the repairs and maintenance of the housing stock for Canterbury, Dover, Shepway and Thanet councils. The EKH Service provides repairs and maintenance support for 16,901 rented properties with a combined Revenue budget in the region of £15.25m.

From the testing completed during this review whilst most of the necessary controls were found to be in place, there were a number of key controls not working effectively, particularly around the inspection of completed repairs, and also planned maintenance work. It is therefore the conclusion of this review that management can currently only have limited assurance over the arrangements and controls in place to ensure that the Councils' housing stock is well maintained.

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

- The number of post inspections at Dover has not been increased to investigate higher than normal failure rates on responsive repairs.
- There are a significant number of variations to job costs at Dover by the contractor without documented approval from EKH.
- There are high numbers of repairs older than 30 days not being investigated at Dover.
- Work undertaken outside of the *Price Per Property* (PPP) contract at Canterbury is not normally being post inspected.
- Stock condition surveys across all four partner sites are out of date; this results in planned maintenance programmes being put in place based on out of date information.
- There is a lack of defined procedures in place for the post inspection of planned maintenance work resulting in confusion over roles and responsibilities. In terms of both informing officers of the work requiring inspection and then the reporting of inspection results.
- Charges for rechargeable works are not being raised and collected in three areas.

Effective control was however evidenced in the following areas:

- Sound procedures are in place for budgetary control and are well practiced in all four areas. Good lines of communication were found to be in place between EKH and the respective Accountants for both repairs and planned maintenance.
- Maintenance Inspectors in each area have a sound understanding of the main repairs contracts.
- Post inspections undertaken generally target work with a higher risk, or known problem areas.
- Area Maintenance Managers and Maintenance Inspectors have good working relationships with the repairs contractor.
- Regular meetings are held between officers and contractors to review performance and review ongoing problems.
- Budgets are monitored well and reported at suitable intervals.
- Tenants are suitably involved and informed in the repairs process.

Inspections of completed repairs are a requirement of the current maintenance contracts, and are a valuable management aid to test the quality of works undertaken by the contractors. Officers are expected to post inspect around 10% of completed jobs, and officers across each of the four areas normally achieve this. However, review of post inspections undertaken in the Dover area identified that from 817 inspections undertaken by EKH, 286 failed post inspection. Of those which failed, 176 failed on price related queries. Despite an overall failure rate of around 35%, officers continue to post inspect only 10% of the completed jobs.

Testing of a sample of 16 completed jobs identified that 6 jobs had been subject to a price variation of more than £150 which is allowed for within the contract, with no documented approval from the Dover based Maintenance Inspectors.

Officers in the Canterbury Area were found to be only inspecting work completed by the repairs contractor which falls under the Price Per Property (PPP) contract. Testing established that work outside of the PPP contract is not normally subject to any post inspection regime.

Review of procedures for the raising and collection of debts in respect of rechargeable works established the following;

- A backlog on the raising of debts at Dover;
- Debts are not raised at all at Canterbury;
- Debts are raised but not collected in Thanet; and.
- Debts have only been raised in Shepway since November 2014.

#### 2.10.3 Management Response to the Housing Repairs, Maintenance and Void Management audit from the East Kent Housing Head of Operations

EKH welcomes the audit on the repairs, voids and planned maintenance service and the identified actions are being actively implemented, with one exception, where EKH has rejected one recommendation (increasing the number of post inspections at Dover on repair work).

The audit is a large piece of work affecting response maintenance, planned maintenance, void management and business planning over four Council areas. The audit looked at 51 key controls and found that 36 of the key controls were working

effectively. Of the 19 recommendations in the report, only 7 have been classified as high priority.

A detailed discussion has taken place on the audit and the recommendations and the priority attached to each one. Each of these areas has been agreed between audit and EKH. However, the overall rating of 'Limited' has been queried by EKH as the definition for a Limited Assurance level is defined as, "some of the necessary controls of the system are in place, managed and achieved." As 70% of the controls have been judged as working effectively EKH believes that a Reasonable Assurance reflects the outcome of the audit more correctly, which is defined as, "most of the necessary controls of the system in place are managed and achieved." Although this has been discussed with audit they feel that a Limited Assurance remains correct.

## **2.11 EK Services – Housing Benefit Quarterly Testing (Quarter 2 of 2015-16):**

### **2.11.1 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.

### **2.11.2 Findings:**

For the second quarter of 2015/16 financial year (July to September 2015) 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.

### **2.11.3 Audit Conclusion:**

Forty benefit claims were checked and of these none had financial errors that impacted on the benefit calculation. One claim that passed did so however because the error that was detected did not affect the benefit calculation.

## **2.12 EK Services – Housing Benefit Quarterly Testing (Quarter 3 of 2015-16):**

### **2.12.1 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.

### **2.12.2 Findings:**

For the third quarter of 2015/16 financial year (October to December 2015) 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.

### 2.12.3 Audit Conclusion:

Forty benefit claims were checked and of these 1 (2.5%) had financial errors that did impact on the benefit calculation that were due to officer error. There was also 1 data quality error and 1 claim that had a financial error but did not impact on the benefit calculation. There was also 1 claim that had a system 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, five 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 – Tenant Health & Safety	See table below	See Below	See Below			
b)	Safeguarding Children & Vulnerable Groups	Limited	Reasonable	H M L	9 2 1	H M L	5 1 0
c)	Leasehold Services	Limited	Reasonable /Limited	H M L	12 12 3	H M L	4 6 1
d)	Tackling Tenancy Fraud	Not Applicable	Not Applicable	H M L	3 20 6	H M L	2 13 4
e)	EKHR – Payroll	Reasonable	Reasonable	H M L	0 1 2	H M L	0 0 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.



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

a) East Kent Housing – Tenant Health and Safety

A follow up review has been completed of Tenant Health and Safety. This area was previously reported upon in September 2014 and the progress review was programmed to allow time to ensure that the recommendations previously agreed have been implemented, and the internal control weaknesses leading to those recommendations have been mitigated. We updated the committee in March with an interim progress report, and at that time the assurance opinion was revised to Reasonable Assurance for Lift Maintenance; previously assessed with No assurance.

Further follow-up work commenced in June this year and comprised of a number of site visits which were undertaken at the same time as fieldwork for the Sheltered Housing audit. The follow-up was concluded in November 2015 with updated management responses received together with supporting evidence.

The original report contained 29 agreed management actions to reduce the identified risks of which 12 were completed at the time of the original review in August 2014. The table below shows how the remaining 17 recommendations were categorised and whether or not they have been implemented to date: -

Area	Original Assurance Level	Revised Assurance Level	No. of Recs.		Implem-ented	WIP
Policies	Not Applicable	Not Applicable	H	1	0	1
Lift Mtce	No	Reasonable	H	1	1	0
Gas Safety	Substantial	Substantial	L	1	0	1
Fire Safety	Limited	Limited*	H	11	9	2
			L	2	2	0
Asbestos	Reasonable	Reasonable	L	1	0	1

Of these 17 recommendations significant progress has been made towards their implementation. The remaining two high-risk recommendations are now escalated to this committee, see Annex 1.

\*A significant amount of work has been undertaken in the area of fire safety which is commendable. All of the critical barriers and obstacles – which previously gave rise to the limited assurance opinion – have now been removed and work is in progress to fully implement the agreed recommendations. The direction of travel is therefore undoubtedly a positive one. It would however be somewhat premature to increase the assurance level to Reasonable until the recommendations have had further time to embed; once this has been achieved, the assurance level can however be increased to reasonable.

c) East Kent Housing – Leasehold Services:

There were a host of issues that needed to be addressed in order to demonstrate that the control environment had improved sufficiently to warrant a revised assurance opinion. This progress report recognises that management have taken positive action to strengthen the control environment but that Management need time to embed the controls before the next audit on this subject area.

The assurance level that was given in the original audit was Limited and as a result of the follow up audit review being carried out the assurance level is increased to Partially Limited. Management can place Reasonable Assurance on the controls in place for calculating the service charges and Limited Assurance on the controls in place for issuing section 20 notifications.

Of the 28 recommendations that were originally agreed three high priority recommendations relating to Section 20 Notifications had been implemented but this follow up Audit scope tested the Actuals produced in September 2015 rather than the notices being served since April 2015. Any improvements in control will not be evident until September 2016. This has contributed to the Partially Limited Assurance opinion.

#### Management Response:

East Kent Housing is pleased with the progress noted in this follow up Audit. We feel confident that the changes made to the Section 20 process have resulted in a significant improvement in the quality, quantity and accuracy of the notices being served on Leaseholders including improvements to supporting information and the way that queries are being handled. We look forward to demonstrating these improvements through the Audit of the leasehold service that is due in 2016.

#### **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: Housing Allocations, Equality and Diversity, Procurement, Electoral Registration and Election Management, Dog Warden and Street Scene Enforcement, Grounds Maintenance, and Members' Code of Conduct & Standards Arrangements.

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

- 5.1 The 2015-16 Audit plan was agreed by Members at the meeting of this Committee on 26<sup>th</sup> March 2014.
- 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.

## **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 nine-month period to 31<sup>st</sup> December 2015, 155.14 chargeable days were delivered against the planned target of 270, which equates to 57% 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 31 <sup>st</sup> December 2015 against the agreed 2015/16 Audit Plan.    |
| Annex 4 | EKAP Balanced Scorecard of Performance Indicators to 31 <sup>st</sup> December 2015. |
| Annex 5 | Assurance statements   |

**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING OR IN PROGRESS AFTER FOLLOW-UP – ANNEX 1**

Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
<i>East Kent Housing – Tenant Health &amp; Safety (November 2015):</i>		
<p>EKH should introduce a quarterly performance indicator to report on the number of Fire Risk Assessments which are overdue review, (categorised as High, Medium and Low priority).</p>	<p>Exception reporting to be carried out quarterly We will develop an annual H&amp;S assurance statement (based on the governance statements provided to the councils) which will ensure that all Health and safety actions are carried out and signed off by the appropriate officer. This will be reported to management team half yearly and to the Board annually as part of the Corporate Health report in July.</p> <p><b>Responsibility/Completion date.</b> 31.12.14</p>	<p><b>Follow up Findings as at Nov 2015</b></p> <p>All FRA are completed and available on the EKH shared "R" drive. The Asset Management Administration Team are developing the existing (Savills) data base by which EKH can monitor the FRA works completed, fully implemented by December 2015. The updating of the spreadsheet by EKH to reflect completed works will be an ongoing exercise</p> <p>Since signing to the HUB framework Savills has supported EKH, including the task to reevaluate all FRA's review dates and amend according to the building risk rating. Buildings due FRA reviews will be programmed for completion by February 2016.</p> <p><b>Conclusion:</b> Work is ongoing towards implementation.</p>
<p>EKH should ensure that all recommendations arising from the 2013 &amp; 2014 Fire Risk Assessments carried out by Savills are resourced so they are implemented within the timescales suggested in each individual Fire Risk Assessment.</p>	<p><b>Agreed Management Action.</b></p> <p>A meeting with Savills has been held to develop a work schedule. This will feed into the Councils' budget planning process in the autumn.</p> <p><b>Responsibility/Completion date.</b> 30.09.14</p>	<p><b>Follow up Findings as at Nov 2015</b></p> <p>EKH's proposal to manage fire precautions was issued to each of the 4 Client Officers for approval (eg to CCC June 15).</p> <p>Amended fire precaution budgets secured for 2015/16 and agreement from the 4 councils to use existing contracts for 2015/16.</p> <p>2015/16 works programmes issued by EKH to existing contractors (Mears and PJC) w/c 2</p>

**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING OR IN PROGRESS AFTER FOLLOW-UP – ANNEX 1**

Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
		<p>November with assurances that will be delivered by 31 March 2016.</p> <p>Dedicated Clerk of Works (Fire Precautions) to be appointed on an initial 2 year fixed term contract as agreed, and jointly funded, by 4 councils. EKH finalising job evaluation with EKHR with target to go to advert in December 2015.</p> <p>Fire Precaution Contract (all areas) – tender documents being produced with Savills to provide technical specifications and pricing models. Target to issue tender documents in January 2016 and award new contracts in April 2016.</p> <p>Canterbury Fire Door Contract – procurement in progress; PQQ evaluation completed and currently at ITT stage. Expect to award contract January 2016.</p> <p><b>Conclusion:</b></p> <p>Work is ongoing towards implementation.</p>
<i>Safeguarding Children and Vulnerable Groups – November 2015:</i>		
Clarification should be received from EK Housing that their Safeguarding Children Policy 2012 has been reviewed and that staff have been made aware of any changes and that staff have also received the appropriate training in accordance with the policy during the course of each	The Designated Child Protection Officer will contact EK Housing and EK Services to ensure that they are meeting the requirements of Dover District Council in respect of policies being up to date, staff training and reporting of any issues that they observe. The outcomes of this will be reported to CMT. If information is	This is a Section 11 Children Act 2004 requirement. Arrangements have been made in the CMT Agenda for updates to be delivered to the CMT by the Designated Officer at least annually. This will include information received from partners so that an assurance can be given that they are complying with legislation.

**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING OR IN PROGRESS AFTER FOLLOW-UP – ANNEX 1**

Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
financial year. The same may apply to EK Services and if so the recommendation should also include them.	<p>not forth coming then request should be escalated up to the Board of Directors at EK Housing via CMT.</p> <p><b>Responsibility / Completion Date</b></p> <p>DDC Designated Child Protection Co-Ordinator/ CMT -December 2014</p>	<p><b>Conclusion</b></p> <p>Recommendation is ongoing.</p>
The PQQ needs to be updated to reflect the change of name in the checking process from CRB to DBS and also to include a confirmation that either the tendering company has a child protection policy in place (if applicable to the works they are tendering for) and provides a copy for the Designated Protection Co-Ordinator to review; or if they do not have a policy in place that they would sign up to the Council's policy and a copy should be provided to them and a declaration confirming that they are signing up to it.	<p>The PQQ, where applicable for the works being carried out, will be revised to seek this information and relevant policies will be presented to the Designated Child Protection Officer for them to review and seek further information when required so that the authority has an assurance that contractors are complying with legislation.</p> <p><b>Responsibility / Completion Date</b></p> <p>Director of Environment and Corporate Assets/ DDC Designated Child Protection Co-Ordinator</p>	<p>Ongoing, as refers to action required when contract agreed.</p> <p><b>Conclusion</b></p> <p>Recommendation is ongoing.</p>
As part of the Council grant application process, (that all services should follow) there should be incorporated into it checks and also a condition of the grant that the applying body / organisation have in place (where applicable for the grant) the appropriate child protection and safeguarding vulnerable groups policies and that their staff have received the appropriate training.	<p>Agreed, as a proportionate response. Where appropriate for the type of grant, checks will be incorporated into the condition of the grant process to ensure that appropriate child protection and safeguarding policies are in place.</p> <p><b>Responsibility / Completion Date</b></p> <p>All Heads of Service / Director of Governance /</p>	<p>Agreed, as a proportionate response. Where appropriate for the type of grant, checks will be incorporated into the condition of the grant process to ensure that appropriate child protection and safeguarding policies are in place.</p> <p><b>Conclusion</b></p> <p>Recommendation is ongoing.</p>

**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING OR IN PROGRESS AFTER FOLLOW-UP – ANNEX 1**

Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
	DDC Designated Child Protection Co-Ordinator - 31 December 2014	
EKHR should provide quarterly reports advising the Designated Child Protection Co-Ordinator of what training has been carried out and who has attended or has completed the online training.	<p>See Recommendation 10 above.</p> <p><b>Responsibility / Completion Date</b></p> <p>Head of EK Human Resources/ DDC Designated Child Protection Co-Ordinator</p>	<p>The Director of Governance has ensured that training requirements for safeguarding children and vulnerable adults, together with that for equalities, H&amp;S, Data Protection, S17 and other corporate requirements have been communicated to staff with a deadline of October for them to be completed. Reporting on who and who has not completed the training will be requested and staff to chased for completion.</p> <p><b>Conclusion</b></p> <p>Recommendation is ongoing.</p>
A reminder process should be put in place so that staff that have yet to complete the appropriate training, are requested to do so by a certain date or that they would face consequences for not complying with the instruction which could ultimately lead to disciplinary action being carried for non-compliance with corporate instructions. (This should be for both current employees and new starters).	<p>See Recommendation 10 above.</p> <p><b>Responsibility / Completion Date</b></p> <p>CMT / DDC Designated Child Protection Co-Ordinator / Chief Executive</p>	<p>The Director of Governance has ensured that training requirements for safeguarding children and vulnerable adults, together with that for equalities, H&amp;S, Data Protection, S17 and other corporate requirements have been communicated to staff with a deadline of October 2015 for them to be completed.</p> <p><b>Conclusion</b></p> <p>Recommendation is ongoing.</p>

**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING OR IN PROGRESS AFTER FOLLOW-UP – ANNEX 1**

Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
<i>Leasehold Services – January 2016:</i>		
<p><b>EKH Recommendation 3 (Generic)</b></p> <p><b>Part I)</b> Investigate whether the system that produces the annual reports (containing individual jobs) can be amended so that when the reports are printed and passed to the leaseholder section the jobs are grouped and categorised inline with the job categories laid out on the leaseholder statements. This will make reconciliation more meaningful to the leaseholder section which should improve the effectiveness of the process ensuring more effective use of resources.</p> <p><b>Part II)</b> As part of this investigation in Part I) a conscious decision should be made as to whether the leaseholder job categories laid out on the leaseholder statements are a) appropriate for Leaseholders and b) whether there would be merit in standardising all the leaseholder job categories across all four sites.</p> <p><b>Part III)</b> Dependant on the outcome of Part I) and Part II) training should be given to all staff who input jobs on to the system to ensure the correct categories are being used and that the recorded job narrative gives the</p>	<p><b>Agreed Management Action</b> Weakness in the systems and poor interfaces impede effectiveness in this area and will not be resolved until a single system is in place.</p> <p><b>Part I)</b> Establish a task and finish group (leasehold/systems/asset) to explore interim improvements in processes.</p> <p><b>Part II)</b> Dependant on Part I and CWH report. Need to consult with councils on changes to statements.</p> <p><b>Part III)</b> Agreed, will progress this ahead of Part I &amp; II, will work in collaboration with Mears. And roll out further training if required after changes to job categories, reporting etc.</p> <p><b>Responsibility/Completion date</b> EKH Leasehold Manager &amp; EKH Head of Asset Management. Systems Manager. June 2015 &amp; Group set up end of December.</p>	<p><b>Progress Update</b> This recommendation is outstanding with an intention to action.</p> <p>East Kent Housing is in the process of building a new system which will eventually satisfy this audit recommendation. No other action will be taken until new system implemented in approximately April 2017.</p>



**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING OR IN PROGRESS AFTER FOLLOW-UP – ANNEX 1**

Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
leaseholder section enough detail to explain to leaseholders exactly what works have been carried out.		
<p><b>EKH Recommendation 6 (Generic)</b></p> <p>Ensure the process for issuing Section 125 Notifications and issuing Section 20 Notifications both in retrospect of emergency works and in advance of scheduled works is robust and well documented to ensure all staff (including asset management) are aware of the process.</p>	<p><b>Agreed Action:</b></p> <p><i>'Also raised in CWH recommendations, will be working alongside CWH to implement their process notes and map the whole process across both Asset &amp; leasehold teams much more clearly. Development of EKH procurement plan will also aid improved performance in this area.</i></p> <p><i>Recent issues have highlighted the need for training of asset staff regarding the implications to leaseholders of emergency or adjusted works. Training has already commenced in this area and will be continued, including a phase of training after the processes redefined.'</i></p> <p><b>Proposed Completion Date:</b> May 2015</p> <p><b>Responsibility:</b></p> <ol style="list-style-type: none"> <li>1. EKH Leasehold Manager &amp; Asset Manager</li> <li>2. EKH Head of Asset Management – ongoing</li> </ol>	<p>This recommendation has been implemented is marked as outstanding because it cannot be tested until September 2016.</p> <p>The Leaseholder Team are now responsible for and are in control of the entire Section 20 Notification process.</p> <p>This follow up Audit scope tested the Actuals produced in September 2015 rather than the notices being served since April 2015 therefore this was not tested. EKH Management are confident this will be demonstrated as adequately working when the next Audit is carried out on the Actuals produced in September 2016.</p> <p><b>Revised Implementation Date</b> September 2016.</p>
<p><b>EKH Recommendation 7 (Generic)</b></p> <p>To adopt a new process for Section 20</p>	<p><b>Agreed Action:</b></p> <p><i>'Part I)</i></p> <p><i>Currently not able to put system triggers in</i></p>	<p>This recommendation has been implemented is marked as outstanding because it cannot be</p>

**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING OR IN PROGRESS AFTER FOLLOW-UP – ANNEX 1**

Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
<p>Notifications as follows:-</p> <p><b>Part I)</b> EKH should calculate and set up Section 20 Notification trigger points for each block containing leaseholders by working out and deciding what estimated block cost should trigger Section 20 consultation. This can be done by taking the charging proportion on each lease in each block and working out the maximum block cost before Section 20 Notifications need to be sent. (i.e. if a leaseholder's charging proportion is 1x 10<sup>th</sup> of the block cost then the maximum trigger point would be £2,500 but probably £2,000 to allow for a margin of error).</p> <p><b>Part II)</b> Once the trigger points have been established for each individual block across all four sites, these trigger points should be passed to Asset Management who would then be responsible for using the trigger points to identify which jobs need to be consulted on when calculating the estimated cost of works. Asset Management would then need to liaise with the Leaseholder Manager who will organise the Section 20 Notification process.</p>	<p><i>place, but will be incorporated in the single system. Leasehold team to ensure they are considered in the specification &amp; selection criteria of new system.</i></p> <p><i>Part II)</i> <i>However, need process triggers/ training for asset staff in the meantime. As stated above this training has already commenced and will continue to be delivered to asset staff addressing the issue of needing to increase "leasehold awareness" of repairs /inspections/surveyors/ contractors.</i></p> <p><i>Part III)</i> <i>Agreed, will incorporate in agreed process a review. Annual meeting could also discuss annual procurement plans and map potential work in year ahead to aid better planning.'</i></p> <p><b>Proposed Completion Date:</b> May 2015</p> <p><b>Responsibility:</b></p> <ol style="list-style-type: none"> <li>1. EKH Leasehold Manager &amp; Asset Manager</li> <li>2. EKH Head of Asset Management – ongoing</li> </ol>	<p>tested until September 2016.</p> <p>A new process has been mapped and successfully piloted at Shepway. All new Section 20 process will now follow the new process.</p> <p>The testing carried out across all four sites demonstrated that overall the controls in place have strengthened. However there is still a significant weakness in the Section 20 processes in place which means that the process and procedures are still inadequate in this particular area. EKH Management is confident this will be working next year.</p> <p><b>Revised Implementation Date</b> September 2016.</p>
<p><b>EKH Recommendation 10 (Dover &amp; Shepway)</b></p>	<p><b>Agreed Action:</b> <i>Process will be mapped as part of the CWH</i></p>	<p><b>Progress Update</b> This recommendation has been implemented is</p>

**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING OR IN PROGRESS AFTER FOLLOW-UP – ANNEX 1**

Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
<p>Introduce a formal process strengthening the links between Asset Management and Leaseholder Services whereby any in-year variations in excess of 10% (estimates / actuals) trigger an action which ensures the variance is communicated to leaseholder services (and to accountancy at Dover and Shepway if appropriate) in order to allow for adequate leaseholder consultation and appropriate billing adjustments.</p>	<p><i>review of procedures. Service review also suggests clear division of roles and responsibilities between Leasehold/ Housing Management &amp; Asset team with regards to leaseholder management. Further training for asset staff to be undertaken by January 2015 – see recommendation 7.</i></p> <p><b>Proposed Completion Date:</b> May 2015</p> <p><b>Responsibility:</b></p> <ol style="list-style-type: none"> <li>1. EKH Leasehold Manager &amp; Asset Manager</li> <li>2. EKH Head of Asset Management – ongoing</li> </ol>	<p>marked as outstanding because it cannot be tested until September 2016.</p> <p>A new process has been mapped and successfully piloted at Shepway. All new Section 20 process will now follow the new process.</p> <p>The testing carried out across all four sites demonstrated that overall the controls in place have strengthened. However there is still a significant weakness in the Section 20 processes in place which means that the process and procedures are still inadequate in this particular area. EKH Management is confident this will be working next year.</p> <p><b>Revised Implementation Date</b> September 2016.</p>
<p><i>Tackling Tenancy Fraud – January 2016:</i></p>		
<p>EKH and the four member authorities should ensure that once approved the <i>Tenancy and Housing Fraud Policy</i> is effectively communicated to all EKH staff, contractors and the allocations teams at each of the four member authorities.</p>	<p>Agreed. EKH will develop a consultation package that includes how the content of the policy is disseminated to all EKH staff, key staff outside of the organisation and partner agencies and contractors. These will include officers in Housing Options, Legal, EKS and SDC benefits service, tenant representatives and the Board.</p> <p><u>EKH staff training.</u> All Neighbourhood Managers received tenancy fraud training in 2011. This will be updated to</p>	<p>Due to staffing and structure changes there has been some slippage on the delivery of the new Tenancy Fraud Policy and procedures.</p> <p>A Project Initiation Document (PID) has been documented for the Tenancy Fraud Policy. The aim of the project being to review tenancy fraud audit and scrutiny reports, building recommendations into a new tenancy fraud policy and strategy; and to review and evaluate investigation services provided by other organisations and identify options that provide</p>

**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING OR IN PROGRESS AFTER FOLLOW-UP – ANNEX 1**

Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
	<p>reflect changes in legislation. EKH will ensure that all front line staff who have roles that impact on the prevention and detection of tenancy fraud receive the following: -</p> <ul style="list-style-type: none"> <li>• Coverage of tenancy fraud detection and prevention at induction</li> <li>• Briefing and training regarding new tenancy fraud policy</li> </ul> <p>Formal training on the investigation and detection of tenancy fraud.</p> <p><b>Proposed Completion Date and Responsibility:</b></p> <p>EKH Policy Officer to develop consultation plan for policy.</p> <p>EKH Head of Corporate Services to reflect this in EKH training plan, training to be delivered by March 2016</p>	<p>best value for money for EKH and the councils.</p> <p>EKH's current operation practice for the awareness and prevention of tenancy fraud was selected for review by the Tenant Scrutiny Panel. The review was completed between September and October 2015. Seven recommendations were made by the panel, of which six can be accepted. The remaining recommendation was in relation to the fraud team within EK Services and can not be actioned as the service transfers to the Department of Work and Pensions from 01/12/2015. The proposal is that EKH develop a work plan to complete these actions, a copy of which will be provided to the panel for them to monitor.</p> <p>The PID milestone chart proposes to deliver the presentation of the draft Tenancy Fraud Report and report with clear recommendations to the EKH Board and the four Councils March 2016. Further work would then be undertaken on the implementation of the strategy and action plan.</p> <p>When the Tenancy Fraud Policy and action plan have been agreed a communication and training strategy will be developed and delivered during 2016/2017.</p> <p align="right"><b><i>Recommendation Outstanding</i></b></p>

**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING OR IN PROGRESS AFTER FOLLOW-UP – ANNEX 1**

Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
		To be delivered during 2016/2017, therefore due date for completion is revised to 31/03/2017.
<p>EKH should liaise with the four member authorities to identify what resource will be available for the investigation of housing fraud and establish what facilities for reporting potential housing fraud will be used following the transfer of current Benefits Fraud Investigation staff to the DWP under the Single Fraud Initiative. By maintaining some fraud investigation resource the member authorities could then consider providing a fraud investigatory service to housing associations in their districts in return for nomination rights to homes recovered.</p>	<p>Agreed. This issue will be raised with joint client officers by EKH Chief Executive and the Operations Manager.</p> <p><b>Proposed Completion Date and responsibility:</b></p> <p>EKH Chief Executive and Director of Operations and Business, August 2015.</p>	<p>EKH have identified that there is currently no capacity, resource or skills for adequate fraud investigation internally within EKH. In addition, there are no dedicated tenancy fraud investigation resources with EK Services or Shepway District Council. As part of the Tenancy Fraud Policy project (see findings for recommendation 2) EKH is currently reviewing and evaluating investigation services provided by other organisations, for example Gravesham Investigation Services, in order to identify the option that provides best value for money for EKH and the four councils.</p> <p>Fraud referral procedures will be determined and implemented during 2016/2017 when the Tenancy Fraud Policy has been approved and investigated resources identified.</p> <p>Options for tenancy fraud investigation resources are being investigated, with informed options to be proposed to the EKH Board and the four Councils in March 2016.</p> <p align="right"><b><i>Recommendation Outstanding</i></b></p> <p align="right"><b>Due Date Revised to 30/04/2016.</b></p>

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	Spring 2016
East Kent Housing - Sheltered and Supported Housing	December 2015	Limited	Spring 2016
East Kent Housing – Repairs, Maintenance and Void Management	March 2016	Limited	Spring 2016
VAT	March 2016	Limited	Summer 2016

# PROGRESS AGAINST THE AGREED 2015-16 AUDIT PLAN.

## DOVER DISTRICT COUNCIL:

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12- 2015	Status and Assurance Level
<b>FINANCIAL SYSTEMS:</b>				
Capital	5	5	4.28	Finalised - Reasonable
Bank Reconciliation	5	5	4.7	Finalised - Substantial
VAT	10	10	13.95	Finalised - Limited
<b>RESIDUAL HOUSING SYSTEMS:</b>				
Housing Allocations	10	10	8.3	Substantial
<b>GOVERNANCE RELATED:</b>				
Shared Service Monitoring	10	15	1.32	Work-in-progress
Equality & Diversity	10	10	0.17	Work-in-progress
Risk Management	10	10	6.46	Finalised - Reasonable
Corporate Advice/CMT	2	2	2.77	Work-in-Progress throughout 2015-16
s.151 Meetings and support	9	9	8.88	Work-in-Progress throughout 2015-16
Governance Committee Meetings and Reports	12	12	10.32	Work-in-Progress throughout 2015-16
2016-17 Audit Plan Preparation and Meetings	9	9	3.88	Work-in-Progress
<b>CONTRACT RELATED:</b>				
Procurement	10	10	0.34	Work-in-Progress
<b>SERVICE LEVEL:</b>				
Community Safety	10	6	5.84	Finalised - Substantial
Dog Warden and Street Scene Enforcement	10	10	1.87	Work-in-progress
Electoral Registration and Election Management	10	15	0.17	Work-in-progress
Environmental Protection Service Requests	8	8	7.9	Finalised - Substantial
Public Health Burials	6	6	7.8	Finalised - Reasonable
Port Health	10	0	0.20	Postpone until 2016-17
Environmental Health & Safety at Work	10	10	5.55	Finalised - Substantial

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12- 2015	Status and Assurance Level
Licensing	10	0	0.2	Postpone until 2016-17
Printing & Post	7	7	1.33	Finalised - Substantial
Grounds Maintenance	10	10	1.35	Work-in-progress
Dover Museum and VIC	10	10	17.14	Finalised - Substantial
Commercial Properties and Concessions	10	10	0.17	Work-in-progress
Building Control	10	10	5.33	Finalised - Reasonable
Your Leisure	10	10	9.64	Finalised - Reasonable
<b>OTHER</b>				
Liaison with External Auditors	2	2	0	Work-in-Progress throughout 2015-16
Follow-up Work	15	15	6.09	Work-in-Progress throughout 2015-16
<b>UNPLANNED</b>				
Members' Code of Conduct & Standards Arrangements	0	10	0.39	Work-in-Progress
Flooding Repair and Renew Grants	0	2	1.62	Finalised
<b>FINALISATION OF 2014-15- AUDITS</b>				
Absence Management	5	7	3.42	Finalised - Limited
Car Parking and PCNs			0.39	Finalised - Reasonable
Creditors and CIS			4.11	Finalised – Substantial
Income			0.20	Finalised - Reasonable
Days under delivered in 2014-15	0	1.32	0	Completed
<b>EK HUMAN RESOURCES</b>				
Recruitment	5	5	0.12	Work-in-Progress
Payroll	5	5	0	Work-in-Progress
Employee Health & Safety	5	5	8.94	Finalised - Reasonable
<b>TOTAL</b>	<b>270</b>	<b>271.32</b>	<b>155.14</b>	<b>57% as at 31<sup>st</sup> December 2015</b>



**EAST KENT HOUSING LIMITED:**

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-2015	Status and Assurance Level
<b>Planned Work:</b>				
Audit Ctte/EA Liaison/Follow-up	6	6	14.49	Work-in-Progress throughout 2015-16
Sheltered Housing & Supporting People	34	32.64	32.64	Finalised - Limited
Housing Repairs, Maintenance and Void Management	40	41.36	41.04	Finalised - Limited
<u>Finalisation of 2015-16 Audits:</u>				
Days over delivered in 2015-16	0	-0.34	0	Completed
Unplanned – CSO Compliance	0	0	5.53	Finalised - Reasonable
<b>Total</b>	<b>80</b>	<b>79.66</b>	<b>93.7</b>	<b>118% at 31-12-2015</b>
Additional days purchased with EKAP saving from 2014-15	7.31	7.31	7.31	Utilised to part fund the audit of repairs and maintenance

**EK SERVICES:**

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-2015	Status and Assurance Level
<b>Planned Work:</b>				
Housing Benefit Appeals	15	5	4.8	Finalised – Substantial
Housing Benefit Discretionary Housing Payments	15	8	7.9	Finalised – Substantial
Business Rate Reliefs	15	15	0.31	Work in progress
Business Rate Credits	15	15	0.33	Work in progress
Debtors	15	15	0.34	Work in progress
ICT – PCI DSS	12	12	6.78	Work in progress
ICT – Management & Finance	12	13	0.47	Work in progress
ICT – Disaster Recovery	12	12	0.34	Work in progress
Corporate / Committee /follow up	9	15	11.53	Work in progress throughout 2015-16
DDC / TDC Quarterly Housing Benefit Testing	40	40	33.77	Work in progress throughout 2015-16

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-2015	Status and Assurance Level
Finalisation of 2014-15 work-in-progress	0	0	1.48	Completed
Days over delivered in 2014-15	-9.79	0	0	Allocated
<b>Total</b>	<b>150.21</b>	<b>150.21</b>	<b>68.05</b>	<b>45% at 31-12-2015</b>

**BALANCED SCORECARD – QUARTER 3**

<b><u>INTERNAL PROCESSES PERSPECTIVE:</u></b>	<b><u>2015-16 Actual</u></b>	<b><u>Target</u></b>	<b><u>FINANCIAL PERSPECTIVE:</u></b>	<b><u>2015-16 Actual</u></b>	<b><u>Target</u></b>
	<b>Quarter 3</b>		<b>Reported Annually</b>		
Chargeable as % of available days	89%	80%	• Cost per Audit Day	£	£321.33
Chargeable days as % of planned days			• Direct Costs (Under EKAP management)	£	£412,450
CCC	87%	75%	• Indirect Costs (Recharges from Host)	£	£11,700
DDC	57%	75%	• ‘Unplanned Income’	£	Zero
SDC	78%	75%	• Total EKAP cost	£	£424,150
TDC	89%	75%			
EKS	45%	75%			
EKH	118%	75%			
Overall	76%	75%			
Follow up/ Progress Reviews;					
• Issued	36	-			
• Not yet due	27	-			
• Now due for Follow Up	50	-			
Compliance with the Public Sector Internal Audit Standards (PSIAS)	Partial	Full			

**BALANCED SCORECARD – QUARTER 3**

<b><u>CUSTOMER PERSPECTIVE:</u></b>	<b><u>2015-16 Actual</u></b>	<b><u>Target</u></b>	<b><u>INNOVATION &amp; LEARNING PERSPECTIVE:</u></b>	<b><u>2015-16 Actual</u></b>	<b><u>Target</u></b>
	<b>Quarter 3</b>			<b>Quarter 3</b>	
<b>Number of Satisfaction Questionnaires Issued;</b>	<b>64</b>		<b>Percentage of staff qualified to relevant technician level</b>	<b>88%</b>	<b>75%</b>
<b>Number of completed questionnaires received back;</b>	<b>20</b>		<b>Percentage of staff holding a relevant higher level qualification</b>	<b>43%</b>	<b>32%</b>
	<b>= 31 %</b>		<b>Percentage of staff studying for a relevant professional qualification</b>	<b>25%</b>	<b>13%</b>
<b>Percentage of Customers who felt that;</b>			<b>Number of days technical training per FTE</b>	<b>3.14</b>	<b>3.5</b>
<ul style="list-style-type: none"> <li><b>Interviews were conducted in a professional manner</b></li> </ul>	<b>100%</b>	<b>100%</b>	<b>Percentage of staff meeting formal CPD requirements</b>	<b>43%</b>	<b>32%</b>
<ul style="list-style-type: none"> <li><b>The audit report was 'Good' or better</b></li> </ul>	<b>100%</b>	<b>100%</b>			
<ul style="list-style-type: none"> <li><b>That the audit was worthwhile.</b></li> </ul>	<b>100%</b>	<b>100%</b>			

## **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.