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**Subject:** QUARTERLY INTERNAL AUDIT UPDATE REPORT

**Meeting and Date:** Governance Committee – 6<sup>th</sup> April 2017

**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 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 31<sup>st</sup> December 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 nine Internal Audit reports that have been completed during the period, of which six reviews were classified as providing Substantial assurance, one as Reasonable Assurance, and one with a split assurance level of Reasonable/Limited. Additionally, there was one assignment for which an assurance level is not applicable as it comprised of quarterly housing 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 2016, 203.82 chargeable days were delivered against the planned target of 284.10, which equates to 72% 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 31<sup>st</sup> December 2016.

**2. SUMMARY OF REPORTS:**

Service / Topic		Assurance level	No. of Recs.	
2.1	Insurance & Inventories of Portable Assets	Substantial	C H M L	0 0 0 1
2.2	Main Accounting System, Budgetary Control and Treasury Management	Substantial	C H M L	0 0 2 2
2.3	East Kent Housing - Tenancy & Estate Management	Substantial	C H M L	0 0 2 1
2.4	EKHR - Recruitment	Substantial	C H M L	0 0 0 3
2.5	EK Services ICT Management & Finance	Substantial	C H M L	0 0 0 2
2.6	Receipt and Opening of Tenders	Substantial	C H M L	0 0 0 1
2.7	Garden Waste & Recycling Income	Reasonable	C H M L	0 2 3 2
2.8	Performance Management	Reasonable/Limited	C H M L	0 3 2 4

2.9	EK Services – Housing Benefit Quarterly Testing (Quarter 2 & 3 of 2016-17)	Not Applicable
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## **2.1 Insurance & Inventories of Portable Assets – Substantial Assurance.**

### 2.1.1 Audit Scope

To ensure that sufficient insurance coverage is in place for the Council to limit the risks that face the authority in carrying out its many and varied functions.

To ensure that all Council assets are completely and accurately accounted for and safely held.

### 2.1.2 Summary of Findings

The Council awarded a three year insurance contract to Zurich in 2015 at £315.5k per year, as this was most economical option. This resulted in a lower premium cost and a lower excess of £1k per claim compared to the previous £10k. Some individual residual policies, where beneficial, remain with other providers as brokered by AON. AON continue to support the Council along with contract provider Zurich.

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

- The Council is adequately insured;
- Insurance arrangements are well managed;
- Claims records are well maintained;
- Valuations and insurance cover for property tested is up to date;
- The Corporate Services Officer attends training and update events and is supported by broker AON and contract provider Zurich;
- Schedules of assets are updated annually to take account of additions, disposals and valuations;
- Guidance for the recording and writing-off of inventories is clearly defined in the Council's Constitution, and;
- Adequate asset detail is recorded

Scope for improvement was however identified in the following areas:

- The Council's public indemnity certificate needs to be updated on the Council's website.

## **2.2 Main Accounting System, Budgetary Control & Treasury Management – Substantial Assurance.**

### 2.2.1 Audit Scope

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

- the main accounting system provides complete and accurate data for the production of the annual accounts and financial returns.
- budgetary control is exercised across the Council on a corporate wide basis, and.

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- the various Treasury Management matters within the remit of the accountancy office are performed effectively & efficiently, in furtherance of the Council's Policies.

### 2.2.2 Summary of Findings

#### Budgetary Control

The Council's net budget requirement for 2016/17 was £14m. The area under review supports delivery of Corporate Priority 4, Smarter Council, focusing on delivering value for money services through review and challenge of service budgets and proposals.

#### Treasury Management

Treasury management is concerned with planning cash flow, investing surplus funds in accordance with the Treasury Management Strategy and arranging borrowing if needed. The Council has an investment portfolio of just over £50m (as at December 2016). Treasury Management activities are managed within the Finance area and details are reported to Council, the Cabinet and to the Governance Committee.

#### Main Accounting System

E-financials is the main accountancy system and is setup to compliment business processes and internal controls to ensure income and expenditure is coded as accurately as possible which in turn then helps with the production of final accounts at year end.

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

- Roles and responsibilities are well defined and communicated;
- Budgetary controls are working effectively;
- Treasury Management activities are well documented and controlled; and
- The main accountancy system is configured well and helps compliment good business processes in place.

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

- Treasury Management online banking access should be reviewed; and
- There were a couple of measures highlighted to management that may help reduce the risk of missing the new statutory deadline for the production of the 2016/17 final accounts.

## **2.3 East Kent Housing Tenancy & Estate Management – Substantial Assurance.**

### 2.3.1 Audit Scope

In order to review the organisation's arrangements across the four partner Council sites for tenancy and estate management including looking after housing estates such as managing grass cutting, gardening contracts, cleaning and maintenance of communal areas etc.

### 2.3.1 Summary of Findings

East Kent Housing (EKH) was set up in April 2011 to deliver the council housing services on behalf of Canterbury, Dover, Shepway and Thanet councils. EKH manages over 18,000 properties owned by the four partner councils.

EKH's tenancy and estate management responsibilities include:

- Making sure that tenants adhere to their tenancy agreements.
- Involving and communicating with tenants including producing newsletters, leaflets and supporting community groups and activities.
- Working with the police, the council and other agencies to reduce anti-social behaviour.
- Re-letting empty properties, approving mutual exchanges and changes to tenancies.

EKH's 2016-17 delivery plan includes the following objectives:

- Single system; completing the implementation and planning for changes in service delivery post implementation.
- Improving estate conditions – responding to the aspirations of residents and staff to have better maintained estates.

The 2016-17 delivery plan supports the EKS corporate priorities which, for tenancy and estate management, include to:

- Maintain clean, well looked-after estates.
- Create consistent and targeted customer contact.
- Develop a better insight in to the characteristics and needs of residents.
- Provide consistent and effective customer contact.

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

- All tenants are required to sign a tenancy agreement which clearly sets out the terms of the tenancy, the rights and responsibilities of each party and the consequence of any breaches of the rules.
- There is clear advice to tenants about the consequences of not complying with the tenancy agreement and the sanctions which may be imposed.
- There are clear guidelines addressing mutual exchanges.
- Policies are in place for dealing with terminations and successions.
- Anti-social behaviour (ASB) is clearly defined, identified promptly, recorded accurately, and addressed in accordance with current procedures and policies.
- There are suitable forums in place within each authority and across EKH for sharing information on clients and best practices for dealing with ASB.
- Complaints are addressed quickly and the complainants kept informed of the progress and outcome of their complaint. There is the facility to learn from and to address issues raised within complaints. The Single system will improve standardisation of processes in this area.
- Front line housing staff are suitably trained in effective customer relations.
- There is a clear communication policy in place to promote effective dialogue with tenants on general day to day issues. General communication with tenants and leaseholders involves as many media formats as possible.

- The preferred method of communication with each tenant and leaseholder is to be identified and used wherever possible.
- Tenants and leaseholders are involved in the service decision making process via formal and informal consultation processes.
- There is a regular programme of meetings with tenants and leaseholders to review the individual estates overall condition on cleanliness, graffiti, grounds maintenance and estate improvements (e.g. regular walkabouts etc.).
- There are formal contracts in place for estate cleaning with standards to be achieved clearly defined. There is also a regular review programme to ensure that contracts are kept and standards maintained, and that effective communications with the contractor are maintained.
- There are formal contracts in place for grounds maintenance including the standards to be achieved being clearly defined at three of the four sites.
- There is a regular review programme to ensure that contracts are kept and standards maintained and effective communications with the contractor is maintained.
- EKH are about to commence the roll out of a new single system across all four partner Council sites – a 2016-17 delivery plan objective.
- The Tenant Scrutiny Panel recently undertook a review of EKH's compliance with the Tenant Involvement and Empowerment Standard. The panel found that 13 out of the 17 specific expectations have been met and an action plan has been put in place to deal with the outstanding issues.

Scope for improvement was however identified in the following areas:

- The named Primary Designated Officer (on the sharing protocol) needs to be updated to reflect the change in Chief Executive at EKH.
- As part of the introduction of the new single system the same sign off processes for introductory tenancies should be reviewed in terms of standardisation.

## **2.4 EKHR Recruitment - Substantial Assurance:**

### 2.4.1 Audit Scope

To provide assurance that the partner Councils' internal controls and procedures are robust, in order to ensure that the Council selects the best candidates for the available positions and that those applicants are of good character, experienced and are professionally qualified where required.

### 2.4.2 Summary of Findings

EK Human Resources (EKHR) is responsible for giving advice on, and the administration of, recruitment across all partners – Canterbury City Council (CCC), Dover District Council (DDC), East Kent Housing (EKH), EK Services (EKS) and Thanet District Council (TDC). Total employees at each of the above partners at 9 September 2016 is:

CCC	748
DDC	308
EKH	195
EKS	306
TDC	440
<b>Total</b>	<b><u>1,997</u></b>

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

- The EKHR SLA is the process of being revised and a 'Recruitment Toolkit' makes clear where responsibilities lie;
- Performance indicators are provided to partners on a quarterly basis;
- The recruitment process is, in the main, consistently documented;
- Pre-employment checks were, in the sample tested, consistently carried out; and
- The recruitment process, in the areas tested, complies with the Equality Act 2010 and Data Protection Act 1998.

Scope for improvement was however identified in the following areas:

- As a shared service, consider the option to arrange a contract for advertising which could bring savings to partners; and
- It would be useful if EKHR requested confirmation/evidence that all vacant posts are approved to be filled, particularly as each partner has a slightly different process in this regard.

## **2.5 EKS ICT Management & Finance - Substantial Assurance:**

### **2.5.1 Audit Scope**

To ensure that the controls over the management tasks and financial administration of the ICT function within EK Services are robust and sufficient to enable the partner councils to place reliance upon them.

### **2.5.2 Summary of Findings**

EK Services is a shared service function which supplies various services to the councils of Canterbury, Dover and Thanet with one of those service functions being ICT.

The ICT annual budget is £2.4M and the total spend on ICT across the partnership is circa £4.5M. The EK Services ICT service supports around 1500 users across the partner organisations.

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

- There are formal agreements in place regarding the ICT service, including the Collaboration Agreement and specific ICT Service Level Agreements.
- There are approved staffing structures in place for the service.
- Staffing and financial processes are undertaken in compliance with Thanet Council's approved policies and procedures as the hosting authority.
- There is a risk management system in place regarding ICT specific risks.
- The East Kent Corporate Information Governance Group is currently reviewing and approving the raft of ICT Policies for adoption by the Councils, for users.
- Information and performance is supplied to the client officers, East Kent Strategic Board and the East Kent Services Committee.

Scope for improvement was however identified in the following area:

- Additional guidance could be added to the Thanet HR policy regarding disciplinary procedures in respect of ICT officers and system administrators.

## **2.6 Receipt & Opening of Tenders - Substantial Assurance:**

### 2.6.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Council's procedures for the receipt and opening of tenders is in accordance with Contract Standing Orders and ensures the probity of the tendering procedure.

### 2.6.2 Summary of Findings

The area under review has some linkage with Corporate Priority 4 (Smarter Council) and, in particular, the objective of *'Delivering good, value for money, services'* and the 2020 aim to *'Keep tight control of spend, with management of assets, procurement and income'*. The area under review also has some linkage with Corporate Risk No. 8: *Corporate governance and ethical standards are not maintained resulting in a lowering in public perception of the Council.*

The Council has been solely using an online e-procurement system for its procurement activities since 2015. The 'Kent Business Portal' is hosted by a company called *'Proactis'* and subcontracted to Dover District Council by KCC along with other district authorities in Kent. In 2017/18 the fee for user system support will be £1,500. Since July 2015 the Council has awarded 33 contracts and received 89 quotes or returned tenders through the system. There are also nine further contracts going through various stages of the procurement process at the point this audit was completed.

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

- The Contract Standing Orders and system based technical notes are well documented;
- Sample testing of ten recently awarded contracts revealed no control weaknesses;
- Segregation of duties and system governance arrangements are effective and help sufficiently minimise but not eliminate the potential for fraud or error;
- System user access controls were adequately employed; and
- The system based audit trail is very comprehensive.

## **2.7 Garden Waste & Recycling Income – Reasonable Assurance.**

### 2.7.1 Audit Scope

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

- The green waste service is being correctly charged for, in accordance with Council policy and that all income is correctly received and reconciled where the green waste service is being provided.
- The waste recycling income, comprising green waste, food waste, paper/card, glass, tin and plastic is being correctly charged for, in accordance with Council policy / agreements and that all income is correctly received and reconciled.

### 2.7.2 Summary of Findings

Under the Corporate Plan 2016-2020 Dover District Council's (DDC) second priority is a '*Clean, Green and Safe Environment*' which includes focusing on '*Delivering an effective and value for money recycling and refuse collection service*'.

DDC offers a Garden Waste Recycling Scheme for an annual subscription fee and a free household waste recycling collection scheme; items that DDC are unable to collect can be taken to a waste recycling centre. Full details of the scheme are available on DDC's Website.

At the time of the review the Waste Services Team reports that there are 5,475 subscribers to the scheme.

The original budget for Garden Waste Recycling Subscription Income for 2016/2017 was £199,750; the actual income at 25/11/2016 taking into account correction of miscodings was £223,666.02. This equated to an excess of approximately £23,900 at this time. The original budget for Garden Waste Sacks sales for 2016/2017 was £8,000; the actual income at 03/01/2017 was £10,506. However, this includes VAT which has not been correctly deducted from 51% of the sacks sold.

Management can largely place Reasonable Assurance on the system of internal controls in operation. There is however some evidence of non-compliance with key controls (particularly those surrounding income reconciliation) which suggests a lower assurance opinion. The assurance level will therefore be re-reviewed at the time of follow-up to assess the impact of the implementation of the recommendation contained within this report.

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

- DDC's waste recycling charges are reviewed annually and approved by Cabinet and the correct fees and charges were advertised on DDC's Website.
- Garden Waste Recycling income collection procedures are in place, are largely effective, and documented although some updating is required.
- Agreements are in place for the sales of recyclables.
- Income is banked promptly.
- Performance data is collated and reported.

Scope for improvement was however identified in the following areas:

- There is a lack of income reconciliation for the Garden Waste Recycling Subscription and sacks sales.
- There is no reconciliation of expected subscribers to those in actual receipt of the service.
- The VAT element for garden waste sacks sales has not been correctly dealt with for approximately 50% of sales. However, this should not be a significant

adjustment and it should be possible to make this adjustment on the next monthly VAT return.

- There is a lack of authorisation and/ or document trail for the processing of duplicate payment refunds.
- There is a lack of stock control over the garden waste sacks and the subscription tags.

## **2.8 Performance Management – Reasonable/Limited Assurance.**

### 2.8.1. Audit Scope

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

### 2.8.2 Summary of Findings

There are seventy-five performance indicators in place across all Council departments and its partners. These indicators are verified by service managers before being collated by Corporate Services on a quarterly basis. Fifty-two of the performance indicators are considered 'Key Performance Indicators (KPIs)' and are regularly reported to CMT, the Cabinet and to the Scrutiny (Policy & Performance) Committee.

The area under review is directly linked to Strategic Priority 4: *An effective and efficient Council*, and, as a service function, also supports all of the Council's other three Strategic Priorities. The area is also directly linked to Corporate Risk 7: *Corporate performance standards are not maintained resulting in adverse publicity and damage to the Council's reputation*.

Management can place Reasonable Assurance on the system of internal controls in operation for performance management, however Limited Assurance for the link from corporate goals and objectives through business plans to individual targets within staff appraisals.

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

- The Council has an approved Performance Management Framework which is well documented;
- The Covalent software application system is well utilised and provides useful performance reports in a format that is easily understood;
- The Key Performance Indicators and targets in place help provide management, the Cabinet and Scrutiny with reliable and timely information and analysis;
- The Risk Management Strategy and the Performance Management Framework support one another which helps promote best practice.
- Validation controls are working effectively.

Scope for improvement was however identified in the following areas:

- The 'golden thread' which links the high level strategic Corporate Objectives to departmental objectives and individual staff objectives and targets is missing;

- The staff appraisal process is not applied consistently at all levels and the setting and achievement of targets could be significantly improved by strengthening the governance controls ;
- Departmental Business Plans could be documented more effectively and undertaken more consistently;
- The service area based outside of the main offices which does not follow the approved Performance Management Framework should be noted and addressed if deemed necessary; and
- There were also a number of minor administrative issues raised in the report that need to be resolved.

## 2.9 EK Services – Housing Benefit Quarterly Testing (Quarter 2 & 3 of 2016-17):

### 2.9.1 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.

### 2.9.2 Findings:

For the second and third quarters of 2016/17 financial year (July to December 2016) 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.

### 2.9.3 Audit Conclusion:

Forty benefit claims were checked and of these three had a financial error that impacted on the benefit calculation (7.5%). In all three instances the weekly rent figure had been calculated incorrectly. Two of the errors were for the same address so consideration should be given to reviewing all of those at this address to ensure that they are correct.

## 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)	Procurement	Reasonable	Reasonable	C	0	C	0
				H	1	H	0
				M	3	M	1
				L	2	L	1

Service/ Topic		Original Assurance level	Revised Assurance level	Original Number of Recs		No of Recs Outstanding	
b)	EKS – ICT PC Controls	Reasonable	Reasonable	C	0	C	0
				H	0	H	0
				M	6	M	0
				L	0	L	0
c)	EKS – ICT External Review	Reasonable	Reasonable	C	0	C	0
				H	0	H	0
				M	1	M	0
				L	7	L	4
d)	Cemeteries	Reasonable	Reasonable	C	0	C	0
				H	0	H	0
				M	0	M	0
				L	1	L	1
e)	Disabled Facilities Grants	Substantial	Substantial	C	0	C	0
				H	0	H	0
				M	2	M	1
				L	2	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: Planning Applications, Income and s106 Agreements, Homelessness, Anti Fraud & Corruption, and Land Charges.

#### 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.

## **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 2016, 203.82 chargeable days were delivered against the planned target of 284.10, which equates to 72% 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 2016 against the agreed 2016/17 Audit Plan.    |
| Annex 4 | EKAP Balanced Scorecard of Performance Indicators to 31 <sup>st</sup> December 2016. |
| Annex 5 | Assurance statements   |

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

<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>		

<b>SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED</b>			
<b>Service</b>	<b>Reported to Committee</b>	<b>Level of Assurance</b>	<b>Follow-up Action Due</b>
EKS – PCI DCC	September 2016	Limited	Spring 2017
Playgrounds	December 2016	Limited	Spring 2017
Performance Management	March 2017	Reasonable/Limited	Summer 2017

## PROGRESS AGAINST THE AGREED 2016-17 AUDIT PLAN.

## DOVER DISTRICT COUNCIL:

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-2016	Status and Assurance Level
<b>FINANCIAL SYSTEMS:</b>				
Treasury Management	5	5	4.67	Finalised - Substantial
Main Accounting System	10	10	2.34	Finalised - Substantial
Budgetary Control	10	10	7.41	Finalised - Substantial
Insurance & Inventories of Portable Assets	10	10	14.93	Finalised - Substantial
<b>RESIDUAL HOUSING SYSTEMS:</b>				
Homelessness	10	10	0.25	Work-in-Progress
HRA Business Plan	10	10	0.45	Work-in-Progress
<b>GOVERNANCE RELATED:</b>				
Data Protection, FOI, and Information Records Management	10	11	11.41	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	0.17	Work-in-Progress
Performance Management	10	10	11.85	Finalised - Reasonable/Limited
Corporate Advice/CMT	2	2	3.09	Work-in-Progress throughout 2016-17
s.151 Meetings and support	9	9	8.9	Work-in-Progress throughout 2016-17
Governance Committee Meetings and Reports	12	12	10.91	Work-in-Progress throughout 2016-17
2017-18 Audit Plan Preparation and Meetings	9	9	5.39	Work-in-Progress
<b>CONTRACT RELATED:</b>				
Receipt & Opening of Tenders	8	8	0.18	Finalised - Substantial
<b>SERVICE LEVEL:</b>				
Cemeteries	10	10	9.03	Finalised - Reasonable
Safeguarding Return to KCC (s11)	1	0	0	Not Required

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-2016	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	17.83	Finalised - Reasonable
Disabled Facilities Grants	10	10	10.78	Finalised - Reasonable
Land Charges	10	10	0.17	Work-in-Progress
Licensing	10	0	0.3	Postpone until 2017-18; replace with unplanned reviews
Members Allowances	10	10	4.67	Finalised - Substantial
Planning Applications, Income & s.106 Agreements	12	12	0.22	Work-in-Progress
<b>OTHER</b>				
Liaison with External Auditors	2	0	0	Work-in-Progress throughout 2016-17
Follow-up Work	10	10	14.32	Work-in-Progress throughout 2016-17
<b>FINALISATION OF 2015-16- AUDITS</b>				
Grounds Maintenance	5	5	0.68	Finalised - Limited
Shared Service Monitoring			3.95	Finalised – Reasonable
Commercial Properties and Concessions			8.7	Finalised - Reasonable
Dog Warden & Litter Enforcement			3.96	Finalised - Reasonable
Election Management			2.63	Finalised - Reasonable
Equality & Diversity			10.89	Finalised - Reasonable
Recruitment			5.63	Finalised - Substantial
Procurement			0.27	Finalised - Reasonable
Days under delivered in 2015-16	0	14.1	0	Completed
<b>UNPLANNED WORK:</b>				

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-2016	Status and Assurance Level
Cash Counting Arrangements	0	2	1.9	Finalised
Right to Buy	0	8	0.17	Work-in-Progress
Playgrounds	0	8	9.99	Finalised - Limited
Garden Waste & Recycling Income	0	8	9.37	Finalised - Reasonable
Inward Investment, External Funding & Project Management	0	26	1.35	Quarter 4
<b>EK HUMAN RESOURCES</b>				
Payroll	5	5	0.78	Work-in-Progress
Employee Benefits in Kind	5	5	0	Work-in-Progress
Leavers and Disciplinary	5	5	2.72	Work-in-Progress
<b>TOTAL</b>	<b>270</b>	<b>284.10</b>	<b>203.82</b>	<b>72% as at 31<sup>st</sup> December 2016</b>

**EAST KENT HOUSING LIMITED:**

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-2016	Status and Assurance Level
<b>Planned Work:</b>				
Governance	15	0	0	Postponed to future audit plan
Finance Systems and ICT Controls	15	10	0	Postponed to future audit plan
Finance & Audit Sub Cttee/Plan/CMT	3	4	3.61	Work-in-progress throughout 2016-17
Follow-up Reviews	3	4	4.96	Work-in-progress throughout 2016-17
Rent Accounting & Collection	15	0	0	Postponed to future audit plan
Tenancy & Estate Management	29	22	20.35	Finalised - Substantial
Days over delivered in 2015-16	0	-18.15		Completed
<b>Unplanned Work:</b>				
Procurement	0	15	14.92	Finalised
Repairs and Maintenance Contract Query	0	0	0.6	Finalised
Performance Indicator Data Quality	0	10	0	Work-in-Progress

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-2016	Status and Assurance Level
Single System Controls	0	15	2.12	Postponed until 2017-18
<b>Total</b>	<b>80</b>	<b>61.85</b>	<b>46.55</b>	<b>75% at 31-12-2016</b>

#### EK SERVICES:

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-2016	Status and Assurance Level
<b>Planned Work:</b>				
Housing Benefit Overpayments	15	14	13.85	Finalised - Substantial
Fraud Investigations	15	0	0.64	No longer required
Housing Benefit Subsidy	15	10	0.26	Quarter 4
Council Tax	30	15	0.37	Quarter 4
Customer Services	15	15	15.31	Finalised - Substantial
ICT Change Controls	12	11	3.56	Quarter 2
ICT Software Licensing	12	11	0.5	Work-in-progress
ICT Network Security	12	11	0.37	Quarter 4
Corporate/Committee	8	7	5.4	Ongoing
Follow-up	6	4	2.63	Work-in-progress throughout 2016-17
DDC / TDC Quarterly Housing Benefit Testing	20	20	9.28	Work-in-progress throughout 2016-17
Housing Benefit +40 testing	0	17	17.95	Completed
Finalisation of 2015-16 work-in-progress	0	25.00	26.25	Completed
Days under delivered in 2015-16	7.33	7.33	7.33	Completed
<b>Total</b>	<b>167.33</b>	<b>167.33</b>	<b>103.70</b>	<b>62% at 31-12-2016</b>

**BALANCED SCORECARD – QUARTER 3**

<u>INTERNAL PROCESSES PERSPECTIVE:</u>	<u>2016-17 Actual</u>	<u>Target</u>	<u>FINANCIAL PERSPECTIVE:</u>	<u>2016-17 Actual</u>	<u>Original Budget</u>
	Quarter 3		Reported Annually		
Chargeable as % of available days	85%	80%	<ul style="list-style-type: none"> <li>• Cost per Audit Day</li> </ul>	£	£326.61
Chargeable days as % of planned days			<ul style="list-style-type: none"> <li>• Direct Costs</li> </ul>	£	£419,420
CCC	76%	75%	<ul style="list-style-type: none"> <li>• + Indirect Costs (Recharges from Host)</li> </ul>	£	£11,700
DDC	72%	75%	<ul style="list-style-type: none"> <li>• - 'Unplanned Income'</li> </ul>	£	Zero
SDC	68%	75%	<ul style="list-style-type: none"> <li>• = Net EKAP cost (all Partners)</li> </ul>	£	£431,120
TDC	86%	75%	<ul style="list-style-type: none"> <li>• Saving Target</li> </ul>	£	10%
EKS	62%	75%			
EKH	75%	75%			
Overall	73%	75%			
Follow up/ Progress Reviews;					
<ul style="list-style-type: none"> <li>• Issued</li> </ul>	57	-			
<ul style="list-style-type: none"> <li>• Not yet due</li> </ul>	19	-			
<ul style="list-style-type: none"> <li>• Now due for Follow Up</li> </ul>	35	-			
Compliance with the Public Sector Internal Audit Standards (PSIAS) (see Annual Report for more details)	Partial	Full			

**BALANCED SCORECARD – QUARTER 3**

<u>CUSTOMER PERSPECTIVE:</u>	<u>2016-17 Actual</u>	<u>Target</u>	<u>INNOVATION &amp; LEARNING PERSPECTIVE:</u>	<u>2016-17 Actual</u>	<u>Target</u>
	Quarter 3			Quarter 3	
Number of Satisfaction Questionnaires Issued;	59		Percentage of staff qualified to relevant technician level	83%	75%
Number of completed questionnaires received back;	29 = 49 %		Percentage of staff holding a relevant higher level qualification	36%	32%
Percentage of Customers who felt that;			Percentage of staff studying for a relevant professional qualification	28%	N/A
<ul style="list-style-type: none"> <li>• Interviews were conducted in a professional manner</li> <li>• The audit report was 'Good' or better</li> <li>• That the audit was worthwhile.</li> </ul>	100%	100%	Number of days technical training per FTE	0.91	3.5
	100%	100%	Percentage of staff meeting formal CPD requirements (post qualification)	36%	32%

## 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.