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**Subject:** QUARTERLY INTERNAL AUDIT UPDATE REPORT

**Meeting and Date:** Governance Committee – 13<sup>th</sup> December 2018

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

**Decision Type:** Non-key

**Classification:** Unrestricted

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**Purpose of the report:** This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance Committee meeting, together with details of the performance of the EKAP to the 30<sup>th</sup> September 2018

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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.

**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 eight internal audit assignments completed during the period, which are summarised in the table in section 2 of the report.
- 2.8 In addition four follow-up reviews have been completed during the period, which is detailed in section 3 of the quarterly update report.
- 2.9 For the six month period to 30<sup>th</sup> September 2018, 114.99 chargeable days were delivered against the revised target of 242.89, which equates to 47.34% 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 2018-19 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 2018-19 - Previously presented to and approved at the 8<sup>th</sup> April 2018 Governance Committee meeting.
- Internal Audit working papers - Held by the East Kent Audit Partnership.

Contact Officer: Christine Parker, Head of Audit Partnership



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

**1. INTRODUCTION AND BACKGROUND**

1.1 This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance Committee meeting, together with details of the performance of the EKAP to the 30<sup>th</sup> September 2018.

**2. SUMMARY OF REPORTS:**

Service / Topic		Assurance level	No. of Recs.	
2.1	EKHR Apprenticeships	Substantial / Reasonable	C H M L	0 3 4 1
2.2	EKS ICT Procurement & Disposal	Reasonable	C H M L	0 0 7 0
2.3	EKS Housing Benefit Discretionary Housing Payments	Reasonable	C H M L	0 1 3 0
2.4	White Cliffs Countryside Partnership & Up on the Downs Landscape Scheme	Reasonable	C H M L	0 8 10 1
2.4	Project Management	Reasonable	C H M L	0 1 0 0
2.6	EKS Public Sector Network Compliance	Not Applicable	C H M L	0 4 1 0
2.7	Private Sector Housing & HMO Licensing	Limited	C H M L	0 8 7 0
2.8	East Kent Housing – Contract Management	Limited	C H M	5 3 0

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## 2.1 EKHR Apprenticeships – Substantial/Reasonable Assurance

### 2.1.1 Audit Scope

To ensure that the processes and procedures established by EKHR and the partner councils are sufficient to provide the level of control required to be in place regarding apprenticeships and training for partner councils. Especially concerning the administration of the apprenticeship levy that is required to be paid by the partner councils.

### 2.1.2 Summary of Findings

Since May 2017 all three Councils plus East Kent Housing have had to pay 0.5% of their monthly gross wage bill towards a new HMRC administered Apprenticeship Levy each month. The scheme has been introduced by the Government in an attempt to increase the number of apprenticeships in England by 3 million by 2020. HMRC collects the levy from large organisations, adds some government funding and then distributes the funds back to all organisations based on a formula which is made available to use solely on specific types of apprenticeship training. If the funds are not used within two years then the Government claws it back. As a consequence each Council has put in place an Apprenticeship Strategy or Apprenticeship Plan outlining what each Council intends to do in order to utilise the funds and meet Government targets. The Government have set a target of 2.3% of each Council's workforce to be apprentices by 2020. Performance figures have to be submitted to HMRC annually.

#### Dover District Council

Dover's apprenticeship target set in 2017 was to employ 18 apprentices by March 2020 in order to meet the 2.3% target set by the Government. As at August 2018 the Council had employed seven apprentices and was in the process of securing another eight in September 2018. The Council is therefore on target to meet the 2.3% target. The Council has contributed £42,285 towards the levy since May 2017 and has an apprenticeship levy balance of £39,874 available to utilise (at July 2018).

#### Canterbury City Council

Due to the size of the authority Canterbury's apprenticeship target set in 2017 was to employ 32 apprentices by March 2020 in order to meet the 2.3% target set by the Government. As at August 2018 the Council had employed one apprentice but was planning to enrol 12 existing staff members on ILM training from September 2018. If the Council achieves this, the Council will be 11 apprentices short of its apprenticeship target by the end of this financial year; however the transfer of the Marlowe to Trust will reduce the apprenticeship target. The Council has contributed £70,960 towards the levy since May 2017 and has an apprenticeship levy balance of £76,376 available to utilise (at July 2018).

#### Thanet District Council

Thanet's apprenticeship target was not specified in its Apprenticeship Strategy. EKHR have calculated that Thanet will need to have appointed approximately 38 apprentices by March 2020 in order to meet the 2.3% target set by the Government. However, the number of apprentices the Council need to appoint has reduced this year due to the TUPE transfer of staff from EK Services over to Civica. As at August 2018 the Council had employed one apprentice but was planning to enrol five new

apprentices in September based on a combination of appointing new apprenticeships and setting up eligible training for existing staff members. The Council therefore will need to appoint a further 32 apprentices by March 2020. The Council has contributed £90,262 towards the levy since May 2017 and has an apprenticeship levy balance of £97,383 available to utilise (at July 2018).

Management can place Substantial Assurance on the controls operating with EKHR and at Dover District Council and Reasonable Assurance on the controls in place at Canterbury City Council and Thanet District Council.

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

- The governance arrangements put in place at Dover District Council to encourage and drive the uptake of apprenticeships are at a high enough level to ensure successful and sustainable outcomes;
- The EKHR Apprenticeships Policy and the roles and responsibilities contained within the policy are well documented;
- Payroll processes and manual checks undertaken within EKHR and by each of the councils are ensuring apprenticeship levy payments made monthly to HMRC are accurate, well documented and authorised; and
- All apprenticeships in place were supported by sufficient and secure documentation and the contractual arrangements in place were sufficient.

Scope for improvement was however identified in the following areas:

- Thanet District Council and Canterbury City Council need to re-visit their strategies and governance arrangements in place to ensure progress is sufficient to meet the Government apprenticeship target and to ensure Heads of Service (and EK Services) are actively encouraged to adopt more apprentices;
- There is a high probability that from May 2019 Canterbury and Thanet councils will not meet their apprenticeship targets that the Government will start to claw back significant levy funds each month currently available to each Council;
- All of the councils should report back quarterly at CMT level on the number of apprenticeships in place against the target and report to CMT on the funds available in the levy in order to ensure apprenticeships are being monitored.

## **2.2 EKS ICT Procurement & Disposal – Reasonable Assurance**

### **2.2.1 Audit Scope**

To ensure that the procedures and internal controls established by EK Services are sufficient to provide an effective, efficient, secure and economical ICT service to the three partner authorities of Canterbury CC, Dover DC and Thanet DC. An important aspect of this being to ensure that the controls over the administration of the procurement and the disposal of ICT equipment are robust.

### **2.2.2 Summary of Findings**

EKS delivers ICT Services to the three partner Councils. Under this collaborative agreement EKS are tasked with obtaining quotes for procuring, supplying and installing ICT and telephone equipment and software whilst maintaining value for money and complying with Financial Procedure Rules and Contract Standing Orders.

EKS are also responsible for disposing of redundant equipment in a manner consistent with all statutory requirements such as data protection and waste disposal regulation; and certifying the removal or destruction of data from such equipment.

Sanitisation is the process of treating data held on storage media to reduce the likelihood of retrieval and reconstruction to an acceptable level. Some forms of sanitisation will allow you to re-use the media, while others are destructive in nature and render the media unusable.

There are a number of circumstances in which an organisation would want to sanitise storage media, for re-use, repair or disposal and destruction. In these cases the media, and therefore the authorities' data, may be outside its normal operating environment and is therefore subject to greater risk from a different set of users and from third parties.

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

- Roles and responsibilities for the procurement and disposal of ICT equipment are set out in the service level agreements.
- Clear instructions have been given to staff purchasing ICT equipment on behalf of the partner Councils.
- Procurement processes in place manage compliance with Contract Standing Orders.
- Hard drives are being appropriately wiped; although there is a backlog that requires sanitisation and these are being held securely.

Scope for improvement was however identified in the following areas:

- The asset management trail for ICT equipment has been protracted which has resulted in inconsistencies in asset management records as it was separated across two systems. Now that the asset register has been transferred to the current service desk system on which is also the purchasing module these inconsistencies should be addressed.
- All new assets purchased should be traceable from purchase through to asset registration and disposal, and the queries regarding new assets raised as part of this review should be resolved.
- Controls over removable media should be reviewed to ensure it takes into account new requirements under the GDPR.

## **2.3 EKS Housing Benefit Discretionary Housing Payments – Reasonable Assurance**

### **2.3.1 Audit Scope**

To provide assurance on the adequacy and effectiveness of the procedures and controls established to provide additional financial assistance to claimants who are already receiving Housing Benefit, and who are experiencing particular financial hardship with regard to paying the shortfall of housing rent by the evaluation of, and then approval or rejection of applications.

### **2.3.2 Summary of Findings**

Discretionary Housing Payments (DHPs) are temporary top-up payments to assist people who have additional housing costs which are not being met by Housing Benefit or Universal Credit (UC) housing cost entitlement. The DHP fund is a limited amount determined and provided each year by Central Government (DWP).

The budget is closely monitored on a weekly basis by Civica as the councils may wish to fund any shortfall or take alternative action. Legislation limits this additional funding to 2.5 x the central government budget. DDC does not generally allocate any extra funds, unless very slightly overspent ?. ? TDC has also part funded the scheme in 2017/18. None of the councils have earmarked funds for DHP in 2018/19; however TDC has recently taken control of a large part (£275k) of the budget to target homelessness reduction and prevention.

The Civica benefits team currently has a target time of 20 working days to process a DHP claim; a new target time of 14 working days has been proposed in a revised DHP policy which is currently being discussed with the client authorities. Actual time taken is recorded on a spreadsheet and may be used in personal performance appraisals; however there is no requirement to report this performance to the client.

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

- Discretionary Housing Payments are made in accordance with the joint councils' policy and government guidance.
- The policy is reviewed annually and publicised on all council websites, except Canterbury.
- The same DHP application forms are available on all council websites.
- The budget is closely monitored on a weekly basis by Civica.
- Fifteen DHP applications were reviewed from 2017/18 and in the majority of cases; the reason and basis for the decision could be followed.
- Information about appeals is stored securely within the customer's record on CivicaW2/CivcaOR.

Scope for improvement was however identified in the following areas:

- More detailed information about the basis of the award decision and calculation method should be provided to the customer and saved in one place e.g. CivicaW2.
- Introducing a guide to 'expected household expenses' may offer more consistency when assessing DHP awards.
- Councils and Civica should ensure there is an agreed and published document retention schedule for services provided by Civica on behalf of the councils.

## **2.4 White Cliffs Countryside Partnership & Up on the Downs Landscape Scheme – Reasonable Assurance**

### **2.4.1 Audit Scope**

To provide assurance on the adequacy and effectiveness of the procedures and controls established in respect of the White Cliffs Countryside and the Up on the Downs Partnerships.

### **2.4.2 Summary of Findings**

### Up on the Downs Landscape Partnership Scheme

Up on the Downs was initially a £2.5 million four year Heritage Lottery funded project based in south-east Kent making a significant difference by working with local communities and partners to conserve and celebrate both the natural and built heritage in the scheme area.

A positive draft final evaluation report has been produced by the Countryside Training Partnership to review the “Up on the Downs” objectives and achievements over the last 10 years and also the legacy arrangements going forward that will be subject to partner funding.

### White Cliffs Countryside Partnership

The WCCP was launched in 1989 and has evolved over the years to carry out long term management of land across Dover, and Folkestone & Hythe districts. Going forward the function and objectives of the WCCP will be determined by the levels of funding that it is able to secure from partner organisations and grant facilities that it may be able to bid for in the future.

Management can place Reasonable Assurance on the system of internal controls in operation. However there is the need to review working practices to ensure that they are being delivered in an efficient and cost effective manner. This is being driven forward by the Natural Environments Manager who has recently taken over the running of this service.

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

- The WCCP puts on around 400 events for all ages across the districts each year to support its objectives of making wildlife and landscape accessible to everyone.
- Regular reporting to the steering group is undertaken in respect of the projects that are being carried out.
- Back office functions are in place that include income processing and reconciliation routines but there is now the opportunity to review the processes and make them efficient and remove the need for keeping paper records.

Scope for improvement was however identified in the following areas:

- The Natural Environments Manager has inherited ongoing issues with putting in place a revised partnership agreement and a memorandum of understanding (these issues were highlighted during the last audit in 2014). They are also developing a new business plan to help move the partnership forward and evolve over the next five to 10 years as well as obtaining sufficient funding to deliver expected service requirements.
- Staff should to be reminded about the requirement to fully complete documentation for events, volunteer sessions and guided walks.
- The back office functions need to be reviewed to remove duplicate handling of paperwork and to embrace the use of technology to assist them in the day to day processes.
- Once the data retention schedule has been revised and agreed then an exercise needs to be carried out to dispose of any documentation and records that are

outside of the retention period and then regular exercises should be timetabled to keep this up to date. (i.e. over 20 years of event paperwork)

- Volunteers that are handling data on behalf of the WCCP need to be trained on GDPR requirements to ensure that are complying with them.
- A local firm of printers are used for the printing of leaflets and brochures and have been for several years so there is the need to ensure that by continuing to use them the WCCP is complying with contract standing orders and financial procedure rules. This also gives the opportunity to look at how the advertising of events is carried out and if it is still reaching its target market or if other ways of advertising could be used.

## **2.5 Project 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 practice in the identification, evaluation and cost effective control of project risks to ensure that all projects are delivered on time, on budget and that all relevant project objectives are achieved

### 2.5.2 Summary of Findings

Project management is the discipline of initiating, planning, executing, controlling, and closing the work of a team to achieve specific goals and meet specific success criteria. A project is a temporary endeavour designed to produce a unique product, service or result with a defined beginning and end undertaken to meet unique goals and objectives, typically to bring about beneficial change or added value. The temporary nature of projects stands in contrast with business as usual, which are repetitive, permanent, or semi-permanent functional activities to produce products or services. In practice, the management of these two systems is often quite different, and as such requires the development of distinct technical skills and management strategies.

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

- Overall, the Council has a reasonably good track record of delivering projects on time, within budget and ensuring that all relevant project objectives are achieved.
- The Council has a clear 'Guide to Project Management for Dover District Council' which was approved by CMT and is available to staff on the intranet, together with the following templates: Project brief; Milestone log; and Risk log.
- The '*Guide to Project Management for Dover District Council*' provides guidance on what a project is, whether or not the guide should be followed for 'small' projects and the steps to be taken when undertaking a project.
- The Guide and associated templates are easy to locate on the Council intranet, and is therefore considered to have been adequately communicated to staff.
- CMT is the management board responsible for the approval, monitoring and management of all projects and receives updates approximately every two months.

- These updates provide reasonable notification to CMT of any delays, overspends, non-achievement of milestones, or additional (previously unforeseen) risks on individual projects.
- The Council maintains appropriate databases of all projects.

Scope for improvement , was identified in the following areas:

- Whilst there is approved documentation which should be used for each project (i.e. templates for project applications, update reporting, risk logs, post implementation review etc.) compliance testing of a sample of projects failed to find this documentation in place for some of the projects examined.
- There was inadequate evidence that all relevant projects are formally authorised by the management board following the submission of a detailed business case for some of the sample examined.
- Some of the links within the 'Guide to Project Management for Dover District Council' to supporting documents/templates (e.g. the costs spreadsheet and the feasibility study) do not work.

## **2.6 EKS Public Sector Network Compliance – An assurance is not applicable for this work**

### 2.6.1 Audit Scope

This review is to provide options regarding the risks and costs associated with complying with the PSN requirements for June 2018.

### 2.6.2 Summary of Findings

The Public Services Network (PSN) is a secure private Wide-Area Network (WAN) which enables secure interactions between connected Local Authorities and organisations that sit on the pan-government secure network infrastructure. Government requirements are designed to defend against common threats such as opportunistic hackers and abuses of business processes, while remaining proportionate and aligned with wider business goals.

Canterbury City Council, Dover and Thanet District Councils are local authorities that have to connect to the PSN so that they can receive benefits data from the DWP, GCSX email, DVLA information, Justice information and Police data for various business units.

Scope for improvement was identified in the following areas:

- Patch management of third party software is the biggest issue that needs to be addressed to enable the authorities to be PSN compliant.
- EK Services, who are responsible for delivering ICT services to the authorities, need to engage at a senior level to ensure that the councils are aware of the patch management risks and issues and the priority within the day to day services that they need to be given.
- The service level agreements do not currently reflect the relevant priority of patch management work sufficiently. This also raises a new risk since the relationship with Civica has been established.

## 2.7 Private Sector Housing & HMO Licensing – Limited Assurance:

### 2.7.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Council works with landlords and tenants to ensure the legal standards for housing are met.

### 2.7.2 Summary of Findings

Legislation (The Housing Act 2004) is in place to ensure that houses in multiple occupancy comply with prescribed standards and that the tenants have decent living conditions. The Council has powers to act on landlords that fail to comply with the legislation. Revised legislation is coming into effect from 1<sup>st</sup> October 2018 that will ensure even higher standards of living conditions for tenants both within the building and also externally. There are currently forty-five licenced HMOs within the district.

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

- The M3 system isn't being fully utilised and holds incomplete records when compared to the paper records for each HMO license. In the near future the Uniform system is to replace M3 and if the data was moved across to it now it would not be accurate or up to date.
- The paper register and website list for HMO's are not up to date and do not show the same information. In addition there are inconsistencies between both of these and the M3 system.
- There were inconsistencies in the license fees that have been approved and that are being shown on the Council website for 2018/19. (Management have now confirmed that they have addressed these issues following discussions with Accountancy.)
- A review of working practices across the whole of Private Sector Housing should be carried out to ensure that future processes being carried out are smarter, efficient and timely and also ensure that senior officers are able to carry out their duties without being burdened with unnecessary administration. Fully utilising the M3 system (and the Uniform system at some point in the future) for diary dates for actions and requests (i.e. for inspections, gas safety certificates, reminders that current licenses are due to expire) etc. would assist in a smarter way of working.
- Succession planning needs to be considered for the Private Sector Housing function. Currently the team are struggling to deliver the day to day functions. Conditions are put on a license to rectify issues that impact on the living conditions of those living in the property; they will have an expected time frame for completion and then an inspection should be carried out to sign off the works as they have been completed. This is an area of weakness as follow up inspections are not being carried out and having reviewed a sample of paper files and the M3 records there is a lack of information on M3 in respect of supporting documentation for each license and the other annual documentation that has to be provided by the license holder as part of the license conditions.

Effective control was however evidenced in the following areas:

- When applications for HMO's are received there are processes that are followed to ensure that they are being consistently applied in accordance with legislation.

Although the processes could be revised for smarter and more efficient ways of working.

- All premises are visited prior to the HMO license being issued for each property.
- The guidance information available on the Council's website regarding HMO's is comprehensive and links to government guidance. It should be noted that the application forms are in the process of being revised and updated to reflect changes in the legislation from 1<sup>st</sup> October 2018.
- When issues arise in respect of sub standard properties officers have the knowledge to be able to deal with these in a timely manor.

### Management Response

There are 48 licenced HMO's with another two pending applications. The only paper records held are the actual applications as this generates a lot of paperwork including plans.

Generally there is no inconsistency between the paper register and list of HMO's on the web. However there was one record on the register which had not been removed and one on the web list which had not been removed. All other records are held on M3. In future all applications are being scanned in and put on M3.

The Licence fees issue was caused by a minor error in the Fees and Charges report received annually by Cabinet. It will be amended for the 2019/20 report.

## **2.8 East Kent Housing; Contract Management – Limited Assurance**

- 2.8.1 This item is restricted and not for publication by reason that it contains information which is exempt by virtue of the provisions of Paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972. Information relating to financial or business affairs of any particular person (including the Authority holding the information); financial or business affairs includes contemplated as well as current activities. To be discussed after the exclusion of the press and public.

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

- 3.1 As part of the period's work, four follow up reviews have been completed of those areas previously reported upon to ensure that the recommendations 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)	Phones, Mobiles and Utilities	Substantial/ Reasonable	Substantial/ Reasonable	C	0	C	0
				H	0	H	0
				M	3	M	0
				L	1	L	0
b)	Licensing	Reasonable	Substantial	C	0	C	0
				H	1	H	0
				M	2	M	0

Service/ Topic		Original Assurance level	Revised Assurance level	Original Number of Recs		No of Recs Outstanding	
				L	0	L	0
c)	East Kent Housing – Safeguarding Children & Vulnerable Groups	Reasonable /Limited	Reasonable	C	0	C	0
				H	4	H	0
				M	0	M	0
				L	0	L	0
d)	East Kent Housing – Complaints Monitoring	Reasonable	Reasonable	C	0	C	0
				H	2	H	0
				M	2	M	1
				L	3	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: ICT PSN review, Council Tax Reduction Scheme, VAT, Bank Rec and Capital, ICT Procurement & Disposals, and Building Control.

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

- 5.1 The 2018-19 Audit plan was agreed by Members at the meeting of this Committee on 8<sup>th</sup> April 2018.
- 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 six month period to 30<sup>th</sup> September 2018, 114.99 chargeable days were delivered against the revised target of 242.89, which equates to 47.34% 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.
- 7.4 The EKAP introduced an electronic client satisfaction questionnaire, which is used across the partnership. The satisfaction questionnaires are sent out at the conclusion of each audit to receive feedback on the quality of the service. Current feedback arising from the customer satisfaction surveys is featured in the Balanced Scorecard attached as Annex 4.

**Attachments**

- Annex 1 Summary of High priority recommendations outstanding after follow-up.
- Annex 2 Summary of services with Limited / No Assurances
- Annex 3 Progress to 30<sup>th</sup> September 2018 against the agreed 2018/19 Audit Plan.
- Annex 4 Balanced Scorecard of performance indicators to 30<sup>th</sup> September 2018.
- 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 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>
Inward Investment	December 2017	Reasonable/Limited	Work-in-Progress
Homelessness	September 2018	Substantial/Limited	Spring 2019
Private Sector Housing & HMO Licensing	December 2018	Limited	Spring 2019

**PROGRESS AGAINST THE AGREED 2018-19 AUDIT PLAN.**

**DOVER DISTRICT COUNCIL:**

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-2018	Status and Assurance Level
<b>FINANCIAL SYSTEMS:</b>				
Capital	10	10	0.24	Work-in-progress
Bank Reconciliation	5	5	0.24	Work-in-progress
VAT	10	10	2.86	Work-in-progress
<b>RESIDUAL HOUSING SYSTEMS:</b>				
Homelessness	10	20	18.19	Finalised – Substantial/Limited
Housing Allocations	10	0	0	Budget used for the Homelessness review
<b>GOVERNANCE RELATED:</b>				
GDPR, FOI and Information Management	15	15	0.31	Work-in-progress
Anti-Fraud & Corruption Assurance Mapping	10	10	2.16	Work-in-progress
Complaints Monitoring	10	10	0	Quarter 4
Risk Management	10	10	0	Quarter 4
Corporate Advice/CMT	2	2	3.5	Work-in-progress throughout 2018-19
s.151 Meetings and support	9	9	6.11	Work-in-progress throughout 2018-19
Governance Committee Meetings and Reports	12	12	7.18	Work-in-progress throughout 2018-19
2019-20 Audit Plan Preparation and Meetings	9	9	0.89	Quarter 4
<b>SERVICE LEVEL:</b>				
Safeguarding Children & Vulnerable Adults	10	10	0	Quarter 3
Private Sector Housing & HMO Licensing	10	10	15.70	Finalised - Limited

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-2018	Status and Assurance Level
Food Safety	10	10	0.35	Quarter 4
Pest Control	10	0	0.18	Postponed to accommodate b/fwd work
Events Management	10	0	0	Postponed to accommodate b/fwd work
Local Plan, MTFP and Corporate Plan	10	0	0	Postponed to accommodate b/fwd work
Building Control	12	12	0.18	Work-in-progress
Uniform iDox – Post Implementation Review	13	13	0.22	Work-in-progress
White Cliffs Countryside & Up on the Downs	12	12	9	Finalised - Reasonable
Waste Management & Street Cleansing	15	15	0.22	Work-in-progress
<b>OTHER</b>				
Liaison with External Auditors	1	1	0.07	Work-in-progress throughout 2018-19
Follow-up Work	15	15	13.94	Work-in-progress throughout 2018-19
<b>FINALISATION OF 2017-18- AUDITS</b>				
Car Parking & PCNs	5	30	0.44	Finalised - Reasonable
Creditors & CIS			9.86	Finalised - Reasonable
Licensing			1.72	Finalised - Reasonable
Income			8.92	Finalised – Substantial/Reasonable
Project Management			3.45	Finalised - Reasonable
Grounds Maintenance			8.79	Finalised - Reasonable
Coastal Management				
Days over delivered in 2017-18	0	-7.11	0	Completed
<b>TOTAL</b>	<b>255</b>	<b>242.89</b>	<b>114.99</b>	<b>47.34% as at 30<sup>th</sup> September 2018</b>

**EAST KENT HOUSING LIMITED:**

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-2018	Status and Assurance Level
<b>Planned Work:</b>				
CMT/Audit Sub Ctte/EA Liaison	4	4	2.22	Work-in-progress throughout 2018-19
Follow-up Reviews	4	4	4.71	Work-in-progress throughout 2018-19
Repairs & Maintenance	30	30	0.27	Quarter 3
Void Property Management	20	20		Quarter 3
Tenant Health & Safety	20	20	0	Quarter 4
Contract Monitoring	17	17	26.50	Finalised - Limited
Performance Management	15	15	2.05	Work-in-progress
Welfare Reform	10	10	0.18	Quarter 3
Resident Involvement	10	10	0.18	Quarter 3
Service Level Agreements	10	10	0	Quarter 4
<b>Finalisation of 2017-18 Work-in-Progress:</b>				
Days under delivered in 2017-18	0	10.94	0	Allocated
Complaints Monitoring	0	0	0.36	Work-in-progress
GDPR & Information Mngmt.	0	0	4.14	Finalised - Reasonable
Leasehold Services	0	0	1.15	Finalised – Reasonable
Tenancy & RTB Fraud Prevention	0	0	14.05	Work-in-Progress
Property Services Action Plan	0	0	8.14	Finalised - Reasonable
<b>Responsive Assurance Work:</b>				
Contract Management supplementary work	0	0	4.74	Finalised
Single System Planned Maintenance Module	0	0	0.18	Finalised
<b>Total</b>	<b>140</b>	<b>150.94</b>	<b>68.87</b>	<b>45.63% as at 30-09-2018</b>

**EKS, EKHR & CIVICA:**

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-2018	Status and Assurance Level
<b>EKS &amp; Civica Reviews:</b>				
Housing Benefits Assessment	15	15	0.18	Quarter 3
Housing Benefit Testing	15	15	7.20	Quarter 3
Housing Benefits – DHPs	15	15	16.14	Finalised - Reasonable
Debtor Accounts	20	20	0.34	Quarter 3
ICT – Network Security	15	10	0.32	Quarter 4
ICT – PSN Review	0	5	16.11	Finalised – N/A
ICT – PCI-DSS Compliance	15	15	0	Quarter 4
KPIs	5	5	0.10	Quarter 4
<b>EKHR Reviews:</b>				
Payroll	15	15	0	Quarter 4
Apprenticeships	15	15	15.53	Finalised - Reasonable
Absence Management	15	15	0.19	Quarter 3
<b>Other:</b>				
Corporate/Committee	8	8	3.85	Work-in-progress throughout 2018-19
Follow up	7	7	4.18	Work-in-progress throughout 2018-19
Days under delivered in 2017-18	0	47.79		Allocated as below
<b>Finalisation of 2017/18 Audits:</b>				
Housing Benefit Testing			6.82	Finalised – N/A
Payroll			4.96	Finalised - Substantial
Employee Allowances & Expenses			1.28	Finalised - Reasonable
ICT – Procurement & Disposal			14.92	Finalised - Reasonable
Council Tax Reduction Scheme			9.92	Finalised - Substantial
<b>Total</b>	<b>160</b>	<b>207.79</b>	<b>102.03</b>	<b>49% at 30-09-2018</b>

**EAST KENT**  
DOVER • FOLKESTONE & HYTHE • THANET • CANTERBURY



**AUDIT PARTNERSHIP**

<u>INTERNAL PROCESSES PERSPECTIVE:</u>	<u>2018-19 Actual</u>	<u>Target</u>	<u>FINANCIAL PERSPECTIVE:</u>	<u>2018-19 Actual</u>	<u>Original Budget</u>
	<b>Quarter 2</b>		<b>Reported Annually</b>		
Chargeable as % of available days	87%	80%	<ul style="list-style-type: none"> <li>• Cost per Audit Day</li> </ul>	£	£300.38
Chargeable days as % of planned days			<ul style="list-style-type: none"> <li>• Direct Costs</li> </ul>	£	£385,970
CCC	48%	50%	<ul style="list-style-type: none"> <li>• + Indirect Costs (Recharges from Host)</li> </ul>	£	£10,530
DDC	47%	50%	<ul style="list-style-type: none"> <li>• - 'Unplanned Income'</li> </ul>	£	Zero
F&HDC	41%	50%	<ul style="list-style-type: none"> <li>• = Net EKAP cost (all Partners)</li> </ul>	£	£396,500
TDC	44%	50%	<ul style="list-style-type: none"> <li>• Saving Target (10% of 2016-17)</li> </ul>	£34,620	10%
EKS	49%	50%			
EKH	46%	50%			
Overall	45%	50%			
Follow up/ Progress Reviews;					
<ul style="list-style-type: none"> <li>• Issued</li> </ul>	30	-			
<ul style="list-style-type: none"> <li>• Not yet due</li> </ul>	20	-			
<ul style="list-style-type: none"> <li>• Now due for Follow Up</li> </ul>	30	-			
Compliance with the Public Sector Internal Audit Standards (PSIAS) (see Annual Report for more details)	Partial	Full			

<u>CUSTOMER PERSPECTIVE:</u>	<u>2018-19 Actual</u>	<u>Target</u>	<u>INNOVATION &amp; LEARNING PERSPECTIVE:</u>	<u>2018-19 Actual</u>	<u>Target</u>
	Quarter 2				
Number of Satisfaction Questionnaires Issued;	29		Percentage of staff qualified to relevant technician level	76%	75%
Number of completed questionnaires received back;	8 (ICT Issue in Q1)  = 15%		Percentage of staff holding a relevant higher level qualification	37%	38%
Percentage of Customers who felt that;			Percentage of staff studying for a relevant professional qualification	14%	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	1.03	3.5
	100%	100%	Percentage of staff meeting formal CPD requirements (post qualification)	37%	38%
	100%	100%			

## Definition of Audit Assurance Statements & Recommendation Priorities

### Assurance Statements:

**Substantial Assurance** - From the testing completed during this review a sound system of control is currently being managed and achieved. All of the necessary, key controls of the system are in place. Any errors found were minor and not indicative of system faults. These may however result in a negligible level of risk to the achievement of the system objectives.

**Reasonable Assurance** - From the testing completed during this review most of the necessary controls of the system in place are managed and achieved. There is evidence of non-compliance with some of the key controls resulting in a marginal level of risk to the achievement of the system objectives. Scope for improvement has been identified, strengthening existing controls or recommending new controls.

**Limited Assurance** - From the testing completed during this review some of the necessary controls of the system are in place, managed and achieved. There is evidence of significant errors or non-compliance with many key controls not operating as intended resulting in a risk to the achievement of the system objectives. Scope for improvement has been identified, improving existing controls or recommending new controls.

**No Assurance** - From the testing completed during this review a substantial number of the necessary key controls of the system have been identified as absent or weak. There is evidence of substantial errors or non-compliance with many key controls leaving the system open to fundamental error or abuse. The requirement for urgent improvement has been identified, to improve existing controls or new controls should be introduced to reduce the critical risk.

### Priority of Recommendations Definitions:

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

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

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

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