
Subject: **QUARTERLY INTERNAL AUDIT UPDATE REPORT**

Meeting and Date: **Governance Committee – 5 December 2013**

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

Decision Type: **Non-key**

Classification: **Unrestricted**

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 30th September 2013

Recommendation: That Members note the update report.

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 30th September 2013.

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. Attached as Appendix 1 to the EKAP report is a summary of the Action Plans agreed in respect of the reviews covered during the period.
- 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 Appendix 2 to the EKAP report.
- 2.5 The purpose of the Council's Audit 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 three Internal Audit reports that have been completed during the period, of which one review was classified as providing Substantial Assurance and one as Reasonable Assurance. The remaining piece of work was of a nature for which an assurance level is not applicable i.e. quarterly housing benefit claim testing. Summaries of the report findings and the recommendations made are detailed within Annex 1 to this report.
- 2.8 In addition four follow-up reviews have been completed during the period, which are detailed in section 3 of the quarterly update report.
- 2.9 For the six-month period to 30th September 2013, 116.12 chargeable days were delivered against the planned target of 270, which equates to 43.07% 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 2013-14 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 2013-14 - Previously presented to and approved at the 14th March 2012 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 30th September 2013.

2. SUMMARY OF REPORTS:

	Service / Topic	Assurance level
2.1	Local Code of Corporate Governance	Substantial
2.2	EK Services – Council Tax Reduction Scheme	Substantial
2.3	Right to Buy Applications	Reasonable
2.4	EK Services – Housing Benefit Quarterly Testing (Qtr 2 of 2013-14)	Not Applicable

2.1 Local Code of Corporate Governance – Substantial Assurance:

2.1.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established in the systems, to ensure that the Council's governance arrangements are adequately designed to lead to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes for citizens and service users.

2.1.2 Summary of Findings

Good governance should enable an authority to pursue its vision effectively as well as underpinning that vision. CIPFA / SOLACE produce the 'Delivering Good Governance in Local Government' framework and guidance documents. These guidance notes refer to the 6 core principles of good Corporate Governance and this audit has reviewed how the Council ensures that these core principles have been achieved.

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

- The Local Governance Code is based on the guidelines provided by CIPFA / SOLACE.

- The Corporate Plan is prepared by the Leader and his Cabinet.
- The Authority has set out a clear statement of the respective roles and responsibilities of the executive and of members.
- Codes of Conduct exist in the Council's Constitution.
- The Authority maintains effective scrutiny, risk management and whistleblowing functions.

2.2 EK Services – Council Tax Reduction Scheme – Substantial Assurance

2.2.1 Audit Scope

To ensure that the recently introduced Council Tax Reduction Scheme has been implemented correctly by EK Services as intended by the partner authorities of Canterbury CC, Dover DC and Thanet DC.

2.2.2 Summary of Findings

As part of the Welfare Reform Act 2012 the Government announced that from 1st April 2013 council tax benefit would be abolished and councils would need to design and operate their own local Council Tax Support Scheme. The new scheme had to be created and adopted by councils by the 31st January 2013 in order to be eligible for support funding. Applications were made by all three EK authorities for support funding, these were approved and the monies were paid to the councils in April 2013.

EK Services developed a scheme which was approved by all three partner authorities. The relief reduction agreed was:-

- Canterbury City Council – 5%
- Dover District Council – 6%
- Thanet District Council – 5.5%

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

- New Council Tax Reduction Schemes were developed and adopted by the deadline set by the Department of Communities and Local Government.
- The new parameters were robustly and extensively tested prior to them being loaded into the live systems for the commencement of the scheme on the 1st April 2013.
- All relevant staff were provided with detailed training and guidance notes on the new scheme.
- Monthly management information is being produced by EK Services for the partner authorities to review and monitor the number of 'new payers'.

2.3 Right to Buy Applications – Reasonable Assurance:

2.3.1 Audit Scope

To examine and evaluate the system of controls, both financial and otherwise, established by management in order to carry on the business of the enterprise in regard to Right to Buy applications in an orderly and efficient manner, ensure adherence to management policies, safeguard the Authority's assets and secure as far as possible the completeness and accuracy of its accounting records

2.3.2 Summary of Findings

The Right to Buy process is generally working well and most of the expected controls are effective. Positive action is taken to control risk however the main issue that

needs to be addressed is that the Northgate System parameters have not been updated to take into changes from April 2012 and still shows that the maximum discount available is still £38,000.

2.4 EK Services Housing Benefit Quarterly Testing (Quarter 2 of 2013-14):

- 2.4.1 Over the course of the 2013/14 financial year the East Kent Audit Partnership will be completing a sample check of council tax, rent allowance, rent rebate and Local Housing Allowance benefit claims to support the External Auditor's verification work.

For the second quarter of 2013/14 financial year (July to September 2013) 20 claims including new and change of circumstances of each benefit type were selected by using Excel software to randomly select the various claims for verification.

In total 20 benefit claims were checked and of these only one failed the criteria set by the former Audit Commission's verification guidelines.

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)	Waste Management	Reasonable	Reasonable	H	1	H	1
				M	1	M	0
				L	0	L	1
b)	Disabled Facilities Grants	Substantial	Substantial	H	0	H	0
				M	1	M	1
				L	0	L	0
c)	EK Services – Housing Benefit Administration & Assessment	Reasonable	Reasonable	H	1	H	0
				M	6	M	3
				L	0	L	0
d)	EK Services – Customer Services / Gateway	Reasonable	Reasonable	H	2	H	1
				M	2	M	0
				L	0	L	0
e)	Value Added Tax	Limited/ Reasonable	Reasonable	H	8	H	0
				M	6	M	0
				L	0	L	0

- 3.2 Details of each of the individual high priority recommendations outstanding after follow-up are included at Appendix 1 and on the grounds that these recommendations have not been implemented by the dates originally agreed with management, they are now being escalated for the attention of the s.151 Officer and Members of the Governance 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: Housing Repairs and Maintenance, Insurance and Inventories of Portable Assets, Coast Protection, Service Contract Monitoring, Local Code of Corporate Governance, FOI and Information Management, Main Accounting System, Budgetary Control, Treasury Management, Capital, and Planning.

5.0 CHANGES TO THE AGREED AUDIT PLAN:

- 5.1 The 2013-14 Audit plan was agreed by Members at the meeting of this Committee on 14th March 2013.
- 5.2 The Head of the Audit Partnership meets on a regular 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 Appendix 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 30th September 2013, 116.12 chargeable days were delivered against the planned target of 270, which equates to 43.07% 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 for Quarter 1 of 2013-14 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 30th September 2013 against the agreed 2013/14 Audit Plan.
- Annex 4 EKAP Balanced Scorecard of Performance Indicators to 30th September 2013.
- Annex 5 Assurance statements

SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTADING 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>Waste Management:</i>		
<p>Review the current outstanding work at both Dover District Council and Shepway District Council to identify when contract monitoring processes can expected to be fully implemented and Liaise with Waste Consulting Ltd to put in place a timetable for the implementation of the contract monitoring software.</p>	<p>The Contract Management tool has been used in test, however changes are required (undertaken by Waste Consulting) before a live version can be launched. Timescales are to be agreed by all partners. KCC are currently liaising with Waste Consulting.</p> <p>Paper based monitoring processes can be implemented over the coming months prior to the launch of the CMT.</p> <p>Proposed Completion Date: KCC to speak with Waste Consulting regarding the proposed changes – timetable of implementation to be confirmed by the end of June 2012.</p> <p>Paper based monitoring by – 31st July 2012.</p> <p>Responsibility: Waste Services Manager</p>	<p>Tasks have been refined within the contract management tool to ensure that they are timely and allocated to the correct officer. KCC are still finalising their responsibilities and because of this the Contract Monitoring tool is still to be launched.</p> <p>Paper based monitoring has been put in place and review has been carried out by the Waste Services Manager and the Health and Safety Advisor regarding health and safety.</p> <p>Recommendation Outstanding, but some interim progress made.</p>
<i>EK Services – Customer Services / Gateway :</i>		
<p>Review the whole process of how monies and documentation are transferred from the area offices / gateway to the main office at Whitfield and who has the responsibility for carrying out this function. If the practice is to continue then a clear process needs to be put in place as to how the staff should</p>	<p>Dover District Council Response</p> <p>The number and value of receipts at the Area Offices are not identified in the audit, so EKS and DDC will quantify this and design a proportionate solution by the end of September with implementation planned to take place by 1st April 2013</p>	<p>Follow Up Findings as at August 2013</p> <p>Discussions have taken place in October 2012 between EK Services and Dover District Council in respect of cash and documentation handling and ensuring safe delivery of these items to the Whitfield Office.</p>

SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTADING 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>ensure the safety of the monies and documentation (i.e. housing benefit claim forms) and how they are to be kept when they are in their home. This should include any possible insurance implications that need to be addressed for staff having council monies in their own homes.</p>	<p>Responsibility / Completion Date Client Officer Dover and EK Services - April 2013</p>	<p>An interim process was put in place until a permanent solution could be put in place. However to date the interim solution is still being carried out some 10 months later.</p> <p>At the Aylesham Area Office the cash and documentation is being collected on a monthly basis by a manager and there was to be an investigation into installing a scanner for scanning the documentation</p> <p>Deal and Sandwich Area Offices are the busiest for cash handling so the EK Services Manager collects the money from these offices on a weekly basis.</p> <p>Conclusion. Despite EK Services contributing to meetings with statistical analysis and feedback, no further progress appears to have been made with the Dover client and the interim procedure is still in place through the good will of the manager calling in to the area offices to collect the monies.</p> <p>Recommendation is still outstanding as no permanent solution has been put in place</p>

SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED				
Service	Reported to Committee	Level of Assurance	Management Action	Follow-up Action Due
CSO Compliance	June 2012	Limited	On-going management action in progress to remedy the weaknesses identified.	As part of planned audit in 2013-14
Data Protection Compliance	March 2013	Reasonable/ Limited	On-going management action in progress to remedy the weaknesses identified.	Work in Progress
EK Services – Software Licenses	June 2013	Limited	On-going management action in progress to remedy the weaknesses identified.	Work in Progress
Absence Management	June 2013	Limited	On-going management action in progress to remedy the weaknesses identified.	Work in Progress

PROGRESS AGAINST THE AGREED 2013-14 AUDIT PLAN.

DOVER DISTRICT COUNCIL:

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-13	Status and Assurance Level
FINANCIAL SYSTEMS:				
Capital	5	5	0.17	Work-in-Progress
Treasury Management	5	5	0.17	Work-in-Progress
Main Accounting System	5	5	0.17	Work-in-Progress
Budgetary Control	5	5	0.17	Work-in-Progress
Insurance and Inventories of Portable Assets	12	12	7.91	Work-in-Progress
RESIDUAL HOUSING SYSTEMS:				
Homelessness	10	10	0	Quarter 4
Right to Buy	5	5	6.83	Finalised - Reasonable
GOVERNANCE RELATED:				
FOI and Information Management	10	10	0.17	Work-in-Progress
Members Code of Conduct & Standards Arrangements	10	10	10.26	Finalised - Substantial
Local Code of Corporate Governance	6	6	0.17	Finalised - Substantial
Performance Management	10	10	0	Quarter 3
Business Continuity and Emergency Planning	10	10	6.45	Finalised - Substantial
Corporate Advice/CMT	2	2	2.08	Work-in-Progress throughout 2013-14
s.151 Meetings and support	9	9	6.63	Work-in-Progress throughout 2013-14
Governance Committee Meetings and Reports	12	12	5.98	Work-in-Progress throughout 2013-14
2014-15 Audit Plan Preparation and Meetings	9	9	0	Quarter 4
CONTRACT RELATED:				
CSO Compliance	10	10	0	Quarter 4
Service Contract Monitoring	10	10	0	Work-in-Progress
SERVICE LEVEL:				
Cemeteries	10	10	4.83	Work-in-Progress

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-13	Status and Assurance Level
Coast Protection	6	6	0.2	Work-in-Progress
CCTV	10	10	6.65	Finalised - Substantial
Environmental Health – Food Safety	10	10	0.17	Quarter 4
Environmental Health – Contaminated Land and Air Quality	10	10	1.55	Work-in-Progress
Disabled Facilities Grants	10	10	9.02	Finalised - Substantial
DES Project Work - Horticulture	12	12	6.19	Finalised
Health & Wellbeing	12	12	0	Quarter 4
Planning	10	10	0.34	Work-in-Progress
OTHER				
Liaison with External Auditors	3	3	0.14	Work-in-Progress throughout 2013-14
Follow-up Work	17	17	8.17	Work-in-Progress throughout 2013-14
UNPLANNED WORK				
Car Parking – under and over bankings	0	0	0.12	Work-in-Progress
FINALISATION OF 2011-12 AUDITS				
Dover Museum and VIC	5	5	15.45	Finalised - Substantial
Recruitment & Induction			1.75	Finalised - Reasonable
Licensing			2.77	Finalised - Reasonable
Officers' Code of Conduct & Whistle Blowing Arrangements			1.22	Finalised - Reasonable
Environmental Protection Service Requests			0.30	Finalised - Substantial
Port Health			0.99	Finalised - Substantial
Days over delivered in 2011-12	0	0	8.86	Finalised
EK HUMAN RESOURCES				
Payroll, SMP and SSP	5	5	0.07	Quarter 4
Employee Benefits-in-Kind	5	5	0.12	Quarter 4
TOTAL - DOVER DISTRICT COUNCIL RESIDUAL DAYS	270	270	116.12	43.07 % complete as at 30th September 2013

EAST KENT HOUSING LIMITED:

Review	Original Planned Days	Revised Planned Days	Actual days to 30-06-13	Status and Assurance Level
Planned Work:				
Audit Committee/EA liaison/follow-up	8	8	4.24	Work-in-Progress throughout 2013-14
Rent Accounting, Collection and Debt Management	12	12	0	Quarter 4
Leasehold Services	40	40	0.28	Work-in-Progress
Sheltered Housing	20	0	0.27	Postpone until 2014-15
Finalisation of 2012-13 Audits:				
Housing Repairs and Maintenance	9	29	27.50	Work-in-Progress
Days over delivered in 2012-13	0	0	6.65	Finalised
Responsive Work:				
None in Quarter 2				
Total	89	89	38.94	43.75% Complete as at 30-09-2013

EK SERVICES:

Review	Original Planned Days	Revised Planned Days	Actual days to 30-06-13	Status and Assurance Level
Planned Work:				
Housing Benefits – Overpayments	15	15	0	Quarter 4
Housing Benefits – Fraud Investigation Unit	15	15	0	Quarter 4
Council Tax Reduction Scheme	0	15	0.27	Work-in-progress
Housing Benefits – Quarterly Testing	40	40	13.54	Work-in-progress throughout 2013-14
Business Rates	30	23	15.31	Work-in-Progress
Debtors and Rechargeable Works	15	15	0	Quarter 4
ICT – Change Controls	15	15	0.37	Work-in-progress

Review	Original Planned Days	Revised Planned Days	Actual days to 30-06-13	Status and Assurance Level
ICT – Procurement and Disposal	15	15	14.58	Work-in-progress
ICT – PC Controls and Application Controls	15	15	0	Quarter 4
Corporate/Committee	0	2	1.35	Work-in-progress throughout 2013-14
Follow-up	0	5	4.53	Work-in-progress throughout 2013-14
New Homes Bonus	0	0	0.34	Work-in-progress
<u>Finalisation of 2012-13 Audits:</u>				
Housing Benefits and Assessment	0	9	8.68	Finalised
ICT – Network Security	0	4	4.02	Finalised
Days under delivered in 2012-13	0	-28	-28.11	Work-in-progress
Total	160	160	34.88	21.8% Complete as at 30-09-2013

BALANCED SCORECARD – QUARTER 2

<u>INTERNAL PROCESSES PERSPECTIVE:</u>	<u>2013-14 Actual</u>	<u>Target</u>	<u>FINANCIAL PERSPECTIVE:</u>	<u>2013-14 Actual</u>	<u>Target</u>
Chargeable as % of available days	Quarter 2 82%	80%	Cost per Audit Day (Reported Annually)		£319.56
Chargeable days as % of planned days					
CCC	50%	50%			
DDC	43%	50%			
SDC	40%	50%			
TDC	46%	50%			
EKS	22%	50%			
EKH	44%	50%			
Overall	41%	50%			
Follow up/ Progress Reviews;					
• Issued	35	-			
• Not yet due	31	-			
• Now due for Follow Up	20	-			
Percentage compliance with the CIPFA Code for Internal Audit 2006	97%	97%			

BALANCED SCORECARD – QUARTER 2

<u>CUSTOMER PERSPECTIVE:</u>	<u>2013-14 Actual</u>	<u>Target</u>	<u>INNOVATION & LEARNING PERSPECTIVE:</u>	<u>2013-14 Actual</u>	<u>Target</u>
	Quarter 2			Quarter 2	
Number of Satisfaction Questionnaires Issued;	55		Percentage of staff qualified to relevant technician level	75%	75%
Number of completed questionnaires received back;	23 =42%		Percentage of staff holding a relevant higher level qualification	33%	32%
Percentage of Customers who felt that;			Percentage of staff studying for a relevant professional qualification	13%	13%
<ul style="list-style-type: none"> • Interviews were conducted in a professional manner 	100%	100%	Number of days technical training per FTE	1.61	3.5
<ul style="list-style-type: none"> • The audit report was 'Good' or better 	100%	90%	Percentage of staff meeting formal CPD requirements	33%	32%
<ul style="list-style-type: none"> • That the audit was worthwhile. 	100%	100%			



ANNEX 5

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.