
Subject: QUARTERLY INTERNAL AUDIT UPDATE REPORT

Meeting and Date: Governance Committee – 20 March 2014

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 31st December 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 31st December 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 thirteen Internal Audit reports that have been completed during the period, of which six reviews was classified as providing Substantial Assurance, three as Reasonable Assurance, one as Limited, and a further two resulted in a split assurance which was partially limited. 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 nine-month period to 31st December 2013, 210.96 chargeable days were delivered against the planned target of 270, which equates to 78.13% 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 31st December 2013.

2. SUMMARY OF REPORTS:

Service / Topic		Assurance level
2.1	Treasury Management	Substantial
2.2	Capital	Substantial
2.3	Budgetary Control	Substantial
2.4	Coast Protection	Substantial
2.5	Service Contract Monitoring	Substantial
2.6	Environmental Health – Food Safety	Substantial
2.7	Insurance & Inventories of Portable Assets	Substantial/ Reasonable
2.8	Freedom of Information and Record Management	Reasonable
2.9	East Kent Housing – Repairs and Maintenance	Reasonable
2.10	Environmental Protection – Contaminated land, pollution, air and water quality.	Reasonable
2.11	Cemeteries	Reasonable/ Limited
2.12	EK Services – ICT Software Procurement	Limited
2.13	EK Services – Housing Benefit Quarterly Testing (Qtr 3 of 2013-14)	Not Applicable

2.1 Treasury Management – Substantial Assurance.

2.1.1 Audit Scope

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

2.1.2 Summary of Findings

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations.

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

- There are appropriate policies and procedures in place for all areas of Treasury Management.
- Treasury reports are made regularly to the Cabinet and Council.
- The Treasury Accounting Technician uses robust information sources to inform decisions about where to invest, including credit ratings of institutions.
- The movement of funds is carefully and securely managed, with individual log-ins and passwords required and second authorisers in place.

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

- The staff that can also perform the Treasury Function may need refresher training as testing indicated that expected paperwork was missing when the Treasury Accounting Technician was on leave.

2.2 Capital – Substantial Assurance.

2.2.1 Audit Scope

To provide an effective and efficient evaluation and approval procedure for capital projects and robust financial procedures to enable sufficient budgetary provision to be made available for their funding.

2.2.2 Summary of Findings

The Section 151 Officer is responsible for ensuring that the capital programme is prepared on an annual basis for consideration by the Executive before submission to the Council. The capital programme operates on a cash funded position with no new projects being approved to commence unless either the whole project cost can be financed through additional funding, sufficient capital receipts have been banked, or other savings in the programme have been identified. The new projects in the programme have been approved subject to financing being identified and the completion and approval of a project appraisal.

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

- There are appropriate policies and procedures in place for all areas of Capital Management.

- Capital reports are made regularly to the Cabinet and Council.
- Regular reconciliations of income and expenditure are completed, and managers are regularly consulted about their projects.
- The Capital Programme is put together through a robust procedure, involving CMT, Cabinet and the Council in order to ensure that funding is available and the projects that are added to the plan are the most appropriate.

2.3 Budgetary Control – Substantial Assurance.

2.3.1 Audit Scope

To ensure that effective budgetary control is exercised across the Council on a corporate wide basis.

2.3.2 Summary of Findings

The Section 151 Officer is responsible for providing appropriate financial information to enable Budgets to be monitored effectively. They must monitor expenditure against Budget allocations and report to the Executive on the overall position on a regular basis. The Chief Executive and Heads of Service are responsible for ensuring that budgetary control is properly exercised and for taking appropriate action to ensure that budgets are not exceeded.

It is the responsibility of budget managers to control income and expenditure within their area and to monitor performance, through the Council's budget monitoring process approved by the Section 151 Officer. They should report on variances within their own areas, having regard to the parameters and timescales set by the Section 151 Officer and the Scrutiny (Policy and Performance) Committee or its equivalent. They should also take any action necessary to avoid exceeding their Budget allocation and alert the Section 151 Officer to any problems.

Management can place Substantial Assurance on the system of internal controls in operation.

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

- The budget and any variances are reported to the Council on a quarterly basis. The report also includes reasons for the variance and any changes to the budget that need to be authorised.
- The annual budget setting process includes stages for approval from CMT, the Council and the Cabinet.
- Each budget has a dedicated accountant, and codes set-up for the income and expenditure.
- The budget monitoring system and e-Financials system are interfaced and reconciled regularly.

2.4 Coast Protection – Substantial Assurance.

2.4.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the following business objectives are met.

- To reduce the risk to people and the developed and natural environment from flooding and coastal erosion by encouraging the provision of technically, environmentally and economically sound and sustainable defence measures;
- To support the provision of adequate and cost effective flood warning systems.
- To support the provision of adequate, economically, technically and environmentally sound and sustainable flood and coastal defence measures.
- To discourage inappropriate development in areas at risk from flooding and coastal erosion.
- To ensure that appropriate funding is obtained through the Environment Agency's Medium Term Plan in accordance with the *Shoreline Management Plan*

2.4.2 Summary of Findings

Dover District Council has 33.2 km of shoreline within its boundaries. Of this, 25.9km is defended against erosion. The coast defences within the District are managed by a variety of parties although the Council retains certain legal powers as the operating authority for the area. The defended sections are managed as follows:

- Folkestone Warren to Abbots Cliff - National Rail;
- Shakespeare Beach - National Rail;
- Dover Harbour - Dover Harbour Board;
- St. Margaret's Bay - Dover District Council;
- Kingsdown Rifle Range - Ministry of Defence;
- Kingsdown to Sandown Castle, Deal - Dover District Council; and
- Sandown Castle, Deal to Sandwich Bay - Environment Agency.

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

- There is a clear *Flood and Coastal Defence Policy* that is available to all staff and the general public.
- The Council has effective flood plans in place.
- The Council has adopted and follows the *Shoreline Management Plan* for the area.
- Yearly submissions are made to the Environment Agency for funding in respect of ongoing and planned projects. Other sources of funding are also considered.
- Planned inspections are carried out yearly, with additional inspections taking place as required based on weather conditions.
- The Council fulfils its obligations with regard to environmental considerations. This is mainly achieved by following the *Shoreline Management Plan*.
- Appropriate consideration is made of flooding and coastal protection when considering planning applications.

Scope for improvement was however identified in the following areas:

- The policy appears to be very slightly out of date, and it makes reference to organisation's old names and policies that have since been superseded.

2.5 Service Contract Monitoring – Substantial Assurance:

2.5.1 Audit Scope

To evaluate the management and monitoring of a sample of contracts across Council departments with a view to ensuring that the contract terms and conditions are adequately monitored and managed and result in the Council receiving the highest levels of performance from its contractors.

2.5.2 Summary of Findings

Dover District Council maintains a contract register that includes contracts above £10,000. For the purpose of this review four contracts were selected and testing undertaken to ascertain how adequately these contracts are managed and monitored. The procurement process was not examined as part of this review.

The four contracts reviewed were as follows:

- 1 – Cleaning and Routine MTC of Public Conveniences;
- 2 – Cleaning Whitfield Offices;
- 3 – Lift Servicing Agreement; and
- 4 – Platinum Plus Support Contract for Car Parking Equipment.

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

- The level of monitoring is appropriate for each of the contracts reviewed.
- Expenditure has been well monitored for each contract and variations to the level of service required has been adequately controlled.
- Monitoring of each contract is undertaken regularly and good contact is maintained between the Council and each contractor.

2.6 Environmental Health Food Safety – Substantial Assurance:

2.6.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to promote and maintain food safety within the district through effective registration and inspection of all food businesses, investigation of food complaints, enforcement of the Food Hygiene Regulations and associated legislation, offering advice and guidance and the promotion and administration of the Food Hygiene Rating Scheme.

2.6.2 Summary of Findings

With the implementation of the new Food Hygiene Rating Scheme in 2011, the Council signed an agreement with the FSA to implement the scheme and to follow the 'Brand Standard'. Food premises are rated from 0 to 5 for their food compliance with legal requirements. As a result of an inspection a rating is given and this is uploaded to the Food Standards Agency Website and published for the public to see.

The table below shows the ratings of food premises within the Dover district. The total number of premises rated below a category 3 has reduced from 40% in April 2012 to 20% as at February 2014. A significant amount of work is undertaken by the Public Protection Team (Environmental Health) to work with the food business operators where the rating is low.

Premise Rating	April 2012	April 2013	Feb 2014
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0	4	1%	2	1%	3	1%
1	47	7%	27	3%	22	2%
2	42	6%	39	4%	35	4%
3	171	26%	180	20%	136	14%
4	189	29%	248	28%	256	26%
5	202	31%	390	44%	519	53%
Total no of premises	655		886		971	

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

- Procedure notes have been created to assist in all aspects of the food safety process and these are regularly reviewed to ensure that they reflect current working practices and legislation;
- Comprehensive evidence and notes are recorded on M3 to provide a clear trail of the action carried out; and
- Effective processes and controls have been implemented to ensure that all aspects of food safety are dealt with efficiently.

2.7 Insurance & Inventories of Portable Assets – Substantial/Reasonable Assurance.

2.7.1 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.

2.7.2 Summary of Findings

Management can place Substantial Assurance on the system of internal controls in operation for the insurance function and Reasonable Assurance on the system of internal controls in operation for inventories or portable assets.

Insurance

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

- The level of insurance cover was appropriate and adequate;
- The insurance arrangements were well managed;
- All property and land tested from the asset register was covered;
- Claim monitoring processes and claim management was well documented; and
- The links between the Corporate Services Officers and the Insurance Broker was robust.

Small scope for improvement was identified in the following areas:

- A regular check by an independent employee of the physical items listed on the inventory was not currently carried out; and
- The amount of detail captured within the insurance claims records could be improved.

Inventories of Portable Assets

It was established that there are four categories of portable assets: Mobile Phones and Tablets, Computers and Laptops, Motor Vehicles, and Specialised Equipment taken away from the premises on a regular basis.

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

- The methods for recording changes in inventories of mobile phones, computers and tablets and motor vehicles was adequate; and
- Records were up to date and accurate.

Some scope for improvement was identified in the following areas:

- The links between Heads of Service and the Corporate Services Officer needed strengthening to capture changes in inventory for specialised equipment and equipment removed from the premise; and on a regular basis to ensure adequate cover is in place; and
- Expectations upon the role of managers should be further clarified.

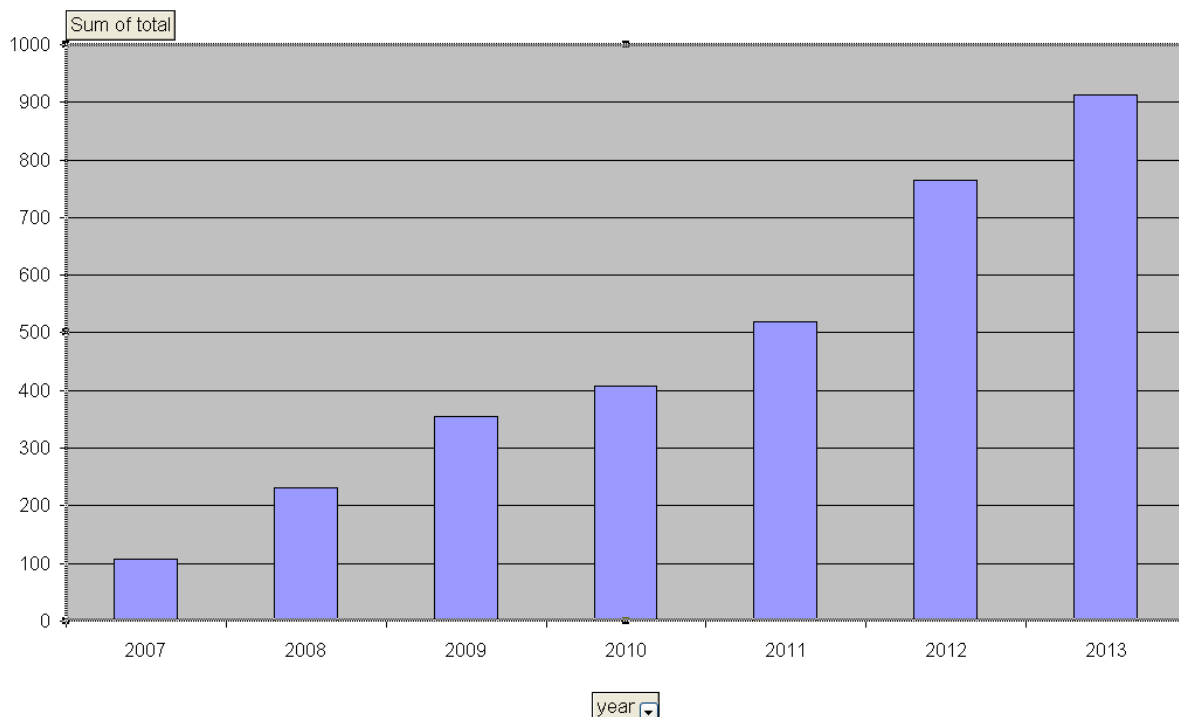
2.8 Freedom of Information & Record Management - Reasonable Assurance.

2.8.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Council fulfils its statutory obligations regarding requests for information from the public under the Freedom of Information Act 2000 (FOIA) and Environmental Information Regulations 2004(EIR) and to ensure the authenticity, reliability, integrity and usability of the Council's records.

2.8.2 Summary of Findings

There has been a steady increase in Freedom of Information requests rising from 107 in 2007 to 912 in the year to date. Despite this increase the success rate for completions within 20 days has remained relatively static at around 88% and increasing in the current year to 94%.



Management can place Reasonable Assurance on the system of internal controls in operation for the responses to requests for information and FOI/EIR staff awareness of the rules covering refusals to give information.

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

- The scheme was properly designed to comply with the Information Commissioner's model scheme and subsequently approved by the Council;
- There is clear guidance available to the public on the Internet about how to request information;
- Requests are dealt with professionally, generally in a timely manner and in line with ICO guidance;
- Supporting documentation for each request and response was generally good; and
- Staff in the FOI/EIR team are experienced and have easy access to relevant guidance notes.

Scope for improvement was however identified in the following areas:

- The Publication Scheme hyperlinks on the Council website did not function at the time of the audit; and
- Performance data was inaccurately published on the Internet.

Management can also place Reasonable Assurance on the system of internal controls in operation for Records Management process.

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

- The Council has a Record Management Strategy (RMS) document available to staff;

- The RMS has been recently reviewed in 2013; and
- Reminders on the need to dispose of archived material were sent to service managers as part of *The Big Clear Up* in 2013.

Scope for improvement was however identified in the following areas:

- Only two of the sample of six Service Managers selected as part of this audit have provided evidence as part of this audit that they are complying with the terms of the RMS surrounding the tracking and destruction of records.
- The training records for staff show that over the past 3 years just 14 staff have taken the training course available through the e-learning facility.

2.9 East Kent Housing Repairs & Maintenance – Reasonable Assurance.

2.9.1 Audit Scope

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

2.9.2 Summary of Findings

The East Kent Housing Service provides repairs and maintenance support for 16125 rented properties and 1367 leaseholder properties utilising a Revenue budget of £14.5m and a Capital budget of £12.8m. The number of individual jobs registered within the various databases is not directly comparable because of the way the local systems work; some include works done as part of the basic price per property contract whereas others do not. Bearing this variable in mind the sample size from which testing was undertaken was in excess of 31,000 recorded jobs.

From the testing completed during this review most of the necessary controls of the systems in place are managed and achieved. There is however evidence of non-compliance with some of the key controls around the inspection of completed jobs and independent validation of Performance Indicators resulting in some risk to the achievement of the system objectives.

The audit has looked at the service provided to East Kent Housing by the main responsive repairs contractor at each site and has found a number of common themes which affect each site equally, as well as individual site specific issues. Mears provided the works for three sites and during the course of the audit assumed responsibility for the fourth when they took over Morrison. There are no items of a confidential nature which would need to be redacted when the report is circulated to each of the client officers and therefore it is logical to issue just the single report as it provides both a view on where the service is and an insight into the difficulties faced by EKH in utilising the current systems inherited from the local Councils.

Relevant staff have received training on the importance of complying with Financial Procedure Rules (FPRs) and Contract Standing Orders. An authorised signatories list is available in two formats, one for managed budgets and the other for EKH expenditure these do not reflect accurately the current staff or their titles. A new procedure for obtaining quotations was drafted with different financial limits and was designed to enhance and strengthen normal procurement rules. These were trialled but suspended pending further review.

The most significant problem would appear to be the various databases used for storing repairs and maintenance data for each Council, how current the information is and their ability to effectively communicate with the database systems used by the main contractor Mears. At present the services are operating within the constraints placed upon them at initial start-up and there may be interim fixes available to overcome these handicaps but the ultimate long term aim should be to explore the feasibility of a single operational database weighing the benefits which would be obtained against the cost of implementation. Any new system would, logically, be able to hold current and all historic data and be able to communicate efficiently with any supplier systems.

The influence of separate identities amongst the individual Councils when EKH took up their role is reflected in the inconsistency of approach adopted where major works require tenants to be decanted. The situation could be improved by issuing current, relevant guidance and advice on amounts payable.

Inspections of completed repairs are a requirement of the current maintenance contracts and are a valuable management aid to test the quality of works undertaken by the contractors. During the reviewed period the documentation supporting the inspections was limited and the number of inspections undertaken was quite substantially below the anticipated level with one site not completing any; the lack of compliance with this key control exposes the overall process to significant risk. Whilst improvements in the inspection regime were being planned there remain a number of issues still to be addressed.

Customer satisfaction information on responsive repairs is collected by the main contractor and statistical data on performance is then supplied to EKH. There is limited independent verification of satisfaction levels undertaken by EKH and therefore the reliability of the data could be called in to question. Consideration should be given to establishing an in-house system to test the validity of the satisfaction levels reported.

Each service has access to a computerised system which has the facility to record details of all responsive repairs. The same system is also able to hold details of the attributes of each property i.e. the number of bedrooms, wiring, heating, roofing, kitchen etc together with the date of installation and refurbishment. The use of these two sets of data, if accurate, would provide a picture for each property which could drive and inform the planned maintenance schedule. Neither set of data is fully up to date. As a result separate spreadsheets have been developed to hold the planned programme. By ensuring the accuracy of base data and using the four systems in place the process of planning should be enhanced and simplified.

The audit found that there is neither obvious nor consistent evidence of overcharging for responsive repairs work, with the exception of scaffold charges at SDC and DDC which at the time of the audit were under discussion with a view to obtaining refunds. These refunds have now been obtained. Nevertheless, there are working practices in use which are not consistent with satisfactory controls. There was evidence that contract clauses were being interpreted differently at separate sites, of verbal orders being placed and of a lack of rigor in challenging contractors' assessment of non PPP works. Approval for one contractor to spend up to £250 more per job than the base price without reference to EKH staff effectively doubled the price baseline. Such practices create an environment in which overcharging could occur and should be addressed.

The process for budgetary control is in place and practiced, however, the action taken to address possible overspends did not appear to be documented during the audit period. In addition the known error rate for estimates was not taken into account when budgets were prepared.

Management Response

We believe that we have made significant progress in the management of the repairs service in the last 18 months, especially in regard to budget management and compliance with contract standing orders. It is pleasing that this is recognised in the findings.

Two common themes underpin a number of the other findings in the report. The inconsistency and variance in approach to maintenance of the four Councils and the overriding need for a single IT system to adequately support the maintenance service. These weaknesses have been highlighted to the Councils and a detailed costed business case to move to a single IT system has been presented to them. Proposals to move to maintenance contracts that are better aligned were presented to the Councils in May 2013. These proposals not only would improve efficiency but would deliver significant savings and added value to the Councils.

Agreement by the Councils to a single IT system and to revised contracts will, we believe, significantly improve performance and efficiency. We also note the report finds no evidence of over-charging by the contractor. We believe that disputes with contractors are a recurrent and wasteful feature of a schedule of rates contracts and we have made proposals to the Councils that would reduce these kinds of disputes in future.

A number of recommendations refer to the validation of performance data provided by the contractor. We would question whether increasing resources to achieve this would represent value for money for the councils and would make a significant difference to the quality of service received by tenants. We already had plans in place to do some verification testing of tenant satisfaction with the creation of a new Customer Insight function. Checks on the quality and quantity of contractors work takes place through the system of post inspections.

The only outstanding performance area that could be checked is the timeliness of repairs. However, it is difficult to check this data without a reliance on the contractors system and data they have input. The vast majority of repairs are now carried out by appointment at a time agreed with the tenant and there are other monitoring arrangements in place for critical activities such as works to void properties.

2.10 Environmental Protection – Contaminated Land, Pollution, Air and Water Quality – Reasonable Assurance.

2.10.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established by the Council in the following areas of environmental protection:

- Air Quality Management and Air Quality Monitoring;
- Contaminated land;
- Polluting Industrial Processes (Pollution prevention and control regime);
- Bathing Water quality and

- Drinking Water.

2.10.2 Summary of Findings

The areas reviewed in this audit (Contaminated Land, Pollution, and Air and Water Quality) carry out functions to ensure that land, air and water quality does not harm the quality of lives across the district. This is carried out by following legislation and having internal processes in place that assist officers in being able to meet these objectives.

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

- There are well established environmental permitting processes and inspection routines;
- The last air quality updating and screening assessment determined that a detailed assessment for air quality within Dover District is currently not necessary for any pollutant;
- Effective air quality monitoring processes are in place; and
- Resilient procedures are in place to send any complicated contaminated land issues to Swale Borough Council for them to deal with as Dover District Council does not have a Contaminated Land Officer in post

Scope for improvement was however identified in the following areas:

- The air quality management area order documentation that is on the Dover District Council website needs to be reviewed to ensure that all 3 AQMO's are being shown. (At the time of the review the auditor could not locate the documentation / information for the one by the Dover Town Hall could not be located). and
- The Contaminated Land Inspection Strategy need to be updated to take into account any changes to legislation and to ensure that procedure notes are reviewed. This has not been carried out since 2007 and needs to reviewed to include changes in legislation from April 2012 (Management were already aware of this issue).

2.11 Cemeteries – Reasonable/Limited Assurance:

2.11.1 Audit Scope

To ensure that the Council's cemetery activities are undertaken efficiently and effectively in accordance with Council policy and procedures.

2.11.2 Summary of Findings

The Council is the burial authority for the seven cemeteries and 22 closed churchyards located within the district. On average the Council deals with approximately 169 burials each year, which are delivered in partnership with English Landscapes who maintain the cemeteries and attend burials on behalf of the Council as part of a ten-year contract, which is due to expire in 2016. The main focus of the audit was on the effectiveness of the income collection arrangements and the adequacy of the systems and business continuity arrangements.

From the testing completed during this review most of the necessary controls of the systems in place are managed and achieved which would normally lead us to conclude reasonable assurance in this area. There is however an absence of strategic direction of the service over the medium to long term resulting in a more than marginal level of risk to the achievement of the system objectives this leads us to conclude a partially Limited Assurance opinion.

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

- All fees, charges and collection arrangements were examined and were correctly administered;
- Processes for income collection are extremely robust;
- The Council is compliant with all the major pieces of legislation;
- The health and safety arrangements were adequate; and
- Records examined were well documented,

Scope for improvement was however identified in the following key areas, and it is these that lead us to conclude a partially Limited Assurance opinion:

- Contract monitoring processes should be reviewed;
- The Council is cleverly finding small pockets of burial space in its cemeteries, which is commendable; however the lack of burial capacity within the Dover Cemeteries is an issue that needs to be resolved by management in order to provide strategic direction over the medium to long-term future of burials in the district;
- The bespoke burial system has limited capability; for instance there are a number of issues relating to searching for burial plots and searching for named persons and it is unable to produce a wide variety of meaningful management information which could help assist with decision making;
- The Deed of Grants issue and monitoring processes could be more robust;
- The controls in place for identifying and dealing with non-residents within the Dover District could be improved; and
- The cemeteries webpage should include a link to all the approved fees and charges in the interest of transparency.

2.12 EK Services – ICT Software Procurement - Limited Assurance

2.12.1 Audit Scope

To ensure that the procedures and internal controls established by EK Services are sufficient to provide the level of service required by the partner Councils with regard to the control and administration of software procurement and that these procedures are being complied with, both by officers of EK Services and the partner councils.

2.12.2 Summary of Findings

Management can place Limited Assurance on the system of internal controls in operation. This is mainly due to the lack of readily available guidance to officers advising that all ICT purchases should be made via EK Services ICT team and also that some instances have been found of service areas purchasing their own software without reference to ICT which reinforces the lack of guidance comment above.

The concern of management was that purchases of software were being made by individual services outside of the arrangements contained within the existing three way collective agreement in place for each council. This states that ICT will “provide associated procurement administration including all quotations, ordering, invoicing and contract management”. It is clear from this that software purchasing should be conducted through ICT, what is not clear is that annual licence renewals also fall within this category. The collaborative arrangement for East Kent Housing is less comprehensive in its wording. By purchasing outside of the agreement councils could find that the software is unnecessary, too expensive, unsupported or not fit for purpose.

The information available to staff on the intranet at each site advising on the route to follow for software purchasing was not clearly signposted and insufficient in content to ensure that purchases were made through the correct channel. Canterbury City Council recognised that there may be an issue and have developed a new formal procedure to be adopted. Staff were advised through a directive issued on 27 August 2013. It was noted that there are still insufficient links to the new guidance through the CCC intranet. Generally the information available to staff across the three Councils and EKH is an area where some improvements are needed.

Test sampling identified some examples of software purchases that had been made outside of the proper arrangements. The general reasoning behind these separate arrangements was that ICT did not support the software and were not therefore involved and/or that there was only one supplier for a bespoke system. Although the number of cases identified was not of sufficient quantity to confirm that the practice was as widespread as feared, the practice needs to be restrained and brought in to line with the arrangements set out in the collective agreements.

Purchases undertaken by the ICT Business Unit conformed to the financial procedures applicable to each authority. Purchases made by the local service units similarly complied with the local financial procedure rules.

Management Response

EK Services will liaise with client officers in each authority to ensure the recommended changes are actioned within the specified timescales. (Head of ICT - EK Services).

2.13 EK Services Housing Benefit Quarterly Testing (Quarter 3 of 2013-14):

- 2.13.1 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 third quarter of 2013/14 financial year (October to December 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 19 (95%) were found to have passed the criteria set by the former Audit Commission’s verification guidelines. One claim was also found to contain two data quality errors; however these have no effect on the subsidy claim or the amount payable to the claimant. The issues have been raised with the Quality Team and corrective action has been taken to amend the claims.

3.0 FOLLOW UP OF AUDIT REPORT ACTION PLANS:

- 3.1 As part of the period's work, three 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)	Members' Code of Conduct & Standards Arrangements	Substantial	Substantial	H M L	0 2 2	H M L	0 1 0
b)	Officers' Code of Conduct and Whistleblowing	Reasonable	Substantial	H M L	1 11 1	H M L	1 7 0
c)	Data Protection	Reasonable /Limited	Reasonable	H M L	13 2 0	H M L	6 0 0
d)	EK Services – ICT Network Security	Substantial	Substantial	H M L	1 0 2	H M L	1 0 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: Performance Management, Leasehold Services, Planning, Homelessness, Rent Collection and Debt Management, Payroll, Employee Benefits-in-Kind, Housing Benefit Overpayments, Housing Benefit Fraud Investigations, Business Rates, Main Accounting System, Debtors, and ICT Change Controls.

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 nine-month period to 31st December 2013, 210.96 chargeable days were delivered against the planned target of 270, which equates to 78.13% 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 3 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 31st December 2013 against the agreed 2013/14 Audit Plan.
- Annex 4 EKAP Balanced Scorecard of Performance Indicators to 31st December 2013.
- Annex 5 Assurance statements

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

Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
<i>Data Protection – January 2014:</i>		
<p>The Information and Computer Security Policy must be updated to include changes within current technology and consider introducing Net Consent for each member of staff to sign off confirming that they are aware of what is acceptable use of Council equipment.</p>	<p>Agreed to be examined by Officer Working Group</p> <p>Proposed Completion Date: 30.06.13</p> <p>Responsibility: Officer Working Group</p>	<p>A new policy is being created with EKS, however the responsible Officer has been off sick for a period of time. They have returned recently and action will be taken to contact them to complete this task.</p> <p align="center"><i>Recommendation Outstanding with intent to implement</i></p>
<p>Consideration needs to be given to how the Council's IT equipment can be secured to prevent staff using non-authorized portable equipment and downloading personal data</p>	<p>This can be done and can be tailored to machines [this one can do 'x', that one cannot]. ICT can report against machines and are working toward a low level of monitoring [as it is resource intensive]. Detailed discussion with ICT should take place.</p> <p>Proposed Completion Date: June 2013</p> <p>Responsibility: Technical Systems Manager EKS and Senior Management at DDC</p>	<p>This is being considered as part of the ICT replacement project at DDC.</p> <p align="center">Recommendation Outstanding with intent to implement.</p>

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

Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
<p>Action must be taken to assist EK Services in compiling a comprehensive list of all laptops and USB memory sticks in use within the Council.</p>	<p>EKS manage the secure memory sticks. As such items are readily available from stationery catalogues, ICT could not police this. This item should be linked to data theft above..</p> <p>Proposed Completion Date: June 2013</p> <p>Responsibility: - Technical Systems Manager EKS</p>	<p>As part of the Council's ICT replacement project this is being considered.</p> <p align="center">Recommendation Outstanding with intent to implement.</p>
<p>Once action has been taken to identify the officers with USB sticks, consideration should be given to labelling each one with a unique reference number so that they can be monitored and recovered when an officer leaves.</p>	<p>Refer to above – as ICT cannot control procurement, we would be unable to police this.</p> <p>USB sticks are only one method of data theft; DVDs, email, printed matter, cameras and mobile phones are among others.</p> <p>Proposed Completion Date: - June 2013</p> <p>Responsibility:- Technical Systems Manager EKS</p>	<p>As part of the Council's ICT replacement project this is being considered.</p> <p align="center">Recommendation Outstanding with intent to implement.</p>
<p>Management must either amend the current policy to allow for home working using personal equipment or ascertain the number of staff that work from home regularly and supply them with the relevant equipment so that they can do this effectively and in compliance with the current policy.</p>	<p>Not data protection, although agree to revisit policy.</p> <p>Proposed Completion Date:- 30.06.13</p> <p>Responsibility: - Officer Working Group</p>	<p>This is to be included in the new policy currently being created with EKS.</p> <p align="center">Recommendation Outstanding with intent to implement.</p>

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

Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
<p>Where practicable action must be taken so that outside bodies who rent or otherwise occupy part of the Council building should only be able to access the part they use in and not the whole Council building.</p>	<p>Not data protection, agree in principle, must evaluate the cost versus the risk.</p> <p>Proposed Completion Date:- 30.06.13</p> <p>Responsibility: - Officer Working Group</p>	<p>Consideration will be given to introducing a clear desk policy and to add a screensaver on to the Council's systems advising staff of data protection and physical security of personal information.</p> <p align="center">Recommendation Outstanding with intent to implement.</p>
<p><i>EK Services ICT Network Security – January 2014:</i></p>		
<p>Management should consider introducing a single comprehensive policy on network and information security for all partners to follow; this should include password control, remote access controls and 3rd party access. Once approved this should be available to all staff on the appropriate intranet pages and new users should be emailed a copy or once netconsent is available the policy should be mandatory when they first log on to the system.</p>	<p>An objective has been set to harmonise the 3 LA policies into a common document that addresses the points specifically covered and others.</p> <p>Information Security, or rather Information Assurance [IA] and Governance – as this is wider than IT controls – is also being discussed with the Legal/Governance staff within the LAs. This would be out of scope of this audit on 'network security' and is an LA responsibility supported by ICT.</p> <p>Responsibility / Completion Date</p> <p>Technical Systems Manager</p> <p>Dec 2013</p>	<p>Follow Up Findings as at 24.01.2014</p> <p>The objective to harmonise LA policies was delayed by other priorities and has been rolled over to 2014 objectives. A lot of work for PSN compliance has brought clients closer together operationally and this will aid the policy alignment; example being remote access and 2FA tokens. The role of SIRO within LAs has also been acknowledged and has allowed progress of related IAG work.</p> <p>Conclusion</p> <p>Progressing with intent to implement</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 2014-15
EK Services – Software Licenses	June 2013	Limited	On-going management action in progress to remedy the weaknesses identified.	Work in Progress – March 2014
Absence Management	June 2013	Limited	On-going management action in progress to remedy the weaknesses identified.	As part of planned audit in 2014-15
Cemeteries	March 2014	Reasonable/ Limited	On-going management action in progress to remedy the weaknesses identified.	Mid-2014

PROGRESS AGAINST THE AGREED 2013-14 AUDIT PLAN.

DOVER DISTRICT COUNCIL:

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-13	Status and Assurance Level
FINANCIAL SYSTEMS:				
Capital	5	5	2.46	Finalised - Substantial
Treasury Management	5	5	3.64	Finalised - Substantial
Main Accounting System	5	5	1.55	Work-in-Progress
Budgetary Control	5	5	2.22	Finalised - Substantial
Insurance and Inventories of Portable Assets	12	12	16.46	Finalised – Substantial/Reasonable
RESIDUAL HOUSING SYSTEMS:				
Homelessness	10	10	0.17	Work-in-Progress
Right to Buy	5	5	7.04	Finalised - Reasonable
GOVERNANCE RELATED:				
FOI and Record Management	10	10	10.8	Finalised – Reasonable
Members Code of Conduct & Standards Arrangements	10	10	10.26	Finalised - Substantial
Local Code of Corporate Governance	6	6	4.97	Finalised - Substantial
Performance Management	10	10	0.21	Work-in-Progress
Business Continuity and Emergency Planning	10	10	6.45	Finalised - Substantial
Corporate Advice/CMT	2	2	4.62	Work-in-Progress throughout 2013-14
s.151 Meetings and support	9	9	9.18	Work-in-Progress throughout 2013-14
Governance Committee Meetings and Reports	12	12	9.5	Work-in-Progress throughout 2013-14
2014-15 Audit Plan Preparation and Meetings	9	9	2.06	Work-in-Progress
CONTRACT RELATED:				
CSO Compliance	10	0	0	Postponed to accommodate unplanned work
Service Contract Monitoring	10	10	10.96	Finalised - Substantial
SERVICE LEVEL:				

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-13	Status and Assurance Level
Cemeteries	10	10	11.39	Finalised – Reasonable/Limited
Coast Protection	6	6	7.97	Finalised - Substantial
CCTV	10	10	6.65	Finalised - Substantial
Environmental Health – Food Safety	10	10	0.34	Finalised - Substantial
Environmental Protection – Contaminated Land and Air Quality	10	10	8.11	Finalised - Reasonable
Disabled Facilities Grants	10	10	9.02	Finalised - Substantial
DES Project Work - Horticulture	12	6	6.19	Finalised
Health & Wellbeing	12	0	0	Postponed to accommodate unplanned work
Planning	10	10	1.3	Work-in-Progress
OTHER				
Liaison with External Auditors	3	1	0.38	Work-in-Progress throughout 2013-14
Follow-up Work	17	17	9.88	Work-in-Progress throughout 2013-14
UNPLANNED WORK				
Car Parking – under and over bankings	0	15	15.16	Work-in-Progress
Tackling Tenancy Fraud	0	5	0.49	Work-in-Progress
FINALISATION OF 2011-12 AUDITS				
Dover Museum and VIC	5	15	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			0.3	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	Work-in-Progress
Employee Benefits-in-Kind	5	5	0.12	Work-in-Progress

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-13	Status and Assurance Level
TOTAL - DOVER DISTRICT COUNCIL RESIDUAL DAYS	270	270	210.96	78.13 % complete as at 31st December 2013

EAST KENT HOUSING LIMITED:

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-13	Status and Assurance Level
Planned Work:				
Audit Committee/EA liaison/follow-up	8	7	4.77	Work-in-Progress throughout 2013-14
Rent Collection and Debt Management	12	12	1.89	Work-in-Progress
Leasehold Services	40	37	3.14	Work-in-Progress
Sheltered Housing	20	0	0.27	Postpone until 2014-15
<u>Finalisation of 2012-13 Audits:</u>				
Housing Repairs and Maintenance	9	33	33.18	Finalised - Reasonable
Days over delivered in 2012-13	0	0	6.65	Finalised
Total	89	89	49.9	56.07% Complete as at 31-12-2013

EK SERVICES:

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-13	Status and Assurance Level
Planned Work:				
Housing Benefits – Overpayments	15	15	0.04	Work-in-Progress
Housing Benefits – Fraud Investigation Unit	15	15	0.09	Work-in-Progress
Council Tax Reduction Scheme	0	15	4.8	Finalised
Housing Benefits – Quarterly Testing	40	40	18.01	Work-in-progress throughout 2013-14
Business Rates	30	23	22.98	Work-in-Progress
Debtors and Rechargeable Works	15	15	0.04	Work-in-Progress
ICT – Change Controls	15	15	1.49	Work-in-progress
ICT – Software Procurement	15	15	14.93	Finalised - Limited
ICT – PC Controls and	15	15	0.03	Work-in-Progress

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-13	Status and Assurance Level
Application Controls				
Corporate/Committee	0	2	2.01	Work-in-progress throughout 2013-14
Follow-up	0	5	4.56	Work-in-progress throughout 2013-14
New Homes Bonus	0	0	0.34	Work-in-progress
Finalisation of 2012-13 Audits:				
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	53.91	33.69% Complete as at 31-12-2013

BALANCED SCORECARD – QUARTER 3

<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>
	Quarter 3				
Chargeable as % of available days	81%	80%	Cost per Audit Day (Reported Annually)		£319.56
Chargeable days as % of planned days			Revised Budget November 13		£302.28
CCC	79%	75%			
DDC	78%	75%			
SDC	63%	75%			
TDC	70%	75%			
EKS	34%	75%			
EKH	56%	75%			
Overall	66%	75%			
Follow up/ Progress Reviews;					
• Issued	50	-			
• Not yet due	22	-			
• Now due for Follow Up	29	-			

BALANCED SCORECARD – QUARTER 3

<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 3			Quarter 3	
Number of Satisfaction Questionnaires Issued;	74		Percentage of staff qualified to relevant technician level	75%	75%
Number of completed questionnaires received back;	41 =55%		Percentage of staff holding a relevant higher level qualification	33%	33%
Percentage of Customers who felt that;			Percentage of staff studying for a relevant professional qualification	25%	13%
<ul style="list-style-type: none"> • Interviews were conducted in a professional manner • The audit report was 'Good' or better • That the audit was worthwhile. 	100%	100%	Number of days technical training per FTE	4.43	3.5
	100%	90%	Percentage of staff meeting formal CPD requirements	33%	33%
	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.