
Subject: QUARTERLY INTERNAL AUDIT UPDATE REPORT

Meeting and Date: Governance Committee – 6 December 2012

Report of: Christine Parker – Head of Audit Partnership

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 2012

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 2012.

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 fourteen Internal Audit reports that have been completed during the period. Three reviews were classified as providing Substantial Assurance, nine as Reasonable assurance, one concluded a split assurance level of Reasonable/Substantial and 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 two 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 2012, 144.51 chargeable days were delivered against the planned target of 300, which equates to 48.17% plan completion.

3 Resource Implications

- 3.1 There are no additional financial implications arising directly from this report. The costs of the audit work have been met from the Financial Services 2012/13 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 2012-13 - Previously presented to and approved at the 27th 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 2012.

2. SUMMARY OF REPORTS:

	Service / Topic	'Delivering Effective Services' Standard	Assurance level
2.1	Homelessness of Young People	Gold	Substantial
2.2	Income	Gold	Substantial
2.3	Environmental Health & Safety at Work	Gold	Substantial
2.4	Risk Management	Bronze	Reasonable
2.5	Dog Warden Service	Gold/Silver	Reasonable
2.6	Creditors and Construction Industry Scheme	Silver	Reasonable
2.7	Car Parking Income and Enforcement	Gold	Reasonable
2.8	Vista Leisure – Performance and Monitoring Arrangements	Silver	Reasonable/ Substantial
2.9	EK Housing (Tenancy & Estate Management)	Shared Service	Reasonable
2.10	EK Housing (Rent Setting, Collection & Arrears Management),	Shared Service	Reasonable
2.11	EK Services – Customer Services	Shared Service	Reasonable
2.12	EK Services – ICT (Procurement & Disposals)	Shared Service	Reasonable
2.13	EK Services – ICT (ICT Physical & Environmental Controls)	Shared Service	Reasonable
2.14	EK Services – Housing Benefit Quarterly Testing (Qtr 2 of 2012-13)	Shared Service	Not Applicable

2.1 Homelessness of Young People – Substantial Assurance:

2.1.1 Background and Audit Scope

The Monitoring Officer reported to Council on 26 September 2012 with regards to the complaint of maladministration found against Dover District Council by the Local Government Ombudsman (LGO) in July 2012. The findings and all of the remedies as outlined in the LGO report were accepted and payment approved of £5,050 to remedy the injustice.

The East Kent Audit Partnership were asked by Management to review staff awareness of, and the proper application of, the 'Joint Protocol' that has been designed to address the needs of homeless young people between the ages of 16 to 21 in Kent. Adherence to the Joint Protocol had been cited as a failing within the LGO report and a recommendation made that an audit of procedures for dealing with homelessness applications from young people was undertaken.

This audit examined control effectiveness and the management of associated risks relating to homeless young people. The scope included a review of the Joint Homeless Protocol for 16 to 21 year olds, the supporting operational procedures, officer training, referrals and partnership working, the monitoring and reporting practices on homeless activity and a review of accommodation available to offer to young homeless people.

2.1.2 Summary of Findings

The working practises in place to implement adherence to the Joint Protocol are generally working very well and most of the expected controls are being effectively applied. Procedural improvements were found to address the Local Government Ombudsman's criticisms reported in July of this year.

The Protocol has been designed to address the needs of homeless young people aged 16 to 21 and covers the assessment and provision of support to these individuals. Discussion with the Housing Options Manager and the Young Persons Housing Options Officer confirmed full awareness of the joint protocol and its implementation requirements. The launch of the revised Joint Protocol in 2010 was supported by the Joint Policy & Planning Board (JPPB) via a dedicated training programme, the PowerPoint presentation of which is still available for reference on their web site.

There are written internal procedures that appropriately reflect and support the Homelessness Code of Guidance for Local Authorities and the Joint Protocol. The Young Persons Housing Options Officer is a pivotal role within the associated activities that involve ongoing contact with young individuals, contact with partners and the proactive monitoring and case management of young people. Between January 2010 and September 2012 163 young people have either presented and/or been referred to this Council as the local housing authority.

The result of sample testing concluded satisfactory implementation of both the protocol, where applicable, and the Council's responsibilities to referrals received. All aspects of the protocol as a whole are often not immediately relevant to a young person's situation on referral but procedures are followed in a pragmatic way, determining which path is relevant to each situation and any changes that may follow.

It is considered appropriate to mention here that the Council must be aware of the possibility of abuse of the system by some young people presenting as homeless in an attempt to queue jump the process of housing allocation and access to Council housing. Full awareness of this was demonstrated during discussions with key officers.

Sample testing confirmed effective implementation of the expected procedural controls and demonstrated procedural improvement over the Local Government Ombudsman's criticism in the maladministration case reported in July of this year – it should be noted that the occurrence investigated took place during 2009.

Good relationships and communication links were demonstrable between the Housing Options Team, particularly the Young Persons Housing Options Officer, and the majority of partners also involved in the provision of support to young people.

There is however an ongoing issue with regards to the service provided by Children's Social Services (CSS). There exists a lack of engagement by this organisation in the JPPB strategic partnership meeting and the Youth Homelessness Forum's, not just for this Council but also for other local authorities. There is also concern, as evidenced during this audit, on the assessment decisions being made by CSS determining that the young person is not a 'child in need' and therefore not the responsibility of CSS but the local housing authority. This has been raised with, and is being taken forward, by the JPPB.

Until full engagement by CSS in the Joint Protocol is obtained full effectiveness of partnership working within the Joint Protocol is unlikely to be achieved. It is however the responsibility of the JPPB, as the strategic partner between health, housing and social care, to address this problem.

Further investigation into this issue is outside of the scope of this review but it is a relevant fact and, subject to the support CSS are prepared to give to referrals, will impact on the Joint Protocol and legislative adherence in accommodating young people.

Revisions have recently been made to the monitoring information sent to the Joint Policy & Planning Board. The new spreadsheet now incorporates information to provide a detailed history and snapshot of case progression by the linking together of other information sources. There is still some work to be undertaken to complete the database but, once fully populated, this spreadsheet will be a useful tool, especially for the monitoring of the number of cases being challenged by the Council on CSS decisions. This spreadsheet is recognised as a development opportunity that will further enhance the existing monitoring regime in place and support the demonstrable implementation of the Joint Protocol.

Discussion with the Housing Options Manager and Young Persons Housing Options Officer confirmed awareness that Bed and Breakfast was not ideal for young people but that there were limited other options within Dover. The Youth Homelessness Action Plan however does recognise the provision of suitable accommodation as an area to be addressed. Opportunities are kept under review and monitored via the Youth Homelessness Forum that is attended by representatives of the key agencies involved in delivering the Joint Protocol and homelessness strategy.

No recommendations have been made within this report due to the sound system of control, within the operational confines of the Council, currently being managed and achieved.

2.2 Income – Substantial Assurance:

2.2.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that all income due to the Council is completely and accurately accounted for in a timely manner. The scope of the audit will include:

- Postal Remittances;
- Processing of cheque payments;
- Processing of Bank 'tape' and Giro payments etc;
- Phone payments;
- Internet payments;

Review allocations from the Council's main income suspense account and the interface of income into other systems i.e. Cedar e-financials, Sundry Debtors, Housing Rents, Business Rates, Council Tax, etc

2.2.2 Summary of Findings

The income management process is working well and the expected controls are effective.

The review has tested samples of all methods of payment made available by the Council and confirms that income is processed accurately and in a timely manner, the interface between E-financials and AIM was effective and accurate, payments are allocated to the correct income codes and accounts and reconciliations of the feeder systems are undertaken.

2.3 Environmental Health & Safety at Work – Substantial Assurance:

2.3.1 Audit Scope

The audit will examine and evaluate the procedures and controls established by management to ensure that the Council is adequately fulfilling its responsibilities under the Health and Safety Act 1974 (specifically section 18).

2.3.2 Summary of Findings

The Council's proactive management of Health & Safety at Work (H&SW) was evident throughout this review.

The Public Protection Team Leader was found to be a very knowledgeable and enthusiastic manager with demonstrable commitment to Section 18 compliance. Clear and concise procedure and guidance notes were available. The trained officers who undertake H&SW duties hold a generic post that incorporates more than solely H&SW inspections. This does on occasion result in the more effective use of resources by combining other environmental health public protection inspections.

The Council's intervention plan, incorporating a planned inspection programme, is very comprehensive. It is an active document that is reviewed and updated on an annual basis. There is active engagement in the monitoring and reporting of performance over the enforcement of health and safety at work.

The Service should be commended for the approach and level of evidence provided to demonstrate the Council's commitment to implementing the Section 18 Standard.

2.4 Risk Management - Reasonable Assurance:

2.4.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Council adopts best practices in the identification, evaluation and cost effective control of risks to ensure that they are reduced to an acceptable level or eliminated, and also maximise opportunities to achieve the Council's vision.

2.4.2 Summary of Findings

The risk management process is generally working well and most of the expected controls are effective.

The focus of risk management has changed since the previous audit in 2009 following the classification of risk management as a 'bronze' service by Cabinet at its meeting held on 4 October 2010. The resulting operational changes however are not considered to introduce any significant weakness to the effectiveness of the risk management control objectives. This review confirmed that risk management activity continues to be undertaken throughout the organisation with general responsibilities allocated to members, senior officers and staff.

Responsible managers using their skill and knowledge of their specific services assess the impacts and likelihoods of each risk. Without documented evidence to demonstrate how the assessment was arrived at it is not possible to comment on the robustness of the assessment process itself – effectiveness will be determined by the level of risk occurrence. This is considered to be a reasonable and pragmatic approach.

Within the limits of this review, risk management was demonstrable in the normal governance and management process of the organisation.

2.5 Dog Warden Service – 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 has an effective dog warden service encompassing both the recovery and kennelling of stray dogs and also enforcement action of both dog fouling.

2.5.2 Summary of Findings

Management and staff are proactive in providing the service, and the majority of expected internal controls are in place and effective. Management has already identified the need for further educative campaigns and is looking at developing this under the current service restructure.

However, some areas for improvement have been highlighted as a result of this review. Documented procedure should be available for the service and the Dog wardens' daily work records should be sufficiently detailed to identify the specific areas patrolled. Local Performance indicators and contract performance indicators should be aligned and developed to provide effective monitoring of services. Finally, all equipment provided to undertake the service should be regularly checked to ensure it is available and in good working order.

2.6 Creditors and Construction Industry Scheme – Reasonable Assurance:

2.6.1 Audit Scope

To ensure that only bona-fide invoices are paid, and that the correct procedures have been applied in the way in which the expenditure was incurred.

2.6.2 Summary of Findings

The payments process has been established for a number of years using the Cedar E-financials system. Access to the system is password controlled with individuals allowed different levels of activity thus allowing for the separation of duties. Records of invoices are now retained electronically yet there were instance where the copy made was indecipherable, controls need to be established to ensure that the scanned record, the only copy retained, is readable.

There are two separate records of authorised signatories: a cedar list of the officers and their responsibility levels, and a hard copy of their signatures; both were not entirely up to date, accordingly corrections should be initiated.

The Authority's commitment to introduce e-procurement by April 2012, given in response to an audit recommendation made in 2010, has foundered. The reasoning given at that time remains valid today and management should resurrect this plan, which would enhance business efficiency.

A relatively large number of retrospective order cases have occurred since April 2012, contrary to the Financial Procedure Rules. A report of these instances is now prepared for the Procurement Panel and positive action is taken to interview the officers responsible. The number of cases remains broadly similar to last year and it is evident that this review procedure will need time to bed down.

Supplier bank details are changed only if instruction in writing is received, however, there is no independent verification undertaken by a second officer of all instances of change. Reliance is placed on picking up changes when payment batches are authorised. This check only takes place if the bank details are listed on the invoice. Those that are not may have the wrong bank information; this is a control weakness that should be addressed.

2.7 Car Parking Income and Enforcement – Reasonable Assurance:

2.7.1 Audit Scope

2.7.2 Summary of Findings

The audit review of car parking income and penalty charge notices has identified that – whilst the majority of the expected internal controls are operating in a satisfactory manner – there are several key issues that need to be addressed by the Parking Services section. These include:

- Ensuring that the Council's name and VAT number are shown on the off street pay and display car park tickets;
- Write offs are approved by the Section 151 Officer, as per the Financial Procedure Rules, before they are written off on the Parking Gateway system; and
- All work should be saved within the Parking and CCTV folder on the network drive as opposed to individual PC hard drives in order to ensure that Council data is backed up.

The audit has also identified that the payments for the cash collection contract are not being made in accordance with the Council's Contract Standing Orders and Financial Procedure Rules. Payments are not being processed through the contract register and neither Procurement nor Legal had been notified that the new contract was in place for the five-year period 2010 to 2015. The last entry being made on the contract register was December 2009. In addition officers responsible for this contract have not been able to find the signed copy of the current cash collection contract documentation to ensure that both parties are complying with the contract.

2.8 Vista Leisure (Performance & Monitoring Arrangements – Substantial/Reasonable Assurance:

2.8.1 Audit Scope

To ensure that Vista Leisure is operating the leisure centres in accordance with the provisions contained within their lease and associated arrangements. As a result of this the Council's leisure arrangements are economic, efficient and effective in meeting the needs of the residents of the District.

2.8.2 Summary of Findings

Management can have: -

- Reasonable Assurance that the Council currently has up to date leases and appropriate funding arrangements, however there are only currently minimal performance monitoring arrangements in place.
- Substantial Assurance that Vista are fulfilling their responsibilities to manage the Council's facilities.

The majority of the requisite internal controls, policies and procedures have been established in this area; namely:

- A funding agreement relating to Leisure Services was created in 2001, this stipulates in schedule 2 the management information required from Vista annually.
- The Council has an individual lease for each facility Vista manage on behalf of them. The leases have all been renewed in the last two years. The leases have schedules attached to them clearly stating what is the council's responsibility and what is Vista's and these have been agreed as part of the lease renewal process.
- Vista has received Quest accreditation for both Dover Leisure Centre and Tides. As part of this process service improvement plans have been created for both

sites by Quest identifying where improvements need to be made to increase their score for the next visit.

- A report was approved by Cabinet on the 10th September 2012 regarding the proposed merger between Vista and Thanet Leisure Force from the 1st April 2013. The report included the proposed funding arrangements for 2012/13 to 2015/16 and the transfer of the current leases to the new organisation.

There are however some areas for improvement and these are detailed below.

The Environment and Corporate Assets Service Plan for 2012/13 includes milestone to '*Develop a robust planned maintenance programme for Dover Leisure Centre and Tides in partnership with Vista*' and linked to this are three performance indicators surrounding customer satisfaction

These performance indicators are however very narrow and do not provide meaningful information to ensure that Vista are providing an effective service. Vista participate in an annual benchmarking exercise carried out by the *Sport Industry Research Centre* and a report is produced with their results. Some of the indicators measured are subsidy per square metre, subsidy per visit and subsidy per catchment area person and the SIRC information provides a very useful range of data which could be utilised by the Council in conjunction with Vista to improve those areas of the service currently identified by the benchmarking as being in the lower quartiles.

At present Vista are based in the Council's offices at Whitfield and there is a good working relationship between both parties.

An analysis of the grant funding to Vista shows that it has reduced significantly and this will impact on their cash flow. In addition to this the value of creditors outstanding at year-end has dramatically increased and this will also affect cash flow.

An analysis of visitor numbers shows that there has been no decrease in the number of visitors to both centres; therefore it appears that the removal of the reimbursement of car parking fees has not affected the actual number of people visiting the facilities.

2.9 EK Housing (Tenancy & Estate Management) – Reasonable Assurance:

2.9.1 Audit Scope

To review the tenancy and estate management arrangements using the Audit Commission's Tenancy and Estate Management KLOE (Key Lines of Enquiry) as a guide

2.9.2 Summary of Findings

The audit reviewed present practices across the four partner Council areas. The audit accepted that there were many areas where improvements have been identified as needed and that the organisation is relatively early in its development stage for unifying practices where possible. Much good work is on-going and the completion of the Customer Excellence gap analysis and subsequent action plan is one major example of this which should allow resources to be concentrated on the relevant areas to drive forwards on delivering Customer Service Excellence.

Each Council maintains their own tenancy agreement documentation and sign up procedures; testing revealed some unsigned agreements. Similarly not every

authority offers the same types of tenancy with this Council not currently offering introductory tenancy arrangements. A neighbouring Council also present a different approach to signing tenancy agreements with the Council's residual housing service insisting that they must sign all tenancy agreements, despite this role having been delegated to EK Housing under the management agreement between the parties. This arrangement can lead to administrative problems. Individually these are not major issues but collectively they indicate the need to continue to pursue a common approach across all four districts.

At one Council there were a large number of very small recurring debts on the rent accounts which never change, appearing on the weekly debtor print run; it would enhance business efficiency to take action to remove them from the system either through collection or write off.

The procedure for ensuring that tenants request permission for alterations was well publicised but could be improved by having an Internet presence. Where professional guidance had been sought before approval for alterations was given, subsequent follow up inspections were not always carried out to confirm that the work had been undertaken to a satisfactory standard. The updating of the asset database to reflect such alterations was not undertaken with any regularity.

Tenant and leaseholder involvement is viewed as an integral and vital element of the service and each Council has developed its own environment in which this can flourish. There is a full review taking place to identify what is being offered, what is needed for the future and how to take the best practices forwards.

Cleaning of communal areas is undertaken in three authorities by the same contractor with each contract managed in a different way. The residents are presented with schedules and a free phone number for reporting failures in the service. At TDC there is less clarity and information and this should be addressed.

For communal grounds maintenance there is again a variety of contractors undertaking the work; in-house in two areas and through external contractors managed by the residual authority at the other two. There appears to be no service level agreements at any site and this should be rectified. The contract specification is detailed at three of the partner councils but there is no specification at the fourth where the work is based on what was done historically, and again this should be rectified. Resident involvement is achieved through various inspection regimes, walkabouts, events and informal reporting and is an effective way to monitor service levels.

2.10 EK Housing (Rent Setting, Collection & Arrears Management) – Reasonable Assurance:

2.10.1 Audit Scope

To ensure that monies properly due in respect of housing rent are calculated, collected and accounted for correctly.

2.10.2 Summary of Findings

The Rent Setting Process and Arrears Management processes are generally working well across the four partner councils.

Most of the expected controls are in place although there are some which could be improved upon in order to become more effective; there are examples of best practice across the four areas that can be ported between them to increase efficiency and effectiveness and this is work in progress.

The level of rent arrears has decreased across all four authorities since April 2011, which is a very positive accomplishment for EK Housing in its first year. The Level of Former Tenant Arrears (FTAs) has also generally shown improvement.

2.11 EK Services (Customer Services) – Reasonable Assurance:

2.11.1 Audit Scope

To ensure that the processes and procedures established by EK Services are sufficient to provide the level of service required by the partner Councils and incorporate relevant internal controls regarding the interface with the public.

2.11.2 Summary of Findings

As part of the joint working arrangement put in place by Canterbury City Council, Dover District Council and Thanet District Council, EK Services provide the Customer Services function for the three authorities. This function has now been in place for approximately one year.

Finding the balance between improving service delivery to the public whilst reducing the actual cost is a difficult thing to do. However EK Services has put in place a business plan and various service delivery projects for the 2012/13 financial year that it is hoped will drive the service forward with smarter joined up working practices and improved performance (i.e. Abandoned rate calls) whilst delivering the budget savings as required by the three authorities.

There are several issues that need to be addressed and these are highlighted in the report, which could assist in helping EK Services to meet their desired outcomes.

2.12 EK Services (ICT Procurement & Disposals) - Reasonable 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 in respect of the procurement and disposal of ICT equipment on behalf of the partners.

2.12.2 Summary of Findings

EK Services took over the ICT function for Canterbury City Council, Dover District Council, Thanet District Council and East Kent Housing from April 2011.

As the partner authorities each have their own processes in place for procurement, EK Services are unable to have one process in place for purchasing ICT equipment. However they have worked with each partner to create a process for each, which works effectively. EK Services do not currently have access to the Dover financial system and therefore all queries have to be redirected to the Authority.

EK Services ensure that when purchasing any item three quotes are always obtained to make certain that they are receiving value for money regardless of whom they are procuring it for. Every month EK Services also send out a hardware specification to a number of IT suppliers for them to provide quotes on the specific items, the cheapest quote is then used by EK Services if any of the hardware items are required.

Some recommendations have been made regarding the disposal of the equipment to ensure that it is reviewed prior to disposal and then reconciled to the disposal certificate provided.

2.13 EK Services (ICT Physical & Environmental Controls) - Reasonable Assurance

2.13.1 Audit Scope

To ensure that the physical and environmental controls over the actual ICT assets, including the servers are robust and are sufficient to enable EK Services to provide the level of ICT service required by the partner authorities.

2.13.2 Summary of Findings

The level of service to be provided by EK Services ICT and responsibilities of EK Services and the three partner authorities is determined in the EK Services Collaborative agreement. The ICT Service Level Agreement (SLA) forms part of this document. The SLA gives a broad indication of how EK Services will achieve the desired outcomes to certain standards. It is intentionally not specific about exactly how these outcomes will be achieved, as EK Services need the flexibility to choose the most effective way of working to reach the goals set – and this may change with technological, legal and generational developments.

A number of recommendations to strengthen internal controls have been made in this report that requires action from both EK Services and the partner authorities to ensure successful implementation.

EK Services has adopted Thanet's Information and IT Security Policies whilst Dover and Canterbury still apply their own IT Security Policies. All vary slightly and require officers working across partners to have knowledge of these variations. EK Services have identified this as a concern and aim to harmonise these policies, with the agreement of the partner authorities.

There is no annual requirement for staff to read and accept the IT Security Policies. As a result staff may forget their responsibilities and 'bad habits' may creep in.

EK Services inherited the inventories maintained by each partner authority. The validated information is now being manually recorded on TrackIT. All new purchases have been recorded on TrackIT since April 2012.

Prior to July 2011 each of the partner authorities managed their own service desk systems. EK Services has since created and now maintain a single version of TrackIT for service desk control. Individual item failures or problems are recorded in TrackIT although parameters that are captured may not always provide 'forensic' visibility. Some maintenance work that is non-user affecting is not captured and some is. EK Services ICT continues to work to improve this.

The insured levels were sufficient to cover the equipment declared on the schedules provided by EK Services to the Insurance Officers at each partner authority, both on and off site, with one exception which could not be determined as sufficient data was not provided, despite numerous requests. However, EK Services have only recently undertaken a physical audit of equipment, which is yet to be reconciled to the inventories provided by the partner authorities; the results of which may impact on the levels of insurance required.

2.14 EK Services Housing Benefit Quarterly Testing (Quarter 2 of 2012-13):

2.14.1 Over the course of the 2012/13 financial year the East Kent Audit Partnership will be completing a sample check of council tax, rent allowance and rent rebate and Local Housing Allowance benefit claims to support the Audit Commission's verification work.

For the second quarter of 2012/13 financial year (June to September 2012) 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, two (10%) were found to have failed the criteria set by the Audit Commission's verification guidelines

3.0 FOLLOW UP OF AUDIT REPORT ACTION PLANS:

3.1 As part of the period's work, two follow up review has 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)	EK Housing Governance Arrangements	Reasonable	Reasonable	H M L	6 3 2	H M L	1 1 1
b)	EK Housing - Finance and ICT Controls	Reasonable	Substantial	H M L	0 2 3	H M L	0 1 2

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: Commercial Properties and Concessions, Payroll, VAT, Council Tax, and Licensing.

5.0 CHANGES TO THE AGREED AUDIT PLAN:

- 5.1 The 2012-13 Audit plan was agreed by Members at the meeting of this Committee on 27th March 2012.
- 5.2 The Head of the Audit Partnership meets on a monthly 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 2012, 144.51 chargeable days were delivered against the planned target of 300, which equates to 48.17% 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 2012-13 is attached as Appendix 4. There are no concerns regarding the resources engaged or outputs achieved at this time, and the East Kent Audit Partnership has performed well against its targets for the first three quarters of 2011-12.
- 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 Appendix 4.

Attachments

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| 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 th September 2012 against the agreed 2012/13 Audit Plan. |
| Annex 4 | EKAP Balanced Scorecard of Performance Indicators to 30 th June 2012. |

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.
Governance Arrangements – August 2012		
<p>EKH specific Data Protection and Freedom of Information policies should be introduced.</p>	<p>EKH is currently working to the adopted policies of the sponsoring councils. An EKH specific policy will be provided to the Employment and Corporate Services sub-Committee in the final quarter of 2011/12.</p> <p>Responsibility: Company Secretary.</p> <p>Target date: 29 February 2012</p>	<p>The analysis of the four separate sets of policies identified a more complex baseline that we needed to move from. An outline report is being discussed at the Employment and Corporate Services Sub-Committee on 23 May 2012, with targets to compile an overarching framework containing a single data protection policy, retention schedule, publication scheme and FOI procedure for EKH by September 2012.</p>

SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED				
Service	Reported to Committee	Level of Assurance	Management Action	Follow-up Action Due
Business Continuity	June 2011	Limited	On-going management action in progress to remedy the weaknesses identified.	Work-in-Progress
Payroll	June 2012	Reasonable/ Limited	On-going management action in progress to remedy the weaknesses identified.	Work-in-Progress as part of 2012-13 planned audit
CSO Compliance	June 2012	Limited	On-going management action in progress to remedy the weaknesses identified.	Work-in-Progress
Partnerships	June 2012	Limited	On-going management action in progress to remedy the weaknesses identified.	Work-in-Progress

PROGRESS AGAINST THE AGREED 2012-13 AUDIT PLAN.

DOVER DISTRICT COUNCIL:

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-12	Status and Assurance Level
FINANCIAL SYSTEMS:				
Car Parking Income & Enforcement	10	13	13.01	Finalised - Reasonable
Bank Reconciliation	5	5	0.17	Work-in-Progress
Creditors and CIS	10	10	10.15	Finalised - Reasonable
Income	10	10	5.14	Work-in-Progress
VAT	8	8	0.17	Work-in-Progress
Insurance & Inventories of Portable Assets	12	0	0	Deleted from plan to accommodate unplanned work
RESIDUAL HOUSING SYSTEMS:				
Housing Allocations/Choice Based Lettings	10	10	0	Quarter 4
GOVERNANCE RELATED:				
Governance Investigations	12	25	24.92	Work-in-Progress throughout 2012-13
Officers' Code of Conduct, Gifts & Hospitality, and Whistleblowing	8	8	0.17	Work-in-Progress
Equality & Diversity	10	10	0	Quarter 4
Contingency for an audit of VfM Strategy or Contribute to DES Projects	10	0	0	Deleted from plan to accommodate unplanned work
Data Protection	10	10	12.82	Work-in-Progress
Business Continuity & Emergency Planning	10	10	0.2	Deleted from plan to accommodate unplanned work
New Homes Bonus Validation	2	3	3.92	Finalised
Risk Management	9	9	11.18	Finalised - Reasonable
Corporate Advice/CMT	2	2	6.14	Work-in-Progress throughout 2012-13
s.151 Meetings and support	9	9	4.83	Work-in-Progress throughout 2012-13
Governance Committee Meetings and Reports	12	12	4.91	Work-in-Progress throughout 2012-13

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-12	Status and Assurance Level
2012-13 Audit Plan Preparation and Meetings	9	9	0.14	Quarter 4
SERVICE LEVEL:				
Dog Warden and Enforcement	8	8	11.54	Finalised - Reasonable
Environmental Health - Environmental Protection Service Requests	8	8	0	Quarter 3
Environmental Health - Port Health	8	8	0	Quarter 4
Environmental Health - Health & Safety at Work	8	8	3.63	Finalised - Substantial
Licensing	10	10	1.95	Work-in-Progress
Events Management	8	8	3.19	Finalised
Let Properties and Concessions	10	10	1.09	Work-in-Progress
Members' Allowances	8	8	0	Quarter 4
Sports and Leisure - VISTA	12	12	5.21	Work-in-Progress
Dover Museum and Visitor Information Arrangements	19	19	0.51	Work-in-Progress
OTHER				
Liaison with External Auditors	3	3	0.28	Work-in-Progress throughout 2012-13
Follow-up Work	17	17	3.48	Work-in-Progress throughout 2012-13
UNPLANNED WORK				
Internet Monitoring	0	0	1.43	Finalised
Homelessness of Young People	0	8	7.02	Finalised - Substantial
FINALISATION OF 2011-12 AUDITS				
Absence Management, Flexi and Annual Leave	0	0	8.32	Work-in-Progress
Waste Management			0.95	Finalised
Main Accounting Systems			0.12	Finalised
Compliance with Contract Standing Orders			0.64	Finalised
Days under delivered in 2011-12	0	0	-4.99	Finalised
EK HUMAN RESOURCES				
Recruitment	5	5	0.12	Quarter 4
Payroll, SMP and SSP	5	5	2.15	Work-in-Progress

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-12	Status and Assurance Level
HR Systems Development – I-Trent project.	3	0	0	Deleted from plan to accommodate unplanned work
TOTAL - DOVER DISTRICT COUNCIL RESIDUAL DAYS	300	300	144.51	48.17 % complete as at 30th September 2012
UNPLANNED ADDITIONAL WORK				
None to date				

EAST KENT HOUSING LIMITED:

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-12	Status and Assurance Level
Planned Work:				
Audit Committee/EA liaison/follow-up	4	7	7.97	Work-in progress throughout 2012-13
Repairs and Maintenance – Planned, responsive and Cyclical repairs.	30	30	0	Quarter 4 of 2012-13
Sheltered and Supported Housing	16	0	0	Delay until 2013-14
Tenancy and Estate Management	30	30	30.88	Finalised
<u>Finalisation of 2011-12 Audits:</u>				
Rent Calculation, Collections and Arrears Management	17.35	9.85	7.05	Finalised
Finance and ICT			1.15	Finalised
Responsive Work:				
Canterbury Capital and Revenue Budget Overspend Investigation	0	8	7.88	Finalised
Thanet Repairs and Maintenance	0	10	10	Draft Report
Former Tenant Arrears Policy Advice	0	1	0.68	Finalised
Current Tenant Arrears Policy Advice	0	1.5	1.49	Finalised
Total	97.35	97.35	67.10	

EK SERVICES:

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-12	Status and Assurance Level
Planned Work:				
Housing Benefits - Payments	15	15	0	Work-in-Progress
Housing Benefits – Admin & Assessment	30	30	0	Quarter 4
Council Tax	30	30	1.97	Work-in-Progress
ICT – Network Security	15	15		Quarter 4
ICT – Procurement & Disposals	15	6	1.92	In Progress
ICT – Software Licensing	15	15	0.57	Work-in-Progress
ICT – Internet / Email Forum	0	3	0.24	Work-in-Progress throughout 2012-13
Corporate / Committee	0	3	0.18	Work-in-Progress throughout 2012-13
Follow up	0	3	0.51	Work-in-Progress throughout 2012-13
DDC / TDC HB Quarterly testing	40	40	27.84	Work-in-Progress
Prior Year b/fwd	0	25.10	25.10	Completed
Total	160	185.10	58.31	31.5%

BALANCED SCORECARD – QUARTER 2

<u>INTERNAL PROCESSES PERSPECTIVE:</u>	<u>2012-13 Actual</u>	<u>Target</u>	<u>FINANCIAL PERSPECTIVE:</u>	<u>2012-13 Actual</u>	<u>Target</u>
	Quarter 2				
Chargeable as % of available days	84%	80%	Cost per Audit Day (Reported Annually)		£309.15
Chargeable days as % of planned days					
CCC	36%	50%			
DDC	48%	50%			
SDC	41%	50%			
TDC	56%	50%			
EKS	21%	50%			
EKH	62%	50%			
Overall	44%	50%			
Follow up/ Progress Reviews;					
• Issued	30	-			
• Not yet due	15	-			
• Now overdue for Follow Up	17	-			
Percentage compliance with the CIPFA Code for Internal Audit 2006	97%	97%			

BALANCED SCORECARD – QUARTER 2

<u>CUSTOMER PERSPECTIVE:</u>	<u>2012-13 Actual</u>	<u>Target</u>	<u>INNOVATION & LEARNING PERSPECTIVE:</u>	<u>2012-13 Actual</u>	<u>Target</u>
	Quarter 2			Quarter 2	
Number of Satisfaction Questionnaires Issued;	38		Percentage of staff qualified to relevant technician level	75%	75%
Number of completed questionnaires received back;	13 =34%		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	13%	13%
<ul style="list-style-type: none"> • Interviews were conducted in a professional manner • The audit report was 'Excellent or Very Good' • That the audit was worthwhile. 	100%	100%	Number of days technical training per FTE	1.46	3.5
	77%	90%	Percentage of staff meeting formal CPD requirements	33%	33%
	77%	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.