

This Report will be made public on 28 February 2018

Folkestone

Hythe & Romney Marsh
Shepway District Council



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Report Number **AuG/17/15**

To: Audit and Governance Committee
Date: 7 March 2018
Status: Non-Executive Decision
Corporate Director: Tim Madden - Organisational Change (S151)

SUBJECT: INTERNAL AUDIT PROGRESS REPORT FROM THE HEAD OF THE EAST KENT AUDIT PARTNERSHIP

SUMMARY: This report includes the summary of the work of the East Kent Audit Partnership (EKAP) since the last Audit and Governance Committee meeting together with details of the performance of the EKAP to the 31st December 2017.

REASONS FOR RECOMMENDATION:

The Committee is asked to agree the recommendations set out below because:
In order to comply with best practice, the Audit and Governance Committee should independently contribute to the overall process for ensuring that an effective internal control environment is maintained.

RECOMMENDATIONS:

- 1. To receive and note Report AuG/17/15.**
- 2. To note the results of the work carried out by the East Kent Audit Partnership.**

1. INTRODUCTION

- 1.1 This report includes the summary of the work completed by the East Kent Audit Partnership (EKAP) since the last Audit and Governance Committee progress report, together with details of the performance of the EKAP to the 31st December 2017.

2. AUDIT REPORTING

- 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 the relevant Heads of Service, as well as an appropriate manager for the service reviewed.
- 2.2 Follow-up reviews are performed at an appropriate time, according to the status of the recommendation, timescales for implementation of any agreed actions and the risk to the Council.
- 2.3 An assurance statement is given to each area reviewed. The assurance statements are linked to the potential level of risk, as currently portrayed in the Council's risk assessment process. The assurance rating given may be substantial, reasonable, limited or no assurance.
- 2.4 Those services with either limited or no assurance are monitored, and brought back to Committee until a subsequent review shows sufficient improvement has been made to raise the level of assurance to either reasonable or substantial. There is currently one review with such a level of assurance as shown in section 3 of the EKAP report.
- 2.5 The purpose of the Council's Audit and Governance Committee is to provide independent assurance of the adequacy of the risk management arrangements, the control environment and associated anti fraud and anti corruption arrangements and to seek assurance that action is being taken to mitigate those risks identified.
- 2.6 To assist the Committee in meeting 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.

3. SUMMARY OF WORK

- 3.1 There have been eight audit reports completed during the period. These have been allocated assurance levels as follows: one was classified as providing substantial assurance, six reasonable and one was limited assurance. Summaries of the report findings are detailed within Annex 1 to this report.

- 3.2 In addition, two follow up reviews have been completed during the period. The follow up reviews are detailed within section 3 of the update report.
- 3.3 For the period to 31st December 2017 202.76 chargeable days were delivered against the planned target of 332.11 days, (including 17.11 days carried over from 2016/17) which equates to achievement of 61% of the planned number of days.
- 3.4 Other performance figures for the East Kent Audit Partnership for the period 2017/18 are shown in appendix 4 to the report.

4. RISK MANAGEMENT ISSUES

- 4.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Non completion of the audit plan	Medium	Low	Review of the audit plan on a regular basis
Non implementation of agreed audit recommendations	Medium	Low	Review of recommendations by Audit and Governance Committee and Audit escalation policy.
Non completion of the key financial system reviews	Medium	Medium	Review of the audit plan on a regular basis. A change in the external audit requirements reduces the impact of non-completion on the Authority.

5. LEGAL, FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

5.1 Legal Officer's comments (DK)

No legal officer comments are required for this report.

5.2 Finance Officer's Comments (TM)

Responsibility for the arrangements of the proper administration of the council's financial affairs lies with the Chief Finance Officer (S151). The internal audit service helps provide assurance as to the adequacy of the arrangements in place. It is

important that the recommendations accepted by Heads of Service are implemented and that audit follow-up to report on progress.

5.3 **Head of the East Kent Audit Partnership comments (CP)**

This report has been produced by the Head of the East Kent Audit Partnership and the findings / comments detailed in the report are the service's own, except where shown as being management responses.

5.4 **Diversities and Equalities Implications (CP)**

This report does not directly have any specific diversity and equality implications however it does include reviews of services which may have implications. However none of the recommendations made have any specific relevance.

6. **CONTACT OFFICERS AND BACKGROUND DOCUMENTS**

- 6.1 Councillors with any questions arising out of this report should contact either of the following officers prior to the meeting.

Christine Parker, Head of the Audit Partnership
Telephone: 01304 872160 Email: Christine.parker@dover.gov.uk

Tim Madden, Corporate Director – Organisational Change (S151)
Telephone: 01303 853371 Email: Tim.madden@shepway.gov.uk

- 6.2 The following background documents have been relied upon in the preparation of this report:

Internal Audit working papers - Held by the East Kent Audit Partnership.

Attachments

Annex 1 – Update report from the Head of the East Kent 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 Audit and Governance Committee meeting, together with details of the performance of the EKAP to the 31st December 2017.

2. SUMMARY OF REPORTS

Service / Topic		Assurance level	No of recs	
2.1	Housing Benefit Overpayments	Substantial	C	0
			H	0
			M	2
			L	1
2.2	ICT Policies	Reasonable	C	0
			H	0
			M	3
			L	0
2.3	Hythe Swimming Pool	Reasonable	C	0
			H	0
			M	5
			L	1
2.4	Corporate Health & Safety	Reasonable	C	0
			H	0
			M	4
			L	3
2.5	Environmental Protection – Pollution & Noise	Reasonable	C	0
			H	4
			M	4
			L	2
2.6	Cemeteries & Crematorium	Reasonable	C	0
			H	1
			M	4
			L	0
2.7	Councillor Grants	Reasonable	C	0
			H	0
			M	5
			L	0

2.8	EKH Fire Safety (Fire risk assessment process & records management)*	Limited	C H M L	0 2 2 0
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* Reasonable Assurance after follow-up – please see section 3

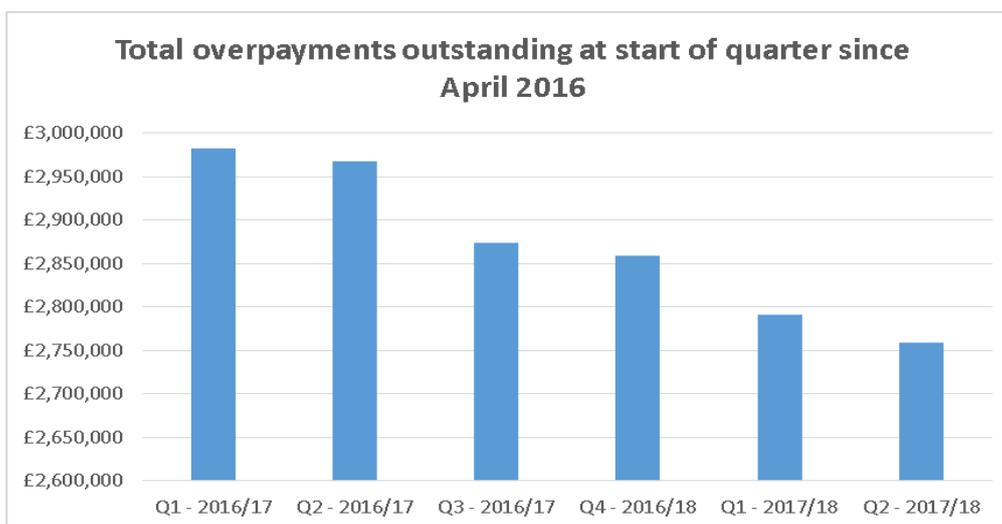
2.1 Housing Benefit Overpayments - Substantial Assurance

2.1.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the controls established to ensure that the procedures in place are effective and efficient at keeping the number of overpayments to a minimum by making the necessary changes to benefits paid as soon as known and that all avenues of recovery are pursued to obtain any benefit overpaid.

2.1.2 Summary of Findings

Housing benefit overpayments are created when a change affecting housing benefit entitlement is not reported or actioned until a future date. The majority of overpayments are classified as claimant error and some as local authority error. Outstanding overpayments have reduced by 7.5% since April 2016 to £2.75m. Just over £1m is being recovered through the corporate debt team and the remaining 1.75m is being recovered via ongoing entitlement to housing benefit.



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

- Policies, procedures and guidance are well documented and utilised;
- Housing benefit overpayments are managed in accordance with regulations;
- The processes employed by the oversight function were very effective and help capture instances which may require human intervention or checking;
- The automated interaction and compatibility between the housing benefit system and e-financials / debtors was working effectively; and

- Overpayments were being managed at an appropriate level.

Scope for improvement was however identified in the following areas:

- Controls and processes in place for authorising overpayment write-offs could be improved; and
- There is an administrative discrepancy between the levels of authorisation provided to the Head of Finance within the Constitution with that recorded on the write-off form.

2.2 ICT Policies - Reasonable Assurance

2.2.1 Audit Scope

To provide assurance that the ICT policies in place comply with any national guidance and best practice, are adequately advised to Officers and that they are being adhered to.

2.2.2 Summary of Findings

The Council has various ICT policies in place to provide guidance to Officers and Councillors on their use of the Council's ICT resources and also to direct certain ICT related processes. The use of ICT is an important aspect in supporting the Council's goals and objectives and the most efficient use could assist the Council to streamline the way that it provides services to the general public. There are also legislative requirements relating to ICT that the Council must adhere to and the use of strong policies is an important feature in ensuring the Council's compliance with its legal responsibilities.

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

- There is a Use of Computers Policy in place to provide guidance to Officers and Councillors on the expected use of the Council's ICT facilities.
- There is a raft of ICT policies in place describing the expected processes to be followed in respect of specific ICT functions.
- The ICT policies are easily available to Officers and Councillors on the Council's Intranet.

Scope for improvement was however identified in the following areas:

- The policies should be reviewed and updated on a regular basis, ideally annually to keep up with changes in technology.
- It should be ensured that all relevant ICT functions are adequately covered by a policy.
- Refresher training should be provided once the policies are updated.

2.3 Hythe Swimming Pool – Reasonable Assurance

2.3.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls in place to ensure that the service provision at the pool is managed efficiently and that there are adequate controls over the collection and reconciliation of income.

2.3.2 Summary of Findings

Hythe swimming pool recently had a new roof constructed however the pool's long term future is yet to be decided.

Annual income generated by the pool in the last three years:

Year	Actual	Budget	Variance
2016/17	(206,323)	(277,630)	71,307
2015/16	(232,889)	(276,490)	44,601
2014/15	(268,503)	(292,070)	23,567

The pool suffered a greater loss of income during 2016/17 while it was closed from 9 July 2016 to 3 October 2016 for the new roof construction. In November 2016 strong winds caused major damage to the new roof and the pool was closed again for repairs from 21 November 2016 to 23 January 2017. During the planned closure pool staff were deployed in other areas of the Council, such as Grounds Maintenance. Hythe pool incurred a net cost of £20k in 2016/17 and £59k in 2015/16.

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

- Daily income summary sheets for input by Cashier's are reconciled to the till roll;
- Full stock takes are carried out annually;
- Vending machine income is recorded and banked;
- Input of cash income to eFinancials is checked for coding and VAT treatment;

Scope for improvement was however identified in the following areas:

- Membership lists require updating and reconciling to debtor accounts to ensure that terminated memberships have been cancelled and new memberships have been set up;
- Published prices need to be checked against approved fees and charges as there are some differences.

2.4 Corporate Health & Safety – Reasonable Assurance

2.4.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the policies and procedures established to protect Shepway District Council staff in relation to various health and safety issues, such as fire safety, lone working and home working, whilst also taking into account the legislative requirements placed upon the Council as their employer.

2.4.2 Summary of Findings

The Council is required to comply with the requirements of the Health & Safety at Work etc. Act 1974. This act sets out the general duties which employers have towards employees and members of the public and employees have to themselves and each other. The Management of Health and Safety at Work Regulations 1999 generally makes more explicit what employers are required to do to manage health and safety under the 1974 act.

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

- There are various policies and procedures in place to meet the health and safety requirements placed upon the Council.
- Various fire related equipment is being tested on a regular basis, including emergency lighting and fire alarms.
- Risk assessments are in place.
- Training of officers is undertaken, including first aiders and fire wardens.
- Accident and near miss reporting is undertaken.
- Regular servicing and inspections are completed on the lifts within the Civic Centre.

Scope for improvement was however identified in the following areas:

- There are various new and revised policies which have been produced, however these have not yet been approved and introduced.
- Clarification is required over prescribed daily and weekly checks on various fire related equipment, such as extinguishers and fire blankets.
- Consideration should be given as to whether Corporate Management Team is receiving sufficient management information on health and safety issues.
- A regular report on health and safety should be taken to Audit & Governance Committee to enable it to meet its terms of reference.

2.5 Environmental Protection – Pollution & Noise – Reasonable Assurance

2.5.1 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;

- Noise and neighbours;
- Contaminated land;
- Polluting Industrial Processes (Pollution prevention and control regime); and
- Drinking Water.

2.5.2 Summary of Findings

The Council has a statutory obligation to carry out certain functions which help protect the environment and protect human health. The main pieces of legislation are listed below and govern the way the service operates: -

- Environmental Protection Act 1990;
- Environment Act 1995;
- Environmental Permitting Regulations 2016;
- Contaminated Land (England) Regulations 2006; and
- The Private Water Supplies (England) Regulations 2016.

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

- Strategies and policies are generally well documented;
- Air quality monitoring arrangements and processes were operating effectively;
- Noise monitoring processes are very well exercised; and
- The governance arrangements are operating effectively.

Scope for improvement was however identified in the following areas:

- The Council needs to set up a public register for contaminated land and for environmental permitting in order to fully satisfy legislative requirements;
- There is a need to strengthen water quality monitoring resilience in place;
- Management need to review the contractual arrangements in place with a contractor appointed in 2004 to carry out the Council's environmental permitting processes in order to ensure it satisfies Contract Standing Orders; and
- Procedures should be reviewed to capture more detail of the process.

2.6 Cemeteries & Crematorium – Reasonable Assurance

2.6.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established in the systems to ensure that the Council's cemetery and crematorium activities are administered efficiently and effectively especially regarding income management.

2.6.2 Summary of Findings

The district has six cemeteries and eight closed churchyards. Hawkinge crematorium is leased to private operator, which manages its own bookings on the Council's burial system BACAS and sets its own prices.

Bookings for the five remaining cemeteries are managed in-house at Shepway District Council. The Council's Grounds Maintenance service undertakes grave

digging and maintenance at all sites, including Hawkinge. The number of burials reduced in 2016/17, which subsequently reduced the level of income. See below:

Cost of cemeteries

	2015/16	2016/17		2017/18
Actuals	£	£	Budget	£
Income	201,609	150,979	Income	204,100
Expenditure	<u>306,013</u>	<u>301,302</u>	Expenditure	<u>*223,950</u>
Net Cost	<u>104,404</u>	<u>150,323</u>	Net Cost	<u>19,850</u>

*one off resurfacing cost in 2016/17 has resulted in a lower recharge in 2017/18

Cost of closed churchyards

	2015/16	2016/17		2017/18
Actuals	£	£	Budget	£
Income	14,439	16,405	Income	20,850
Expenditure	<u>107,629</u>	<u>114,181</u>	Expenditure	<u>126,620</u>
Net Cost	<u>93,190</u>	<u>97,776</u>	Net Cost	<u>105,770</u>

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

- Processes and systems are in place to record burials, memorials, deeds and grave plots, and these are well managed;
- Advance payments and invoicing processes are working effectively;
- The grounds of cemeteries and closed churchyards are maintained by Grounds Maintenance and meet the Local Authorities' Cemeteries Order 1977; The crematorium is leased to private operator, who state that all cremations shall be carried out in accordance with the provisions of the Cremations Acts and regulations thereunder;
- Good working relationships exist between the operator and the Council

Scope for improvement was however identified in the following areas:

- Update the website forms, including the fees and charges document, to reflect the current year;
- For the purpose of invoicing, ensure that the rental calculation is correct and that the operator provides information to support the annual number of cremations;
- Consider a review of the Grounds Maintenance recharge as a lowering of variable costs might be expected if the number of burials continues to reduce.

2.7 Councillor Grants – Reasonable Assurance

2.7.1 Audit Scope

To review the procedures in place to effectively administer the Ward Budgets (Councillors Grants) process and ensure that this is in compliance with approved policy.

2.7.2 Summary of Findings

Each Councillor has a ward budget to allow them to issue grants to the community. There are 30 Councillors each with a budget of £3,000. This was increased from £1,500 in 2016/17. The grants awarded to the community projects must meet a number of conditions which are set out in the grant application form and supporting guidance.

In 2016/17 nearly all of the Councillor Grants budget was spent, see below:

- Budget £45,000
- Expenditure £43,829

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

- The scheme has been approved and the grant funding conditions are available to all on the Council's website
- The availability of grant funding is advertised via the Council's website and the Councillors themselves
- 100% of grant applications tested had been submitted in the correct manner; 86.7% had provided the evidence required to support the application, and
- A central record of grants awarded is maintained.

Scope for improvement was however identified in the following areas:

- Consider an alternative authorisation and verification process so that Councillors are approving grants after supporting information is verified and available budget is satisfied
- Introduce a quarterly reconciliation of the central spreadsheet record with the financial ledger, eFinancials
- Re-instate the 'spend to date' box on the application form and encourage Councillors to keep track of their expenditure
- If proof of spend is not obtained, or monitoring not undertaken, then this weakness in control should be accepted by management.

2.8 EKH Fire Safety (Fire risk assessment process & records management) – Limited Assurance

2.8.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the health and safety of tenants is safeguarded from the risk of fire.

2.8.2 Summary of Findings

Since the tragic event happened at Grenfell Tower in 2017, fire safety has become a high priority and East Kent Housing has been working to reassure the tenants that they live in a safe and secure environment. In particular work has been carried out on the tower blocks to test the cladding that they are covered in and that the fire risk assessments have been updated for these locations. Cladding has not been looked at in this audit.

Management can place Limited Assurance on the system of internal controls in operation but there are processes now being carried out that are giving a positive direction of travel towards Reasonable Assurance. It should be noted that this review was carried out in September 2017 and a follow up review is to be carried out in January 2018.

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

- Fire risk assessments have not been kept up to date in respect of follow ups based on the suggested dates shown in the original assessments that were carried out in 2014 by an external company. This has meant that outside contractors are now being used with some internal resources to carry out new Type 3 fire risk assessments on all locations with an expected completion date of October 2017 to renew every fire risk assessment for each location whether or not it is in date or out of date.
- There has been no central pulling together of the works that have been carried out across locations to reflect the impact that they have had on the original fire risk assessments.
- There is no central monitoring of the outstanding actions for each location at the time of this audit.
- The new single system is not able to assist in record keeping of fire risk assessments which has meant that a separate software solution is having to be procured.
- There appears to have been no monitoring by senior management either at East Kent Housing or the 4 partner authorities of the outstanding actions and the expected costs. The Auditor would expect to see a regular report produced for management that shows all of the actions that have been completed, the ones that are outstanding and also the same for the fire risk assessments. This report should also include the outcomes of equipment testing, issues that have arisen from the testing, what has been tested and what is outstanding.
- There appears to be a resource issue within East Kent Housing to be able to centrally pull together various records to ensure that monitoring is being carried out on fire risk assessments and the associated works. Although this may be addressed as part of a forthcoming restructure.

However, positive steps have been taken to address the above issues with the procurement of the new Pyramid system that will create a central database that can

provide an ongoing monitoring process and that can also generate reports that can assist in both work that needs to be carried out and providing reports to management.

All fire risk assessments are in the process of being redone as a Type 3 assessment (previous exercise in 2014 were Type 1 assessments) and from this a list of all the required works and costs will be produced.

Effective control was however evidenced in the following areas:

- Contracts are in place for the fire alarms / detection equipment, emergency lighting and extinguisher system servicing and records are held to confirm that the programme of inspections is being carried out.
- PEEP`s are in place for residents where they are needed and they are reviewed on a regular basis and information is being kept in the fire boxes for the appropriate location.
- 100% post inspections of works being carried out that relate to fire safety are now being carried out.

Notwithstanding the findings above, a great deal of work is carried out at each of the four partner councils through a programme of works under Fire Prevention Work budgets. The value of work completed on behalf of each council varies, as does the way the available budget is allocated, however spend on replacement fire doors and other remedial works is well managed. Examples of this are detailed reviews that have been carried out at the tower blocks at Canterbury that have identified works that are needed and are currently being designed and specified. Also works are being carried out on 2 sheltered schemes in Shepway to address major issues that have been identified. It is the link between these works and the actions identified through the FRA's that should be made clearer and better management information regarding this process produced.

3.0 FOLLOW UP OF AUDIT REPORT ACTION PLANS

- 3.1 As part of the period's work, two 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 recs	Outstanding recs
Car Parking Income	Substantial	Substantial	C 0 H 0 M 1 L 2	C 0 H 0 M 0 L 0

EKH – Fire Risk Assessment Processes and Records Management	Limited	Reasonable	C 0 H 2 M 2 L 0	C 0 H 2 M 2 L 0
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- 3.2 Details of any individual Critical and High priority recommendations still to be implemented at the time of 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 and Audit Committee.

The purpose of escalating high-priority recommendation which have not been implemented 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.

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: Safeguarding, Employee Benefits in Kind, Local Code of Corporate Governance, Events Management, EKH Safeguarding and EKH Risk Management.

5.0 CHANGES TO THE AGREED AUDIT PLAN

- 5.1 The 2017/18 audit plan was agreed by Members at the meeting of the Audit & Governance Committee on 8th March 2017.
- 5.2 The Head of the Audit Partnership meets on a regular basis with the Section 151 Officer or their deputy 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 are made to the plan during the course of the year as some high profile projects or high-risk areas may be 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

There are currently no reported incidents of fraud or corruption being investigated by EKAP.

7.0 INTERNAL AUDIT PERFORMANCE

- 7.1 For the period ended 31st December 2017, 202.76 chargeable days were delivered against the planned target of 332.11 days, (including 17.11 days that were carried over from the previous year) which equates to achievement of 61% of the original planned number of days.
- 7.2 The financial performance of the EKAP for 2017/18 is on target for Shepway District Council.
- 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 2017/18 is attached as Appendix 4. There are no concerns regarding the resources engaged or outputs.
- 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 which is attached as Appendix 4.

Attachments

- Appendix 1 Summary of high priority recommendations outstanding or in progress after follow up
- Appendix 2 Summary of services with limited / no assurances.
- Appendix 3 Progress to 31st December 2017 against the agreed 2017/18 Audit plan.
- Appendix 4 EKAP Balanced scorecard of performance indicators to 31st December 2017.
- Appendix 5 Assurance Statements.

SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING AFTER FOLLOW-UP – APPENDIX 1		
Original Recommendation	Agreed Management Action , Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
<i>East Kent Housing – Fire Risk Assessment Processes and Records Management – February 2018:</i>		
A management information quarterly report should be developed to provide ongoing information to management both at EKH and for each authority to give them an assurance that fire risk assessments are being carried out and that works are being carried out to address the issues identified from them.	This is being incorporated into the monthly KPI monitoring information and is also a standing item on the OMT agenda. Proposed Completion Date / Responsibility December 2017 / Operations Manager (Homeownership) (FS)	Fire Safety is a standing item on the fortnightly OMT agenda and currently in the monthly KPI's the only information that is reported is the number of completed fire risk assessments that are in place. Recommendation is ongoing.
As part of the implementation of the new Pyramid software, review the resources that will be required to ensure that it is kept up to date and then a case should be made to Senior Management to address any shortfall.	When the FRA works needed are evaluated officer resource will be considered. Proposed Completion Date / Responsibility January 2018 / Operations Manager (Homeownership) (FS)	Short Term Resources To address the major exercise that is being carried out to complete Type 3 fire risk assessments and put in place schedules of works from the findings of these assessments both internal staff and contractors / agency staff have been used. To date there are only a small number of fire risk assessments still to be completed where access has been an issue but these are being addressed. As a result of the fire risk assessments being carried out works have been identified that need to be carried out. The vacant post in the Compliance and Servicing Team will be used to appoint a specification writer (short term

SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING AFTER FOLLOW-UP – APPENDIX 1

Original Recommendation	Agreed Management Action , Responsibility and Target Date	Manager’s Comment on Progress Towards Implementation.
		<p>through an agency) for compartmentalisation issues in converted buildings, sheltered buildings and other general needs locations. These building specifications will include all other fireworks identified by the fire risk assessments and consider any others referred by the Fire Service. This will ensure that once work is completed the building requires no further works reducing the risk of compromising the buildings.</p> <p>Long Term Resources Going forward long term it is felt that the resources in place will be adequate to deliver the ongoing monitoring and follow up work on fire risk assessments.</p> <p>Recommendation is ongoing</p>

SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED			
Service	Reported to Committee	Level of Assurance	Follow-up Action Due
None			

PROGRESS AGAINST THE AGREED SHEPWAY AUDIT PLAN 2017/18

Review	Original Planned Days	Revised Planned Days	Actual - 31/12/2017	Status and Assurance level
FINANCIAL SYSTEMS				
Business Rates	10	10	0.12	Quarter 4
Council Tax	10	10	0.12	Quarter 4
Housing Benefits DHPs	10	10	0.19	Quarter 4
Housing Benefits Overpayments	10	10	10.14	Completed – Substantial
Main Accounting – Feeder systems	10	10	9.89	Completed N/A
HOUSING SYSTEMS				
Homelessness	10	10	0.26	Quarter 4
ICT SYSTEMS				
ICT review	9	6	4.10	Completed - Reasonable
HUMAN RESOURCES SYSTEMS				
Employee Benefits in Kind	10	10	0.10	Work in progress
Payroll transactions	5	5		Quarter 4
GOVERNANCE RELATED				
Contract Monitoring	15	18	18.44	Completed – N/A
Public Scrutiny of Accounts	10	10	7.17	Work in progress
SERVICE LEVEL				
Asset Management	10	0		Carried forward
Business Continuity	10	0		Carried forward
Cemeteries & Crematoria	10	10	11.10	Completed - Reasonable
Child & Adults - Safeguarding	10	10	1.62	Work in progress
Councillor Grants	10	11	11.04	Completed - Reasonable
Customer Services	10	0		Carried forward
Digital Transformation	10	10	0.10	Quarter 4
Electoral Finance	10	10	0.10	Quarter 4
Employee Health & Safety	5	7	7.54	Completed - Reasonable
Environmental Protection	10	10	10.28	Completed - Reasonable
Equality & Diversity	10	10	0.10	Quarter 4
Hythe Swimming Pool	10	12	12.28	Completed - Reasonable

Improvement Grants / DFGs	10	10	10.80	Completed - Reasonable
Planning S106s / CILs	10	10	0.11	Quarter 4
Risk Management	10	10	0.10	Quarter 4
OTHER				
Committee reports & meetings	10	10	6.12	Ongoing
S151 meetings & support	11	11	8.70	Ongoing
Corporate advice / CMT	3	3	3.40	Ongoing
Audit plan prep & meetings	11	11	4.63	Ongoing
Liaison with External Audit	1	1		Ongoing
Polling Duty Elections	0	5	5.61	Completed
Follow Up Reviews	15	15	11.70	Ongoing
FINALISATION OF 2016-17- AUDITS				
Days under delivered in 2016/17	17.11	17.11		Allocated Below
Performance Management			3.86	Completed - Reasonable
Emergency Planning			0.41	Completed – Substantial
Payroll			0.07	Completed – Substantial
Planning Income			13.62	Completed - Reasonable
Right To Buy			2.52	Completed - Reasonable
Finalise 2016/17 audits	10			
Local Code of Corporate Governance		5	4.71	Work in progress
Events Management		5	0.17	Quarter 4
RESPONSIVE ASSURANCE				
Car Parks	0	20	21.54	Completed – N/A
Total	332.11	332.11	202.76	61% complete as at 31/12/2017

EAST KENT HOUSING LIMITED:

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-2017	Status and Assurance Level
Planned Work:				
CMT/Audit Sub Cttee/EA Liaison	4	4	3.99	Work-in-progress throughout 2017-18
Follow-up Reviews	4	4	0.78	Work-in-progress throughout 2017-18
Finance Systems & ICT Controls	15	15	0	Quarter 4
Data Protection & Information Management	12	12	0.18	Work in progress
Leasehold Services	15	15	0.24	Work in progress
Fire Safety	15	18	17.10	Work-in-Progress
Safeguarding Children & Vulnerable Groups	10	15	14.59	Work-in-Progress
Anti-Fraud & Corruption	10	10	0	Quarter 4
Risk Management	10	10	4.16	Work-in-Progress
Performance Management	5	0	0	Postponed until 2018/19
Complaints Monitoring	10	10	3.67	Work-in-Progress
Single System – Post Implementation Review	10	13	12.18	Work-in-Progress
Property Services Improvement Plan	20	0	0	Postponed
Finalisation of 2016/17 work in progress:				
Days under delivered in 2016-17	0	7.84	0	Completed
Performance Indicator Data Quality	0	0	8.62	Finalised - Reasonable
Responsive Assurance:				
Contract Management	0	14	0.31	Quarter 4
Total	140.00	147.84	65.82	45% at 31-12-2017



Balanced Scorecard

<u>INTERNAL PROCESSES PERSPECTIVE:</u>	<u>2017-18 Actual</u>	<u>Target</u>	<u>FINANCIAL PERSPECTIVE:</u>	<u>2017- 18 Actual</u>	<u>Original Budget</u>
	Quarter 3		Reported Annually		
Chargeable as % of available days	83%	80%	<ul style="list-style-type: none"> • Cost per Audit Day 	£	£309.77
Chargeable days as % of planned days			<ul style="list-style-type: none"> • Direct Costs 	£	£385,970
CCC	66%	75%	<ul style="list-style-type: none"> • + Indirect Costs (Recharges from Host) 	£	£10,530
DDC	73%	75%	<ul style="list-style-type: none"> • - 'Unplanned Income' 	£	Zero
SDC	61%	75%	<ul style="list-style-type: none"> • = Net EKAP cost (all Partners) 	£	£396,500
TDC	73%	75%			
EKS	55%	75%			
EKH	45%	75%			
Overall	64%	75%			
Follow up/ Progress Reviews;	39	-			
<ul style="list-style-type: none"> • Issued 	29	-			
<ul style="list-style-type: none"> • Not yet due 	17	-			
<ul style="list-style-type: none"> • Now due for Follow Up 					
Compliance with the Public Sector Internal Audit Standards (PSIAS) (see Annual Report for more details)	Partial	Full			

<u>CUSTOMER PERSPECTIVE:</u>	<u>2017-18 Actual</u>	<u>Target</u>	<u>INNOVATION & LEARNING PERSPECTIVE:</u>	<u>2017- 18 Actual</u>	<u>Target</u>
	Quarter 3		Quarter 3		
Number of Satisfaction Questionnaires Issued;	45		Percentage of staff qualified to relevant technician level	75%	75%
Number of completed questionnaires received back;	26 = 58%		Percentage of staff holding a relevant higher level qualification	38%	38%
Percentage of Customers who felt that;			Percentage of staff studying for a relevant professional qualification	14%	N/A
<ul style="list-style-type: none"> • 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	3.19	3.5
	100%	100%	Percentage of staff meeting formal CPD requirements (post qualification)	38%	38%
	100%	100%			

Definition of Audit Assurance Statements & Recommendation Priorities Appendix 5

Assurance Statements:

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

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

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

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

Priority of Recommendations Definitions:

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

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

Medium – A finding where the Council is in (actual or potential) breach of - or where there is a weakness within - its own policies, procedures or internal control measures, but which

does not directly impact upon a strategic risk, key priority, or the operational service objective of the area under review. Medium priority recommendations are likely to require remedial action within three to six months and are actions which the Council should take.

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