

This report will be made public on 4 March 2014

**Folkestone**

Hythe & Romney Marsh  
Shepway District Council



Report number **AuS/13/24**

**To: Audit and Standards Committee**  
**Date: 12 March 2014**  
**Status: Non-executive decision**  
**Head of Finance: Odette Collard-Woolmer**

**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 Standards Committee meeting together with details of the performance of the EKAP to the 31 December 2013.

**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 Standards 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 AU/13/24.**
- 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 Standards Committee meeting report, together with details of the performance of the EKAP to the 31<sup>st</sup> December 2013.

## **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 are currently two reviews with such a level of assurance as shown as Appendix 2 to the EKAP report.
- 2.5 The purpose of the Council's Audit and Standards 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 ten audit reports that have been completed during the period. These have been allocated assurance levels as follows: six were classified as providing substantial assurance and four were reasonable assurance. Summaries of the report findings are detailed within Annex 1 to this report.
- 3.2 In addition, nine 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 31<sup>st</sup> December 2013, 255 chargeable days were delivered against the planned target of 375.81 days, (330 plus 45.81 carried over) which equates to achievement of 63% of the planned number of days.
- 3.4 Other performance figures for the East Kent Audit Partnership for the period 2013/14 show good performance against target.

#### **4. RISK MANAGEMENT ISSUES**

- 4.1 A summary of the perceived risks follows:

<b>Perceived risk</b>	<b>Seriousness</b>	<b>Likelihood</b>	<b>Preventative action</b>
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 Standards 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**

No legal officer comments are required for this report.

##### **5.2 Finance Officer's Comments (OCW)**

Responsibility for the arrangements of the proper administration of the council's financial affairs lies with the Chief Finance Officer. 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 Partnership's own, except where shown as being management responses.

#### 5.4 **Diversities and equalities implications**

This report does include an audit review of the processes relating to diversity and equality.

### 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@shepway.gov.uk](mailto:Christine.parker@shepway.gov.uk)

Odette Collard-Woolmer, Head of Finance

Telephone: 01303 853371 Email: [odette.collard-woolmer@shepway.gov.uk](mailto:odette.collard-woolmer@shepway.gov.uk)

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

Internal Audit Annual Plan 2013/14 - Previously presented to and approved at the March 2013 Audit & Standards Committee meeting.

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 Standards Committee meeting, together with details of the performance of the EKAP to the 31<sup>st</sup> December 2013.

**2. SUMMARY OF REPORTS**

Service / Topic		Assurance level	Previous assurance level	Direction of Travel
2.1	Capital Accounting	Substantial	Reasonable	↑
2.2	Journals & Feeder Systems	Substantial	Substantial	↔
2.3	Housing Improvement Grants	Substantial	Substantial	↔
2.4	HRA Business Plan	Substantial	New	New
2.5	Council Tax Reduction Scheme	Substantial	New	New
2.6	Ward Grants	Substantial	New	New
2.7	Equality & Diversity	Reasonable	New	New
2.8	Business Continuity	Reasonable	Limited / Reasonable	↑
2.9	Waste Recycling	Reasonable	Limited	↑
2.10	East Kent Housing Repairs & Maintenance	Reasonable	Reasonable	↔

**2.1 Capital Accounting – Substantial Assurance**

**2.1.1 Audit Scope**

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure the capital accounting system should provide complete and accurate data for the production and publication of

the annual accounts and comply with the Council's Financial Procedures Rules.

#### 2.1.2 Summary of Findings

The Capital Accounting systems in operation ensure that the asset value is correctly recorded and updated within Asset Manager as necessary. The budget monitoring regime for each project is firmly embedded and undertaken on a quarterly basis. Depreciation of assets is addressed and included in the final accounts.

There are limited new capital expenditure projects and an earlier process which required each project to be vetted by the Capital Programme Board has been replaced by a system which is less resource intense. Those projects examined were correctly authorised, as were any disposals of assets tested as part of this review.

Members at Council, Scrutiny and Cabinet are kept fully apprised of the financial variations and performance within the Capital Programme through regular reports.

## 2.2 Journals & Feeder Systems – Substantial Assurance

#### 2.2.1 Audit Scope

To provide assurance on the internal controls established in respect of the processing of journal entries and the control over feeder systems and their reconciliation.

#### 2.2.2 Summary of Findings

The Finance team hold responsibility for maintaining the integrity and accuracy of the financial records and integral to this role is to ensure that expenditure appears against the correct account codes and that all data from the feeder systems are imported in to the Efinancial system in a timely and accurate manner. This incorporates assisting Services to identify and correct any errors that may have occurred.

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

- Journal entries are controlled by an effective system which ensures that they are processed accurately and counter checked by a second officer prior to authorisation and release. All samples tested followed the correct process.
- Evidence was retained of the reasons for the transfers.
- Feeder systems are managed and processed accurately and in a timely manner.

## **2.3 Housing Improvement Grants – Substantial Assurance**

### **2.3.1 Audit Scope**

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the monies made available by the Council are spent effectively and efficiently inline with Council's policies, to improve the quality of the district's private sector housing stock in order to increase the number of residents that have access to a decent home.

### **2.3.2 Summary of Findings**

There are good well established working practices in place between Shepway District Council and In Touch for the processing of Disabled Facility Grants and Home Improvement Loans.

## **2.4 HRA Business Plan – Substantial Assurance**

### **2.4.1 Audit Scope**

To provide assurance on the adequacy and effectiveness of the Housing Revenue Account business plan. To ensure that this document meets any legislative requirements placed upon the Council and it clearly states its intentions regarding its housing stock for the coming years.

### **2.4.2 Summary of Findings**

The Council has always had a Housing Revenue Account business plan, however the last one created in 2008 no longer reflected the situation of the HRA and the aspirations of the Council now that they have become self financing.

Changing the subsidy arrangements and introducing self financing of the housing stock was introduced in 2012. This has resulted in the Council creating a new HRA Business Plan which focuses on the next 30 years. It includes detailed financial projections taking into account the loan repayments that have to be made over the next 20 years.

A significant amount of work has taken place to ensure that the business plan meets the Council's needs and takes into account the challenges that the Council may face over the forthcoming years whilst it is repaying the loans for the self financing payment.

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

- The HRA Business Plan is a comprehensive and detailed document which has been appropriately approved.
- The data recorded in the Business Plan can be reconciled to documentation and computer systems.
- The self financing options were thoroughly examined before the preferred option was selected by Senior Management and Members.
- The monitoring of the HRA income and expenditure is being closely monitored by Finance to ensure that projections are realistic.

## **2.5 Council Tax Reduction Scheme – Substantial Assurance**

### **2.5.1 Audit Scope**

To provide assurance on the adequacy and effectiveness of the procedures and controls in place regarding the introduction of the Council Tax Reduction Scheme (CTRS).

### **2.5.2 Summary of Findings**

Effective action was taken to produce a local scheme which took in to account the public consultation findings and complied with the requirements of the Government Regulations. The Council participated in a county wide process to identify a scheme which would best mitigate against the cuts in allowances and has received additional funding from both Government and the major preceptors in the area. Both Cabinet and Council approved the new scheme in November 2012. The necessary certification of the scheme was submitted to Government within the stated timetable.

Staff received relevant and timely training and have easy access to procedural guidance notes. Robust pre-introduction testing was undertaken of the Northgate system to ensure that the parameters entered correctly calculated the CTRS allowances.

## **2.6 Ward Grants – Substantial Assurance**

### **2.6.1 Audit Scope**

To review the procedures in place to effectively administer the Ward Budgets processes and ensure that these are in compliance with approved policy.

### **2.6.2 Summary of Findings**

The new Ward Budget Scheme was approved and introduced in April 2013 and provides each of the forty six District Councillors with a delegated annual budget of £1,000 to support community projects and activity that help deliver the Council's strategic objectives.

An annual Ward Budget allocation was set for 2012/2013 and has been carried forward to the current financial year. As a result each Councillor has a Ward Budget allocation for 2013/2014 of £2,000, consisting of the 2013/2014 allocation and the 2012/13 allocation carry forward.

Taking into account the speedy response to implement the recommendations made Management can place Substantial Assurance on the system of internal controls currently in operation with regard to managing the Ward Budget scheme.

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

- Scheme was approved with clear criterion set.
- Scheme criterion is being consistently applied.
- Grants are appropriately approved.
- Grant payments are correctly authorised.
- Grant allocations are effectively published.

Scope for improvement was however identified in the following areas:

- Lack of formal sign up to grant conditions.
- Evidence to support grant spend should be obtained in all cases.

## **2.7 Equality & Diversity – Reasonable Assurance**

### **2.7.1 Audit Scope**

To ensure that the Council meets its own Equality & Diversity Policies and complies with the Equality Act 2010.

### **2.7.2 Summary of Findings**

The Equality Act 2010 replaces the previous anti-discrimination laws with a single Act. Under the Act the Council is required to set and monitor Equality Objectives and comply with the Public Sector Equality Duty (PSED). The PSED is in place to ensure that public bodies consider, by demonstrating due regard, the needs of all individuals in their day to day work in shaping policy, delivering services and in relation to their own employees. Compliance with the duty should result in:

- better-informed decision making and policy development
- a clearer understanding of the needs of service users, resulting in better quality services which meet varied needs
- more effective targeting of policy, resources and the use of regulatory powers
- better results and greater confidence in, and satisfaction with, public services
- a more effective use of talent in the workforce and a reduction in instances of discrimination and resulting claims.

Ensuring due regard is a continuous process and it should not be assumed that once assessed whether the duty is relevant to a particular function that this need not be considered again. The relevance of the duty to a function (or a particular protected characteristic) may change over time. The Council will meet this objective with the implementation and embedding of the new Equality Impact Assessment (EIA) Framework. Whilst the Council meets the basic criterion under legislation with the setting and monitoring of Equality Objectives and the introduction of the EIA Framework a number of weaknesses have been identified during the review which when addressed will strengthen internal controls and assist with embedding new procedures and raise awareness of the Authority's responsibilities.

## **2.8 Business Continuity – Reasonable Assurance**

### **2.8.1 Audit Scope**

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the business continuity plan is adequate to meet the Council's needs following any disruption to its services.

### 2.8.2 Summary of Findings

Effective Business Continuity Management (BCM) Programme Management is broken into three steps:-

- Assigning responsibilities.
- Establishing and implementing BCM in the organisation.
- Agreeing a BCM policy, that sets out the scope, aims and objectives of BCM in the organisation; and the activities or programme that will be required to deliver these.

The Council is currently in the process of developing and embedding an effective BCM programme that aligns a Corporate Business Continuity Plan approach and ties corporate issues into individual service BCPs and is fit for purpose.

Following the approval of the proposals put forward and taking into account the action currently being taken to establish and fully embed an effective business continuity policy and plan, management can place Reasonable Assurance on the system of internal controls in operation. The primary findings giving rise to this Reasonable Assurance opinion are as follows:

- Responsibilities for business continuity planning have been clearly defined and there is a clear commitment from management to embed appropriate and effective business continuity arrangements.
- An exercise to establish whether current arrangements were fit for purpose was undertaken, and solutions to address weakness highlighted have been identified.

Scope for improvement was however identified in the following areas:

- A training exercise and review program needs to be embedded to ensure that the business continuity plans are kept valid, up to date and are easy to use.

## **2.9 Waste Recycling – Reasonable Assurance**

### 2.9.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the waste recycling income, comprising garden waste, food waste, paper/card, glass, tin and plastic is being correctly charged for, in accordance with Council policy / agreements and that all income is correctly received and reconciled.

### 2.9.2 Summary of Findings

Under the Five Way Inter-Authority Agreement Kent County Council is the Waste Disposal Authority for its administrative area and Shepway is a Waste Collection Authority; and under the Three Way Joint Working Agreement Dover District Council is the lead authority relating to the joint procurement and coordination of long term waste collection and treatment services to include recycling, processing, disposal of waste and street cleansing.

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

- Only approved fees and charges are being levied.
- Income control procedures are generally working well.
- The Garden Waste Subscriber database is kept up to date.
- Full management trail of transactions made is maintained.

Scope for improvement was however identified in the following areas:

- Lack of formal approval of all refunds made.
- Income reconciliation should in future be more timely.
- Lack of full subscriber to collection round reconciliation.
- Late payment/receipt of the contractual enabling fees.

## **2.10 East Kent Housing – Repairs & Maintenance – Reasonable**

### **2.10.1 Audit Scope**

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

### **2.10.2 Summary of Findings**

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

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

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

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

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

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

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

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

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

systems in place the process of planning should be enhanced and simplified.

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

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

#### Management Response from EKH

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

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

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

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

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

### 3.0 FOLLOW UP OF AUDIT REPORT ACTION PLANS

3.1 As part of the period's work, nine 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
Miscellaneous Income	Substantial	Substantial	H 1 M 0 L 2	H 0 M 0 L 0
Constitution	Substantial	Substantial	H 0 M 1 L 3	H 0 M 1 L 0
Scheme of Delegation	Substantial	Substantial	H 0 M 1 L 0	H 0 M 1 L 0
Bank Reconciliation	Substantial	Substantial	H 0 M 1 L 1	H 0 M 1 L 0
Housing Benefit Subsidy	Substantial	Substantial	H 0 M 3 L 0	H 0 M 3 L 0
Internet & Email	Reasonable	Substantial	H 0 M 1 L 0	H 0 M 0 L 0
Waste Management	Reasonable	Reasonable	H 1 M 1 L 0	H 1 M 0 L 0
Flexitime	Limited	Reasonable	H 4 M 4 L 0	H 0 M 1 L 0
Fighting Fraud Locally	N/A	N/A	H 3 M 9 L 0	H 2 M 5 L 0

3.2 There are three individual high priority recommendations outstanding after follow-up, therefore these are escalated to the Committee at this time.

- 3.3 The Flexitime review had increased the assurance from limited to reasonable as sufficient work has been undertaken by the Council to address the issues raised.

#### **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: Data Protection / FOI, Election procedures, Community Chest, Apprenticeships, Housing Benefit Quality and Child Protection.

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

- 5.1 The 2013/14 audit plan was agreed by Members at the meeting of this Committee on 13 March 2013.
- 5.2 The Head of the Audit Partnership meets on a regular basis with the Section 151 Officer or her 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**

A successful investigation into the theft of car parking income, was taken forward and prosecuted by the police and CPS. This has now been heard before the Crown Court, resulting in a suspended prison sentence together with a Community Service order. The member of staff had previously been dismissed for another unrelated matter. New parking machines (which provide very accurate and timely income data) and improvements to the sequential reconciliation process have been introduced to ensure that this could not reoccur without being detected.

#### **7.0 INTERNAL AUDIT PERFORMANCE**

- 7.1 For the period ended 31<sup>st</sup> December 2013, 255 chargeable days were delivered against the planned target of 375.81 days, (including 45.81 days that were carried over from the previous year) which equates to achievement of 63% of the original planned number of days.
- 7.2 The financial performance of the EKAP for 2013/14 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 2013/14 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 after follow up.                |
| Appendix 2 | Summary of services with limited / no assurances.                                    |
| Appendix 3 | Progress to 31 <sup>st</sup> December 2013 against the agreed 2013/14 Audit plan.    |
| Appendix 4 | EKAP Balanced scorecard of performance indicators to 31 <sup>st</sup> December 2013. |
| Appendix 5 | Assurance statements.  |

## SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING OR IN PROGRESS AFTER FOLLOW UP

ORIGINAL RECOMMENDATION	AGREED MANAGEMENT ACTION TO BE TAKEN	MANAGER'S COMMENT ON PROGRESS TOWARDS IMPLEMENTATION
Waste Management		
<p>Review the current outstanding work at both Dover District Council and Shepway District Council to identify when contract monitoring processes can be expected to be fully implemented and liaise with Waste Consulting Ltd to put in place a timetable for the implementation of the contract monitoring software.</p>	<p>The Contract Management tool has been used in test, however changes are required (undertaken by Waste Consulting) before a live version can be launched. Timescales are to be agreed by all partners. KCC are currently liaising with Waste Consulting. Paper based monitoring processes can be implemented over the coming months prior to the launch of the CMT.</p> <p><b>Responsibility / Completion Date</b> KCC to speak with Waste Consulting regarding the proposed changes – timetable of implementation to be confirmed by the end of June 2012.</p> <p>Paper based monitoring by – 31st July 2012.</p> <p>Waste Services Manager</p>	<p><b>Follow Up Findings as at September 2013</b></p> <p>Tasks have been refined within the contract management tool to ensure that they are timely and allocated to the correct officer. KCC are still finalising their responsibilities and because of this the Contract Monitoring tool is still to be launched.</p> <p>Paper based monitoring has been put in place and an audit has been carried out by the Waste Services Manager and the Health and Safety Advisor regarding health and safety.</p> <p>(Update - This is still with KCC to sort out the issues at their end, this has not been helped by a restructure within their waste department which is still being undertaken)</p>

Fighting Fraud Locally		
<p>Management should review its current resilience to fraud, determine its actual fraud risk using this to inform and direct resources to prevent and detect fraud.</p> <p>In order to provide resilience for anti-fraud and corruption resources to tackle corporate fraud, and make best use of expertise available, management could consider working in partnership with neighbouring authorities and other bodies such as East Kent Audit Partnership, the National Anti-Fraud Network, South Coast Audit, Kent County Council or Medway Unitary's Fraud Team.</p> <p>An effective anti-fraud and corruption resource should not only be tasked with fraud investigation and liaising between sections and external agencies to improve communication and effective sharing of information and intelligence; but could assist in the fraud proofing of new policies, systems and procedures and provide internal data matching.</p>	<p>A Corporate Anti-Fraud Group has been set up to provide a corporate focus on fraud and to take forward the Council's anti-fraud agenda.</p> <p><b>Responsibility/Completion date.</b> Head of Administration, to commence by 01/04/2013 at the latest and thereafter on-going.</p>	<p><b>Follow Up Findings as at 20/09/2013</b></p> <p>The Corporate Anti-Fraud Group has held two meetings at which the Terms of Reference of the Group, appropriate membership, work streams and reporting were discussed. The group is to meet on a quarterly basis in future.</p> <p>(Update – The responsibility for the Fraud Group has moved to the Head of Finance and the group is in the process of being reformed)</p>
<p>Management should perform a risk assessment and fraud resilience check, showing an understanding of the fraud risks to services, and the scale of potential losses, perhaps by making use of the NFA tool which allows local authorities to calculate their own fraud loss profile and the NAFN resilience tool.</p>	<p>A Corporate Anti-Fraud Group has been set up to provide a corporate focus on fraud and to take forward the Council's anti-fraud agenda.</p> <p><b>Responsibility/Completion date.</b> Head of Administration, 01/08/2013</p>	<p><b>Follow Up Findings as at 20/09/2013</b></p> <p>An initial assessment based on the Fighting Fraud Locally guidance checklist was undertaken by the Performance Officer (VR). This was discussed at the inaugural meeting of the Corporate Anti-Fraud Group and is being updated as a result and upon receipt of further input from relevant officers.</p> <p>(Update – The responsibility for the Fraud Group has moved to the Head of Finance and the group is in the process of being reformed and will revisit outstanding tasks)</p>

<b>SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED</b>				
<b>Service</b>	<b>Reported to Committee</b>	<b>Level of Assurance</b>	<b>Management Action</b>	<b>Follow-up Action Due</b>
CCTV	June 2013	Reasonable / Limited	To implement the audit recommendations	Currently being followed up
Performance Management	June 2013	Limited	To introduce a new performance management framework	Currently being followed up

## COMPLETION AGAINST THE AGREED AUDIT PLAN 2013/14

<b>Review</b>	<b>Original budget</b>	<b>Revised Budget</b>	<b>Actual - 31/12/2013</b>	<b>Assurance / comments</b>
<b>FINANCIAL SYSTEMS - Assurance work</b>				
Car Parking income	10	10	10.46	Completed
Capital Accounting	10	10	10.53	Completed
Business rates	10	10	3.13	WIP
Council Tax Reduction Scheme	10	8	7.90	Completed
Main Accounting - Journals	10	7	6.91	Completed
Housing Benefits DHP	5	7	7.26	Completed
Write Offs	5	5	6.62	WIP
<b>HOUSING SYSTEMS - Assurance work</b>				
Homelessness	10	10	0.20	Quarter 4
HRA Business Plan	5	5	4.66	Completed
<b>ICT SYSTEMS - Assurance work</b>				
ICT review	5	0		Carried over
<b>HUMAN RESOURCES SYSTEMS - Assurance work</b>				
Payroll	5	5	0.30	Quarter 4
Employee benefits in kind	10	10	0.07	Quarter 4
Recruitment	5	5	0.14	Quarter 4
<b>GOVERNANCE RELATED - Assurance work</b>				
Constitution	5	5	5.01	Completed
Data Protection & Information Management	15	10	5.27	WIP
RIPA	10	10	0.17	Quarter 4
Whistleblowing	2	0		Not required
<b>SERVICE LEVEL</b>				
Asset Management	10	10	0.07	Quarter 4
Coast Protection	5	0		Not required
Cems & Crems	10	0	0.24	Carried over
Employee Health & Safety	15	10	0.07	Quarter 4
Election procedures	5	5	2.79	WIP
Equality & Diversity	5	11	11.72	Completed
Hythe Swimming Pool	10	7	6.86	Completed
Telephones & Internet	5	0		Not required
Improvement Grants / DFGs	10	8	7.86	Completed
Licensing	10	0		Recently covered
Planning procedures	10	10	1.01	Quarter 4
Procurement Strategy	5	0	0.17	Carried over
Regeneration grants	10	10	2.70	WIP
Ward Grants	5	5	5.51	Completed
Waste recycling	10	15	15.70	Completed
Env Health Food Safety	10	0		Already covered in 2012/13
<b>OTHER</b>				
Audit Committee reports & meetings	8	9	7.27	Ongoing
Audit plan prep & meetings	12	9	5.48	Ongoing
Corporate advice / CMT	5	4	1.90	Ongoing
S151 meetings & support	10	10	9.43	Ongoing
WIP at year end carried over	10	53	53.69	Completed

<b>Review</b>	<b>Original budget</b>	<b>Revised Budget</b>	<b>Actual - 31/12/2013</b>	<b>Assurance / comments</b>
Follow-up work - general	15	15	18.04	Ongoing
Liaison with external auditor	3	1	0.37	Ongoing
Other work		1	1.88	Completed
Responsive work		8		Quarter 4
Corporate Fraud Group		2	1.06	Ongoing
Tackling Tenancy Fraud		5	0.46	WIP
Fraud investigation		5	7.52	Completed
Work carried over from 2012/13	45.81			
Business Continuity		10	13.24	Completed
Housing Benefits Quality		8.81	6.18	WIP
Section 106s		10	0.24	Quarter 4
Risk Management		10	0.07	Quarter 4
Child Protection		7	4.66	WIP
<b>Total</b>	<b>375.81</b>	<b>375.81</b>	<b>254.82</b>	
<b>Additional work requested</b>				
<b>EAST KENT HOUSING</b>				
Repairs & Maintenance	9	33	33.18	Finalised - Reasonable
Days over delivered 2012-13	0	0	6.65	Finalised
Audit Ctte / Follow up	8	7	4.77	WIP
Rent Accounting/Collection/Debts	12	12	1.89	WIP
Leasehold Services	40	37	3.14	WIP
	20	0	0.27	Postpone until 2014-15
<b>Total</b>	<b>89</b>	<b>89</b>	<b>49.90</b>	



## Balanced Scorecard

<u>INTERNAL PROCESSES PERSPECTIVE:</u>	<u>2013-14 Actual</u>	<u>Target</u>	<u>FINANCIAL PERSPECTIVE:</u>	<u>2013-14 Actual</u>	<u>Target</u>
	Quarter 3				
Chargeable as % of available days	81%	80%	Cost per Audit Day (Reported Annually)	£	£319.56
			Revised budget November 2013		£302.28
Chargeable days as % of planned days					
CCC	79%	75%			
DDC	78%	75%			
SDC	63%	75%			
TDC	70%	75%			
EKS	34%	75%			
EKH	56%	75%			
Overall	66%	75%			
Follow up Reviews;					
• Issued	50	-			
• Not yet due	22	-			
• Now overdue for Follow Up	29	-			

<b><u>CUSTOMER PERSPECTIVE:</u></b>	<b><u>2013-14 Actual</u></b>	<b><u>Target</u></b>	<b><u>INNOVATION &amp; LEARNING PERSPECTIVE:</u></b>	<b><u>2013-14 Actual</u></b>	<b><u>Target</u></b>
	<b>Quarter 3</b>		<b>Quarter 4 No. of FTE = 8</b>		
<b>Number of satisfaction questionnaires Issued;</b>	<b>74</b>		<b>Percentage of staff qualified to relevant technician level</b>	<b>75%</b>	<b>75%</b>
<b>Number of completed questionnaires received back to date;</b>	<b>41 = 55%</b>		<b>Percentage of staff holding a relevant higher level qualification</b>	<b>33%</b>	<b>33%</b>
<b>Percentage of Customers who felt that;</b>			<b>Percentage of staff studying for a relevant professional qualification</b>	<b>25%</b>	<b>13%</b>
<ul style="list-style-type: none"> <li>• Interviews were conducted in a professional manner</li> </ul>	<b>100%</b>	<b>100%</b>	<b>Number of days technical training per FTE</b>	<b>4.43</b>	<b>3.5</b>
<ul style="list-style-type: none"> <li>• The audit report was 'Excellent or Very Good'</li> </ul>	<b>100%</b>	<b>90%</b>	<b>Percentage of staff meeting formal CPD requirements</b>	<b>33%</b>	<b>33%</b>
<ul style="list-style-type: none"> <li>• That the audit was worthwhile.</li> </ul>	<b>100%</b>	<b>100%</b>			

## **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.