

Annual Internal Audit Report for Thanet District Council 2012-13

1. Introduction

The CIPFA Code of Practice for Internal Audit in Local Government for the United Kingdom 2006 defines internal audit as:

"An assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic efficient and effective use of resources."

A more detailed explanation, of the role and responsibilities of internal audit, is set out in the approved Audit Charter (approved by this Committee in March 2013 and reviewed annually). The East Kent Audit Partnership (EKAP) aims to comply with the CIPFA Code of Practice, and to this end has produced evidence to the s.151 and Monitoring Officers to assist the Council's review of the system of internal control in operation throughout the year. From 1st April 2013 new Public Sector Internal Audit Standards (PSIAS) come into force. Therefore the annual report for 2013-14 will compare EKAP activity against the new standard and any additional requirements placed upon Internal Audit will be reflected in future annual reports thereafter.

The key aim of the EKAP is to deliver a professional, cost effective, efficient, internal audit function to the partner organisations. The EKAP aims to have an enabling role in raising the standards of services across the partners through its unique position in assessing the relative standards of services across the partners. The EKAP is also a key element of each councils' anti fraud and corruption system by acting as a deterrent to would be internal perpetrators.

The four partners are all committed to the principles and benefits of a shared internal audit service, and have agreed a formal legal document setting out detailed arrangements. The statutory officers from each partner site (the s.151 Officer) together form the Client Officer Group and govern the partnership through bi-annual meetings.

This report is a summary of the year, a snapshot of the areas at the time they were reviewed and the results of follow up reviews to reflect the actions taken by management to address the control issues identified. The process that the EKAP adopts regarding following up the agreed recommendations will bring any outstanding high-risk areas to the attention of members via the quarterly reports, and through this annual report if there are any issues outstanding at the year-end.

2. Review of the Internal Control Environment

2.1 Risks and Assurances

The audit plan is agreed with members annually at the March Committee meeting following a risk assessment of all the key systems and issues facing the Council. This assessment also ensures suitable time and resources are devoted to reviewing areas on a cyclical basis. The work of Internal Audit includes agreeing with service managers that a control risk exists and setting out a course of action to rectify this. The value of the advice given by Internal Audit is evidenced through the acceptance

of the majority of audit recommendations, and the feedback from the customer satisfaction survey.

During 2012-2013, 82 recommendations were made in the agreed final audit reports for Thanet District Council. These are analysed as being High, Medium or Low risk in the following table:

Risk Criticality	No. of Recommendations	Percentage
High	35	43%
Medium	34	41%
Low	13	16%
TOTAL	82	100%

Naturally, more emphasis is placed on recommendations for improvement regarding high risks. Any high priority recommendations where management has not made progress in implementing the agreed system improvement are brought to management and members' attention through Internal Audit's quarterly update reports. During 2012-13 the EKAP has raised and reported to the quarterly Governance & Audit Committee meetings 82 recommendations, and whilst 84% were in the High or Medium Risk categories, none are so significant that they need to be escalated at this time.

Internal Audit applies one of four 'assurance opinions' to each review, please see Appendix A for the definitions. This provides a level of reliance that management can place on the system of internal control to deliver the goals and objectives covered in that particular review. The conclusions drawn are described as being "a snapshot in time" and the purpose of allocating an assurance level is so that risk is managed effectively and control improvements can be planned. Consequently, where the assurance level is either 'no' or 'limited', or where high priority recommendations have been identified, a follow up progress review is undertaken and, where appropriate, the assurance level is revised.

The summary of Assurance Levels issued on the 29 pieces of work commissioned for Thanet District Council over the course of the year is as follows:

NB: the percentages shown are calculated on finalised reports with an assurance level

Assurance	No.	Percentage of Completed Reviews
Substantial	8	33%
Reasonable	10	42%
Limited	6*	24%
No	0	0%
Work in Progress at Year-End	4	-
Not Applicable	1	-

* See list in the table below

NB: 'Not Applicable' is shown against quarterly benefit checks, special investigations or work commissioned by management that did not result in an assurance level.

Taken together 75% of the reviews account for substantial or reasonable assurance, whilst 25% of reviews placed a limited assurance or partial limited assurance to management on the system of internal control in operation at the time of the review.

For each recommendation, an implementation date is agreed with the Manager responsible for implementing it. Understandably, the follow up review is then timed to allow the service manager sufficient time to make progress in implementing the agreed actions against the agreed timescales. Those areas receiving either a 'limited' or 'no' assurance audit opinion during the year are detailed in the following table, these areas are also recorded as an appendix to the quarterly report until the follow up report is issued, so that they do not get overlooked. The results of any follow up reviews yet to be undertaken will therefore be reported to the quarterly committee at the appropriate time:

Area Under Review	Original Assurance	Follow Up Due/ Result
Data Protection	Limited / Reasonable	Quarter 1 2013-14
Absence Management, Flexi and Annual Leave	Limited	Quarter 2 2013-14
Payroll Processing & Pay Accuracy SLA Performance Management SLA Governance Arrangements	Reasonable/ Limited / Limited	Complete – some progress however assurance levels remain the same.
Dog Warden & Litter Enforcement	Limited / Reasonable	Quarter 2 2013-14
Thanet Leisure Force	Limited/ Limited / Substantial	Quarter 1 2013-14
Museums	Limited / Reasonable	Quarter 1 2013-14

2.2 Progress Reports

In agreeing the final Internal Audit Report, management accepts responsibility to take action to resolve all the risks highlighted in that final report. The EKAP carries out a follow up progress review at an appropriate time after finalising an agreed report to test whether agreed action has in fact taken place and whether it has been effective in reducing risk.

As part of the follow up action, the recommendations under review are either:

- “closed” as they are successfully implemented, or
- “closed” as the recommendation is yet to be implemented but is on target, or
- (for medium or low risks only) “closed” as management has decided to tolerate the risk.

At the conclusion of the follow up review the overall assurance level is re-assessed. As Internal Audit are tasked to perform one progress report per original audit and bring those findings back, it is at this juncture that any outstanding high-risks are escalated to the Governance and Audit Committee via the quarterly update report.

The results for the follow up activity for 2012-13 are set out below. The shift to the right in the columns in the table from the original opinion to the revised opinion also measures the positive impact that the EKAP has made on the system of internal control in operation throughout 2012-13.

Total Follow Ups undertaken 10	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
Original Opinion	0	2	7	1
Revised Opinion	0	0	8	2

The two reviews with an original limited assurance, together with the result of the follow up report, are shown in the following table:

Area Under Review	Original Assurance	Follow Up Result
Equality and Diversity	Limited	Reasonable
Leaseholder Charges	Limited	Reasonable

Consequently, there are no fundamental issues of note arising from the audits and follow up undertaken in 2012-13. There are no reviews showing a limited assurance after follow up.

2.3 Special Investigations and Fraud Related Work

The prevention and detection of fraud and corruption is ultimately the responsibility of management however, the EKAP is aware of its own responsibility in this area and is alert to the risk of fraud and corruption. Consequently the EKAP structures its work in such a way as to maximise the probability of detecting any instances of fraud. The EKAP will immediately report to the relevant officer any detected fraud or corruption identified during the course of its work; or any areas where such risks exist.

The EKAP is, from time to time, required to carry out special investigations, including suspected fraud and irregularity investigations and other special projects. Whilst some reactive work was carried out during the year at the request of management, during the year 2012-13 there have been no fraud investigations conducted by the EKAP on behalf of Thanet District Council.

2.4 Completion of Strategic Audit Plan

Appendix B shows the planned time for reviews undertaken, against actual time taken, follow up reviews and unplanned reviews resulting from any special investigations or management requests. 318.20 audit days were completed for Thanet District Council during 2012-2013 (including the 7.21 days carried forward); this compares to the budgeted 320 days and equates to 99.43% plan completion. The remaining 9.01 days will be carried forward as work in progress at the year-end 2012-13. The EKAP was formed in October 2007; it completes a rolling programme of work to cover a defined number of days each year. As at the 31st March each year there is undoubtedly some "work in progress" at each of the partner sites; some naturally being slightly ahead and some being slightly behind in any given year. However, the progress in ensuring adequate coverage against the agreed audit plan of work since 2008-09 concludes that EKAP is currently behind plan by 9.01 days at Thanet District Council, as shown in the table below:

Year	Days Required	Plus B/Fwd	Adjusted Requirement from EKAP	Days Delivered	Percentage Completed	Days Against Target
2008-09	400	0	400.00	397.61	99.40%	-2.39
2009-10	408	2.39	410.39	399.82	97.42%	-8.18
2010-11	430	10.57	440.57	466.04	105.78%	+36.04

2011-12	342	-25.47	316.53	309.32	97.72%	-32.68
2012-13	320	7.21	327.21	318.20	97.25%	-1.80
Total	1900			1890.99	99.53%	-9.01

Appendix C shows the planned time for reviews undertaken, against actual time taken, follow up reviews and unplanned reviews resulting from any special investigations for East Kent Housing Ltd. Thanet District Council contributed 25 days from its original plan in 2011-12 and 20 days in 2012-13 as its share in this four way arrangement. The EKH Annual Report in its full format will be presented to the EKH-Finance and Audit Sub Committee on July 4th 2013.

Appendix E shows the planned time for reviews undertaken, against actual time taken, follow up reviews and unplanned reviews resulting from any special investigations for East Kent Services. Thanet District Council contributed 60 days from its original plan as its share in this three-way arrangement. The EKS Annual Report in its full format is also attached as Appendix E as EKS is hosted by TDC, and will be presented as part of this report to the TDC- Governance & Audit Committee on June 26th 2013.

3. Overall assessment of the System of Internal Controls 2012-13

Based on the work of the EKAP on behalf of Thanet District Council during 2012-13, the overall opinion is:

There are no major areas of concern, which would give rise to a qualified audit statement regarding the systems of internal control concerning either the main financial systems or overall systems of corporate governance. The Council can have very good level of assurance in respect of all of its main financial systems and a good level of assurance in respect of the majority of its Governance arrangements. Many of the main financial systems, which feed into the production of the Council's Financial Statements, have achieved a Substantial assurance level following audit reviews. The Council can therefore be very assured in these areas. This position is the result of improvements to the systems and procedures over recent years and the willingness of management to address areas of concern that have been raised.

There were six areas where a limited or partial limited assurance level was given which reflected a lack of confidence in arrangements, and this was brought to officers' attention. These reviews are shown in the table above (paragraph 2.1) and will be followed up and the progress reported back to committee in due course.

4. Significant issues arising in 2012-13

From the work undertaken during 2012-13, there were no instances of unsatisfactory responses to key control issues raised in internal audit reports by the end of the year. There are occasions when audit recommendations are not accepted for operational reasons such as a manager's opinion that costs outweigh the risk, but none of these are significant and require reporting or escalation at this time.

The review (shown in the table below) that was originally a partial Limited Assurance, which remained a partial Limited Assurance after follow up was noted at the Governance & Audit Committee at the March 2013 meeting.

Area Under Review	Assurance after Follow up (Date to Audit Cttee)	Management Action
Payroll Processing & Pay Accuracy SLA Performance Management SLA Governance Arrangements	Reasonable/ Limited / Limited March 2013	Some progress however assurance levels remain the same, some risks tolerated.

The reviews (shown in the table below) assessed as providing a partially Limited Assurance that are yet to be followed up are shown in the table at 2.1.

5. Internal Audit Performance

5.1 EKAP Resources

The EKAP has provided the service to the partners based on a FTE of 8.1. Additional audit days have been provided via audit consultants or contractors in order to meet the planned workloads. How much Internal Audit resource is provided to each of the partner authorities depends on a variety of factors, including the council's historical internal control environment and the new demands of meeting the requirements of corporate governance. Any changes in the agreed plans or the level of resources are reported quarterly to each audit committee and through regular meetings with each Section 151 Officer. The s151 Officers collectively meet half-yearly to strategically consider the resources of the partnership, this year they favoured creating maximum savings and being slightly under delivered on the plan against buying in the additional resources required to reach 100% plan completion across the partnership.

5.2 Skills and Development

The East Kent Audit Partnership is staffed by a mix of qualified and part-qualified officers, who all continue to develop their skills through a range of on-the-job training, external and in-house training courses and seminars and use of the corporate e-learning resource. Skills development during 2012-13 included:

- (a) Attendance by all Kent local authority internal audit staff at the Kent Audit Conference. This provides an opportunity to exchange knowledge and skills and to receive guidance on current developments in the internal audit profession.
- (b) One member of staff continuing studies for AAT.
- (c) Use of modules on the corporate e-learning package.
- (d) Continuing to engage external audit providers, for specific audit assignments to maximise the skills that can bought-in to enhance internal audit resources.

By using a mix of in-house expertise through the East Kent Audit Partnership and other outside resources the team is able to call upon a number of auditors with a wide range of skills and experience and also bring fresh insight into areas being audited as a means of securing the most effective and economic delivery of the service.

5.3. Plan Performance

The analysis in Appendix B shows the individual reviews that were completed during the year. As at 31st March 2013 the EKAP was slightly behind and had delivered 318.20 days against 327.21 owed (97.25%). The 9.01 days carried forward will be delivered in 2013-14 as part of the rolling three-year plan process. Not achieving 100% plan completion at all sites this year was a decision made collectively by the

s151 Officers who directed the EKAP to deliver a financial saving rather than to purchase in additional resource to achieve 100% of the agreed plans.

5.4 Internal Audit Performance against its Targets

Internal Audit is committed to continuous improvement and has various measures to ensure the service can strive to achieve its goals and ambitions. The performance measures and indicators for the year are shown in the balanced scorecard of performance measures at Appendix D.

5.4.1 Satisfaction with Internal Audit Service

EKAP uses an electronic client satisfaction questionnaire, which is issued at the conclusion of each audit to receive feedback on the quality and perception of the service. The results and comments made by auditees and service managers are reported quarterly to committee. Additional requests for advice and specific audit requests by management are also indicative of the value placed upon the service received from EKAP. Customer feedback is used to drive continuous improvement within the service, where appropriate constructive feedback is received it is discussed at a team meeting and any improvement actions taken as a result are reflected in a change to the Audit Manual, which records in detail all the work instructions to the auditors.

5.4.2 Internal Quality Assurance and Performance Management.

All internal audit reports are subject to review, either by the relevant EKAP Deputy Head of Audit or Head of the Audit Partnership; all of who are Chartered Internal Auditors. In each case this includes a detailed examination of the working papers, action and review points, at all stages of report. The review process is recorded and evidenced within the working paper index and in a table at the end of each audit report. Detailed work instructions are documented within the Audit Manual. The Head of Audit Partnership collates performance data monthly and, together with the monitoring of the delivery of the agreed audit plan carried out by the relevant Deputy Head of Audit, regular meetings are held with the s.151 Officer. The minutes to these meetings provide additional evidence to the strategic management of the EKAP performance.

5.4.3 External Quality Assurance

The Audit Commission has previously carried out a light touch annual assessment and a more detailed quality assessment of internal audit every three years. The Audit Commission ceased to be the council's External Auditors in November 2012, the new appointed auditors, Grant Thornton, have conducted a review in February 2013 of the Internal Audit arrangements at EKAP. Their report is currently awaited.

The EKAP self-assessment of the level of CIPFA Code compliance shows that EKAP is currently 97% compliant against a target of 97%. There are no identified actions to improve this score.

The Accounts & Audit Regulations require that each authority undertake an annual review of the effectiveness of internal audit arrangements and to report this alongside the Annual Governance Statement within the Council's Statement of Accounts. Consequently, this report, summarising the achievements of Internal Audit for the year to 31st March 2013, is also designed to feed into that overall assessment process.

5.4.4 Liaison between Internal Audit and External Audit.

Joint liaison meetings with the Audit Commission's audit managers for the partner authorities and the EKAP were held prior to the changeover to Grant Thornton to ensure adequate audit coverage, to agree any complementary work and to avoid any duplication of effort. To date the Internal Audit Team has met once with Grant Thornton as they have taken over as the Council's External Auditors. The EKAP has not met with any other review body during the year in its role as the Internal Auditor to Thanet District Council. Consequently, the assurance, which follows is based on EKAP reviews of Thanet District Council's services.

5.4.5 Financial Performance

Expenditure and recharges for year 2012-13 are all in line with the budget. The financial management of the Internal Audit cost centre held by Dover District Council has performed well and has delivered a 10% saving against budget.

The EKAP has been able to exceed its targets for financial performance for 2012-13 through careful financial management. The EKAP now has a track record for bringing down daily rates (see table below). This daily rate excludes any internal recharges that are added to the service by the Council, which are not under the control or management of the EKAP. This equates to a saving of £31.26 per day against the original target for 2012-13 of £309.91/day; a total financial saving to Thanet District Council of £10,002.57 for 2012-13.

Year	Cost / Audit Day
2006-07	£288
2007-08	£277
2008-09	£262 (Reserve Refunded to Partners)
2009-10	£281
2010-11	£268
2011-12	£257
2012.13	£279

The EKAP was formed to provide a resilient, professional service and therefore to achieve financial savings was not the main driver, despite this considerable efficiencies have been gained through forming the partnership. Additionally, external fee earning work that has been carried out, this year some £17,802 was procured from EKAP for Interreg Grant reviews which reduces the costs to the partners. The net result is a reduced EKAP cost per audit day of some £31 per day below the original budget estimate. In the current climate this is excellent performance and the partner authorities have all enjoyed the overall savings of £42,824 generated by the EKAP.

6. Overall Conclusion

The Internal Audit function provided by the EKAP has performed well against its targets for the year. Clearly there have been some adjustments to the original audit plan for the year 2012-13, however, this is as expected and there are no matters of concern to be raised at this time.

The work of Internal Audit and this report contribute to the overall internal control environment in operation within the Council, and also assists in providing an audit trail to the statements that must be published annually with the financial accounts. The EKAP assesses the overall system of internal control in operation throughout 2012-13 as providing reasonable assurance. No system of control can provide absolute assurance, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance that there is an ongoing process for identifying, evaluating and managing the key risks.

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.

Performance against the Agreed 2012-13 Audit Plan

THANET DISTRICT COUNCIL:

Area	Original Planned Days	Revised Budgeted Days	Actual days to 31-03-2013	Status and Assurance Level
FINANCIAL SYSTEMS:				
Car Parking & Enforcement	12	12	11.31	Finalised - Substantial
Capital	5	5	4.78	Finalised - Substantial
Treasury Management	5	5	5.83	Finalised - Substantial
Bank Reconciliation	5	5	5.07	Finalised - Substantial
Creditors and CIS	8	8	8.82	Finalised - Substantial
External Funding Protocol	8	8	9.4	Finalised - Substantial
Income	8	8	8.41	Finalised - Substantial
VAT Compliance	8	8	8.93	Finalised - Reasonable
RESIDUAL HOUSING SERVICES:				
Housing Allocations	10	10	2.27	Work-in-Progress
GOVERNANCE RELATED:				
Data Protection	10	10	10.94	Finalised – Reasonable/Limited
Provision for either a VfM Strategy audit/VfM project works or a Project Management audit	10	0	0	Deleted from plan to accommodate unplanned work
Partnerships and Shared Services Monitoring	10	10	9.88	Finalised - Reasonable
Scheme of Officer Delegations	7	0	0	Deleted from plan to accommodate unplanned work
Risk Management	10	10	10.15	Finalised - Substantial
Corporate Advice/SMT	2	2	2.5	Finalised for 2012-13
s.151 Officer Meetings and Support	9	9	9.35	Finalised for 2012-13
Governance & Audit Committee Meetings and Report Preparation	12	12	14.01	Finalised for 2012-13
2013-14 Audit Plan and Preparation Meetings	9	9	9.44	Finalised for 2012-13
CONTRACT RELATED:				
Contract Standing Order Compliance	12	12	15.26	Finalised - Reasonable
SERVICE LEVEL:				
Child Protection and CRB Checks	9	9	1.11	Work-in-Progress

Area	Original Planned Days	Revised Budgeted Days	Actual days to 31-03-2013	Status and Assurance Level
Dog Warden & Litter Enforcement	8	12	13.39	Finalised – Reasonable/Limited
Environmental Health - Food Safety and AirPort Health Control	10	10	0	Deferred
Environmental Health - Health & Safety at Work	8	8	8.84	Finalised - Reasonable
Business Continuity & Emergency Planning	8	8	7.89	Finalised - Reasonable
Grounds Maintenance	10	10	13.08	Finalised - Reasonable
Dalby Square Heritage Grants (Advice on control framework)	3	3	4.8	Finalised
Dickens House and Margate Museums	10	10	12.52	Finalised – Reasonable/Limited
Let Properties and Concessions	10	10	11.12	Finalised - Reasonable
Thanet Leisure Force	12	12	11.21	Finalised – Substantial/Limited
Visitor Information Arrangements	10	10	12.29	Finalised - Reasonable
Waste Management	10	10	9.71	Finalised - Reasonable
Youth Development Strategy	8	0	0	Deferred
OTHER :				
Liaison With External Auditors	3	2	1.08	Finalised for 2012-13
Follow-up Reviews	20	20	10.10	Finalised for 2012-13
UNPLANNED WORK:				
Housing Repairs & Maintenance	0	22	23.02	Work-in-Progress
Child Protection - Assistance on the Kent Safeguarding Board section 11 self assessment return.	0	0	2.77	Finalised
Election Duty – Police and Crime Commissioner elections	0	0	1	Finalised
FINALISATION OF 2011-12 AUDITS:				
Days under delivered in 2011-12	0	0	-7.21	Completed
Absence Management	0	0	8.19	Finalised - Limited
EK HUMAN RESOURCES:				
Recruitment	5	5	4	Work-in-Progress
Payroll, SMP and SSP	5	5	5.94	Finalised – Reasonable/Limited
Pay & Reward - Equality Impact Assessment	8	8	9.79	Finalised
HR Systems Development – i-Trent	3	3	0	Deleted from Plan
TOTAL - THANET DISTRICT COUNCIL RESIDUAL DAYS	320	320	310.99	97% Complete as at 31-03-2013

Area	Original Planned Days	Revised Budgeted Days	Actual days to 31-03-2013	Status and Assurance Level
UNPLANNED ADDITIONAL WORK				
Interreg Grant – Tudor House	4	4	4.26	Finalised
Interreg Grant – Maritime (Off-Shore Wind Farm)	4	4	12.14	Finalised for 2012-13
Interreg Grant – Maritime (Yacht Valley)	4	13	9.17	Finalised for 2012-13
English Heritage Grant - Margate Arts Heritage and Culture Project	0.5	2.5	2.2	Finalised

East Kent Housing Ltd 2012-13 Audit Plan Results

Review	Original Planned Days	Revised Planned Days	Actual days to 31-03-13	Status and Assurance Level
Planned Work:				
Audit Committee/EA liaison/Advice	4	5	8.20	N/A
Repairs and Maintenance – Planned, responsive and Cyclical repairs.	30	25	28.55	Work-in-Progress
Sheltered and Supported Housing	16	0	0	Delayed until Quarter 2 of 2013-14
Tenancy and Estate Management	30	30.35	30.88	Finalised - Reasonable
Finalisation of 2011-12 Audits:				
Rent Calculation, Collections and Arrears Management	17.35	8.2	7.05	Finalised - Reasonable
Finance and ICT			1.15	Finalised - Substantial
Follow Ups Completed;-			Revised Assurance	
Finance & ICT	7	1	0.95	Substantial
Tenant H&S		1	0.95	Reasonable
Corporate Governance		1	0.57	Reasonable
Rents		1	1.11	Reasonable
Leaseholder Charges		3	2.97	Reasonable
Responsive Work:				
CCC Capital and Revenue Budget	0	8	7.88	Finalised
TDC Repairs and Maintenance	0	10	10.03	Draft Report
Former Tenant Arrears Policy – Advice	0	1	0.96	Finalised
Current Tenant Arrears Policy – Advice	0	1.5	1.49	Finalised
CSO and Anti-Fraud Presentation	0	1.3	1.28	Finalised
Total	97.35	97.35	104	107% Complete as at 31-03-2013



Balanced Scorecard

INTERNAL PROCESSES PERSPECTIVE:	2012-13 Actual	Target	FINANCIAL PERSPECTIVE:	2012-13 Actual	Target
	Quarter 4				
Chargeable as % of available days	84%	80%	Reported Annually		
Chargeable days as % of planned days			Direct Costs (Under EKAP management)	£388,189	£408,270
CCC	102%	100%	Indirect Costs (Recharges from Host)	£11,369	£16,310
DDC	103%	100%	'Unplanned Income'	£17,802	Zero
SDC	86%	100%	Net overall Cost Shared Between Partners	£381,756	£424,580
TDC	97%	100%	Overall Saving Delivered Across Partners = 10%	£42,824	Zero
EKS	85%	100%			
EKH	107%	100%	Cost per Audit Day	£278.65	£309.81
Overall	95%	100%			
Follow up/ Progress Reviews; (all sites)					
• Issued	54	-			
• Not yet due	25	-			
• Now overdue for Follow Up	25	-			
Percentage compliance with the CIPFA Code for Internal Audit 2006	97%	97%			

<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 4		Quarter 4		
Number of Satisfaction Questionnaires Issued;	94		Percentage of staff qualified to relevant technician level	75%	75%
Number of completed questionnaires received back;	39 (=41%)		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	5.74	3.5
	90%	90%	Percentage of staff meeting formal CPD requirements	33%	33%
	97%	100%			

Annual Internal Audit Report for EK Services 2012-13

1. Introduction/Summary

The main points to note from this report are that the agreed programme of audits has been completed with some projects carried over (with management agreement) as work in progress at 31st March 2013. The majority of reviews have given a substantial or reasonable assurance and there are no major areas of concern that would give rise to a qualified opinion.

The financial management of the Internal Audit cost centre held by Dover District Council has performed well and has delivered a 10% saving against budget. The saving directly passed to EK Services is £5,001.29.

2. Review of the Internal Control Environment

2.1 Risks and Assurances

During 2012-13, 35 recommendations were made in the agreed final audit reports for EK Services. These are analysed as being High, Medium or Low risk in the following table:

Risk Criticality	No. of Recommendations	Percentage
High	7	20%
Medium	20	57%
Low	8	23%
TOTAL	35	100%

Naturally, more emphasis is placed on recommendations for improvement regarding high risks. Any high priority recommendations where management has not made progress in implementing the agreed system improvement are brought to management and members' attention through Internal Audit's quarterly update reports. During 2012-13 the EKAP has raised and reported to the partners' quarterly audit committee meetings 35 recommendations, and whilst 77% were in the High or Medium Risk categories, none are so significant that they need to be escalated at this time.

Internal Audit applies one of four 'assurance opinions' to each review, this provides a level of reliance that management can place on the system of internal control to deliver the goals and objectives covered in that particular review. The conclusions drawn are described as being "a snapshot in time" and the purpose of allocating an assurance level is so that risk is managed effectively and control improvements can be planned. Consequently, where the assurance level is either 'no' or 'limited', or where high priority recommendations have been identified, a follow up progress review is undertaken and, where appropriate, the assurance level is revised.

The summary of Assurance Levels issued on the 10 pieces of work commissioned for EK Services over the course of the year is as follows:

NB: the percentages shown are calculated on finalised reports with an assurance level

Assurance	No.	Percentage of Completed Reviews
Substantial	2	33%
Reasonable	3	50%
Limited	1*	17%
No	0	0%
Work in Progress at Year-End	2	-
Not Applicable	2	-

* See list in the table below

NB: 'Not Applicable' is shown against quarterly benefit checks, special investigations or work commissioned by management that did not result in an assurance level.

Taken together 83% of the reviews account for substantial or reasonable assurance, whilst 17% of reviews placed a limited assurance to management on the system of internal control in operation at the time of the review. There were no reviews assessed as having no assurance.

For each recommendation, an implementation date is agreed with the Manager responsible for implementing it. Understandably, the follow up review is then timed to allow the service manager sufficient time to make progress in implementing the agreed actions against the agreed timescales. Those areas receiving either a 'limited' or 'no' assurance audit opinion during the year are detailed in the following table, these areas are also recorded as an appendix to the quarterly report until the follow up report is issued, so that they do not get overlooked. The results of any follow up reviews yet to be undertaken will therefore be reported to the quarterly committee at the appropriate time:

Area Under Review	Original Assurance	Follow Up Due/ Result
ICT Software Licensing	Limited	Quarter 1 2013-14

2.2 Progress Reports

In agreeing the final Internal Audit Report, management accepts responsibility to take action to resolve all the risks highlighted in that final report. The EKAP carries out a follow up progress review at an appropriate time after finalising an agreed report to test whether agreed action has in fact taken place and whether it has been effective in reducing risk.

As part of the follow up action, the recommendations under review are either:

- "closed" as they are successfully implemented, or
- "closed" as the recommendation is yet to be implemented but is on target, or
- (for medium or low risks only) "closed" as management has decided to tolerate the risk, or the circumstances have since changed.

At the conclusion of the follow up review the overall assurance level is re-assessed. As Internal Audit are tasked to perform one progress report per original audit and bring those findings back, it is at this juncture that any outstanding high-risks are escalated to the Governance and Audit Committee via the quarterly update report.

Four follow up reports were carried out for EKS during the year. The results for the follow up activity for 2012-13 will continue to be reported at the appropriate time. The results in the following table show the original opinion and the revised opinion after follow up to measure the impact that the EKAP review process has made on the system of internal control.

Total Follow Ups undertaken 4	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
Original Opinion	0	1	3	0
Revised Opinion	0	0	4	0

There are no fundamental issues of note arising from the audits undertaken in 2012-13. None of the reviews are currently showing limited assurance.

2.3 Special Investigations and Fraud Related Work

The prevention and detection of fraud and corruption is ultimately the responsibility of management however, the EKAP is aware of its own responsibility in this area and is alert to the risk of fraud and corruption. Consequently the EKAP structures its work in such a way as to maximise the probability of detecting any instances of fraud. The EKAP will immediately report to the relevant officer any detected fraud or corruption identified during the course of its work; or any areas where such risks exist.

The EKAP is, from time to time, required to carry out special investigations, including suspected fraud and irregularity investigations and other special projects. During the year 2012-13 there have been no fraud investigations conducted by the EKAP on behalf of EK Services.

2.4 Completion of Strategic Audit Plan

The analysis in Attachment P shows the individual reviews that were completed during the year. As at 31st March 2013 delivery was slightly behind plan and EKAP had delivered 156.99 days against 185.10 owed (84.81%). The 28.11 days carried forward will be delivered in 2013-14 as part of the rolling three-year plan process. Not achieving 100% plan completion at all sites this year was a decision made collectively by the s151 Officers who directed the EKAP to deliver a financial saving over achieving 100% of the agreed plans.

Year	Days Required	Plus B/Fwd	Adjusted Requirement from EKAP	Days Delivered	Percentage Completed	Days Against Target
2011-12	169	0	0	143.9	85.15%	-25.10
2012-13	160	25.10	185.10	156.99	84.81%	-3.01
Total	329			300.89	91.46%	-28.11

3. Overall assessment of the System of Internal Controls 2012-13

Based on the work of the EKAP on behalf of EK Services during 2012-13, the overall opinion is:

There are no major areas of concern, which would give rise to a qualified audit statement regarding the systems of internal control concerning either the main financial systems or overall systems of corporate governance.

There was one area where a partial limited assurance level was given which reflected a lack of confidence in arrangements, and this was brought to officers' attention. This review was followed up during the year and the progress made in control improvement resulted in the assurance being revised to reasonable as shown in the table above (paragraph 2.2).

4. Significant issues arising in 2012-13

From the work undertaken during 2012-13, there were no instances of unsatisfactory responses to key control issues raised in internal audit reports by the end of the year. There are occasions when audit recommendations are not accepted for operational reasons such as a manager's opinion that costs outweigh the risk, but none of these are significant and require reporting or escalation at this time.

The review (shown in the table at 2.1) that was originally a partial Limited Assurance will be followed up later in 2013-14.

5. Overall Conclusion

The work of Internal Audit and this report contribute to the overall internal control environment in operation within EK Services, and also assists in providing an audit trail to the statements that must be published annually with the financial accounts for each partner council. The EKAP assesses the overall system of internal control in operation throughout 2012-13 as providing reasonable assurance. No system of control can provide absolute assurance, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance that there is an ongoing process for identifying, evaluating and managing the key risks.

Performance against the Agreed 2012-13 Audit Plan

Area	Original Planned Days	Revised Budgeted Days	Actual days to 31.03.2013	Status and Assurance Level
EK SERVICES SYSTEMS:				
Benefits - Payments	15	15	13.58	Complete - Substantial
Benefits – Admin & Assessment	30	30	17.72	WIP
Council Tax	23	23	22.68	Complete - Substantial
ICT Network Security	15	15	6.15	WIP
ICT Procurement & Disposals	15	5	5.20	Complete - Reasonable
ICT Software Licensing	15	12	11.27	Complete - Limited
DDC HB Testing	20	26	25.31	N/A
TDC HB Testing	20	27	26.84	N/A
EKS Corporate (Reports/Advice/etc)	0	3	3.11	-
Work Carried over from 2011-12 Total 25.1 Days;-				
Customer Services / Gateway	0	10	8.08	Complete - Reasonable
ICT Physical Environment	0	15.1	13.01	Complete - Reasonable
Follow Ups				Revised Assurance
Housing Benefit Fraud			1.05	Reasonable
Sundry Debtors	7	4	1.84	Substantial / Reasonable
Business Rates			0.43	Reasonable
ICT Internet & Email			0.72	Reasonable
Sub-Total - EK Services days	160	185.10	156.99	84.81%