

Annual Internal Audit Report for Thanet District Council 2013-14

1. Introduction

The Public Sector Internal Audit Standard (PSIAS) defines internal audit as:

“Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

A more detailed explanation, of the role and responsibilities of internal audit, is set out in the Audit Charter (Annex 2). The East Kent Audit Partnership (EKAP) aims to comply with the PSIAS, 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. The PSIAS came into effect from 1st April 2013. Therefore this annual report compares EKAP activity against the new standard and any improvement actions required to achieve compliance with PSIAS will be reflected in future annual reports hereafter.

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. Objectives

The majority of reviews undertaken by Internal Audit are designed to provide assurance on the operation of the Council’s internal control environment. At the end of an audit we provide recommendations and agree actions with management that will, if implemented, further enhance the environment of the controls in practice. Other work undertaken, includes the provision of specific advice and support to management to enhance the economy, efficiency and effectiveness of the services for which they are responsible. The annual audit plan is informed by special investigations and anti-fraud work carried out as well as the risk management framework of the Council.

A 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 though 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.

4. Internal Audit Performance Against Targets

4.1 EKAP Resources

The EKAP has provided the service to the partners based on a FTE of 8. Additional audit days have been provided via audit contractors and a KCC CIPFA Trainee, in order to meet the planned workloads.

3.2 Performance against Targets

The EKAP is committed to continuous improvement and has various measures to ensure the service can strive to improve. The performance measures and indicators for the year are shown in the balanced scorecard of performance measures at Appendix 4.

3.3 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 each stage 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.

3.4 External Quality Assurance

The external auditors, Grant Thornton, have conducted a review in February 2014 of the Internal Audit arrangements. They have concluded that, where possible, they can place reliance on the work of the EKAP.

3.5 Liaison between Internal Audit and External Audit.

Joint liaison meetings with the audit managers from Grant Thornton for the partner authorities and the EKAP were held to ensure adequate audit coverage, to agree any complementary work and to avoid any duplication of effort. 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.

3.6 Compliance with Professional Standards

The EKAP self-assessment of the level of compliance against the Public Sector Internal Audit Standards shows that some improvement actions are required to achieve full compliance. The self-assessment was reported to the March cycle of audit committee meetings and a progress update against each of the identified actions is contained in Appendix 6.

3.7 Financial Performance

Expenditure and recharges for year 2013-14 are all in line with the Internal Audit cost centre hosted by Dover District Council. Financial management has delivered a 10% saving against budget.

The EKAP has been able to exceed its targets for financial performance for 2013-14 by generating income through 'selling days' for checking grant claims. This daily rate excludes any internal recharges that are added to the service by the Council. This equates to a total financial saving to Thanet District Council of £8,815.44 for 2013-14, or £6,922.09 net of the one off cost for the Council's share of the PC Refresh project (ten laptops and associated software/licenses).

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
2013-14	£290

The EKAP was formed to provide a resilient, professional service and therefore achieving 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 £17,065.32 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 below the original budget estimate. In the current climate this is excellent performance and the partner councils have all enjoyed the overall savings of £38,787.92 generated by the EKAP.

5. Overview of Work Done

The original audit plan for 2013-14 included a total of 26 projects. We have communicated closely with the s.151 Officer, CMT and this Committee to ensure the projects actually undertaken continue to represent the best use of resources. As a result of this liaison some changes to the plan were agreed during the year. A few projects (4) have therefore been pushed back in the overall strategic plan, to permit some higher risk projects to come forward in the plan (3). The total number of projects undertaken in 2013-14 was 25, with 7 being WIP at the year end to be finalised in April.

Review of the Internal Control Environment

4.1 Risks

During 2013-14, 95 recommendations were made in the agreed final audit reports to Thanet District Council. These are analysed as being High, Medium or Low risk in the following table:

Risk Criticality	No. of Recommendations	Percentage
High	27	28%
Medium	48	51%
Low	20	21%
TOTAL	95	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 2013-14 the EKAP has raised and reported to the quarterly Governance Committee meetings 95 recommendations, and whilst 79% were in the High or Medium Risk categories, none are so significant that they need to be escalated at this time.

4.2 Assurances

Internal Audit applies one of four 'assurance opinions' to each review, please see Appendix 1 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 25 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	9	50%
Reasonable	6	33%
Limited	3	17%
No	0	0 %
Work in Progress at Year-End	7	-
Not Applicable	0	-

* See list in the table below

NB: 'Not Applicable' is shown against 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 (or partially 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 table at four, 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:

4.3 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 changed since the original review was undertaken.

At the conclusion of the follow up review the overall assurance level is reassessed. As Internal Audit is 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 2013-14 are set out below. The shift to the right in the third column 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 2013-14.

Total Follow Ups undertaken 17	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
Original Opinion	0	4	10	3
Revised Opinion	0	4	8	5

The 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
Data Protection	Reasonable/ Limited	Reasonable/ Limited
Museums	Reasonable/ Limited	Reasonable/ Limited
Monitoring & Performance of Your Leisure	Substantial / Limited	Substantial / Limited
Dog Wardens & Litter Enforcement	Reasonable/ Limited	Reasonable/ Limited

A considerable amount of work had been undertaken to complete the recommendations made in the audit reports, however not all recommendations had been fully implemented and therefore it was considered premature to increase the assurance levels until the recommendations are fully implemented and embedded within the organisation.

4.4 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, there have been no new fraud investigations conducted by the EKAP on behalf of Thanet District Council. An investigation which commenced in 2012-13 was followed up and reported to this Committee in 2013-14.

4.5 Completion of Strategic Audit Plan

Appendix 2 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. 288.70 audit days were completed for Thanet District Council during 2013-2014. Including the 9.01 days carried forward this adjusts the budgeted 300 days to 309.01, therefore 93.43% plan completion. The 20.31 days behind at the year end, will be carried over to 2014-15. 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 2007-08 concludes that EKAP is 20.31 days behind schedule as we commence 2014-15, as shown in the table below.

Year	Plan Days	Plus B/Fwd	Adjusted Requirement from EKAP	Days Delivered	Percentage Completed	Days Carried Forward (Days Required – Days Delivered)
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
2013-14	300	9.01	309.01	288.70	93.43%	-11.30
Total	2200			2179.69	99.08%	-20.31

Appendix 3 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 both 2012-13 and 2013-14 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 June 30th 2014.

Appendix 4 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. As EKS is hosted by TDC, the EKS Annual Report in its full format, is attached as Appendix 5.

5. Overall assessment of the System of Internal Controls 2013-14

Based on the work of the EKAP on behalf of Thanet District Council during 2013-14, 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 a 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 been assessed as providing 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 three areas where only a partially limited assurance level was given which reflected a lack of confidence in arrangements, and these were brought to officers' attention. These reviews are shown in the table in paragraph 6 along with the details of our planned follow up activity for other areas awaiting a progress report.

6. Significant issues arising in 2013-14

From the work undertaken during 2013-14, 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 the associated costs outweigh the risk, but none of these are significant and require reporting or escalation at this time.

The EKAP has been commissioned to perform only one follow up, there were four reviews that remained a partial Limited Assurance after follow up and twenty-three recommendations that were originally assessed as high risk, which remained a high priority and outstanding after follow up were escalated to the Governance and Audit Committee during the year.

Reviews previously assessed as providing a Limited Assurance that are yet to be followed up are shown in the table below. The progress reports for these will be reported to the Committee at the meeting following completion of the follow up.

Area Under Review	Original Assurance (Date to G&A Cttee)	Progress Report
Homelessness	Substantial /Limited March 14	Quarter 3 2014-15
Maritime Ramsgate Marina	Reasonable/ Limited March 14	Quarter 3 2014-15
Public Health Burials	Limited March 2014	Quarter 3 2014-15
Absence Management	Limited June 2013	Quarter 3 2014-15

7. 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 2013-14, however, this is as expected and there are no matters of concern to be raised at this time.

The EKAP assesses the overall system of internal control in operation throughout 2013-14 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 TDC Agreed 2013-14 Audit Plan

Area	Original Planned Days	Revised Budgeted Days	Actual days to 31-03-2014	Status and Assurance Level
FINANCIAL SYSTEMS:				
Main Accounting System	10	10	11.3	Finalised - Substantial
Budget Monitoring	10	10	10.36	Finalised - Substantial
Income	10	0	0	Postponed until 2014-15
RESIDUAL HOUSING SERVICES:				
Homelessness	10	10	13.85	Finalised – Substantial/Limited
GOVERNANCE RELATED:				
Asset Management	10	10	0	Postponed to accommodate unplanned work
Members' Code of Conduct & Standards Arrangements	10	10	11.09	Finalised - Reasonable
Officers Code of Conduct and Whistle blowing Arrangements	10	10	12.23	Finalised - Reasonable
Local Code of Corporate Governance	7	7	9.8	Finalised - Substantial
Performance Management	10	10	9.93	Finalised - Reasonable
Corporate Advice/SMT	2	2	1.83	Finalised for 2013-14
s.151 Officer Meetings and Support	9	9	8.87	Finalised for 2013-14
Governance & Audit Committee Meetings and Report Preparation	12	12	12.87	Finalised for 2013-14
2014-15 Audit Plan and Preparation Meetings	9	9	11.94	Finalised
CONTRACT RELATED:				
Service Contract Monitoring and Management	10	10	11.4	Finalised - Reasonable
Procurement Strategy	10	10	0.24	Work-in-progress
SERVICE LEVEL:				
Cemeteries and Crematoria	10	10	9.52	Finalised - Reasonable
HMO Licensing and Selective Licensing Scheme	10	10	8.71	Finalised - Substantial
Coast Protection	8	8	8.29	Finalised - Substantial
Environmental Health – Food Safety	10	10	0.2	Postponed due to FSA inspection
Environmental Health – Public Health Burials	6	6	10.56	Finalised - Limited

Area	Original Planned Days	Revised Budgeted Days	Actual days to 31-03-2014	Status and Assurance Level
Environmental Protection Service Requests	10	10	8.33	Finalised - Reasonable
Equality & Diversity	10	10	0.17	Postponed until 2014-15 plan
Disabled Facilities Grants	10	10	10.21	Finalised - Substantial
Maritime – Ramsgate Marina	10	10	13.19	Finalised – Reasonable/Limited
Members’ Allowances	10	10	10.23	Finalised – Substantial
Planning & s.106 Agreements	10	10	0	Work-in-Progress
Building Control	10	10	9.77	Finalised - Substantial
Travel Warrants and Imprest Floats	5	5	4.85	Finalised – Substantial
Phones, Mobiles and Utilities	7	7	7.21	Finalised – Substantial
OTHER :				
Liaison With External Auditors	3	3	.31	Finalised for 2013-14
Follow-up Reviews	17	21	24.18	Finalised for 2013-14
UNPLANNED WORK:				
Election Duty – 1 Presiding Officer at KCC May Elections	0	1	1	Finalised
Broadstairs Visitor Information Kiosk –Financial Arrangements	0	0	1.19	Finalised
HCA Empty Properties Grant	0	0	0.96	Finalised
Waste Vehicle Fleet Management	0	0	2.47	Work-in-progress
FOI, Data Protection and Information Management	0	0	10.35	Work-in-progress
Tackling Tenancy Fraud	0	5	3.52	Work-in-progress
FINALISATION OF 2012-13 AUDITS:				
Days under delivered in 2012-13	0	9.01	-	Completed
Housing Allocations			7.41	Finalised - Reasonable
Child Protection and CRB Checks	5	5	6.8	Finalised - Reasonable
Recruitment & Induction			1.75	Finalised - Reasonable
EK HUMAN RESOURCES:				
Payroll, SMP and SSP	5	5	0.94	Work-in-progress
Employee Benefits-in-Kind	5	5	0.88	Work-in-progress
TOTAL	300	309.01	288.70	93.43%
UNPLANNED ADDITIONAL WORK				

Area	Original Planned Days	Revised Budgeted Days	Actual days to 31-03-2014	Status and Assurance Level
Interreg Grant – Maritime (Yacht Valley)	4	12	11.05	Finalised
Interreg Grant – LOPINOD	4	4	4.03	Finalised for 2013-14
English Heritage Grant	2	2	2.40	Finalised
Cluster of Empty Homes Grant	0	1	0.55	Finalised

East Kent Housing Ltd 2013-14 Audit Plan Results

Review	Original Planned Days	Revised Planned Days	Actual days to 31-03-14	Status and Assurance Level
Planned Work:				
Audit Ctte/EA Liaison/Follow-up	8	7	7.02	Work-in-Progress throughout 2013-14
Rents Accounting, Collection and Debt Management	12	12	16.71	Finalised - Reasonable
Leasehold Services	40	37	24.82	Work-in-Progress
Sheltered Housing	20	0	0.27	Postponed until 2014-15
Finalisation of 2012-13 Audits:				
Housing Repairs and Maintenance	0	24	24.21	Finalised - Reasonable
Days over delivered in 2012-13		-6.65		Completed
Total	80	73.35	73.03	99.56%
Additional days purchased with EKAP saving generated in 2012-13	8.97	8.97	8.97	Finalised – spent on the Repairs and Maintenance audit



EAST KENT

 DOVER • SHEPWAY • THANET • CANTERBURY

AUDIT PARTNERSHIP

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 4				
Chargeable as % of available days	83%	80%	Cost per Audit Day (Reported Annually)	£290.18	£319.56
Chargeable days as % of planned days			Direct Costs (Under EKAP management)	£388,917	£402,010
CCC	97%	100%	Indirect Costs (Recharges from Host)	£11,180	£19,810
DDC	103%	100%	'Unplanned Income'	£17,065.32	-
SDC	99%	100%	Overall Saving Delivered Across Partners = 10%	£38,787.92	-
TDC	93%	100%		£7,573.40	-
EKS	83%	100%	One Off Cost 2013-14 New ICT funded from Savings	£383,032	£421,820
EKH	99%	100%	Total EKAP cost (Excluding Laptops)		
Overall	96%	100%			
Follow up/ Progress Reviews;					
• Issued	63	-			
• Not yet due	22	-			
• Now overdue for Follow Up	28	-			
Compliance with the PIAS for Internal Audit Standards	Partial	Full			

<u>CUSTOMER PERSPECTIVE:</u>	<u>2013-14 Actual</u>	<u>Target</u>	<u>INNOVATION & LEARNING PERSPECTIVE:</u>	<u>2013-14 Actual</u>	<u>Target</u>
	Quarter 4		Quarter 4		
Number of Satisfaction Questionnaires Issued;	99			88%	75%
Number of completed questionnaires received back;	62 = 63%		Percentage of staff qualified to relevant technician level	33%	33%
Percentage of Customers who felt that;			Percentage of staff holding a relevant higher level qualification	25%	13%
<ul style="list-style-type: none"> • Interviews were conducted in a professional manner 	100%	100%	Percentage of staff studying for a relevant professional qualification	7.15	3.5
<ul style="list-style-type: none"> • The audit report was 'Excellent, Very Good or Good' 	98%	90%	Number of days technical training per FTE	43%	43%
<ul style="list-style-type: none"> • That the audit was worthwhile. 	100%	100%	Percentage of staff meeting formal CPD requirements		

Annual Internal Audit Report for EK Services 2013-14

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 2014. 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 £4,701.57.

2. Review of the Internal Control Environment**2.1 Risks and Assurances**

During 2013-14, 18 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	8	44%
Medium	7	39%
Low	3	17%
TOTAL	18	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 2013-14 the EKAP has raised and reported to the partners' quarterly audit committee meetings 18 recommendations, and whilst 83% 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 12 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	5	50%
Reasonable	2	20%
Limited	3	30%
No	0	0%
Work in Progress at Year-End	0	-
Not Applicable	2	-

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 70% of the reviews account for substantial or reasonable assurance, whilst 30% 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 Change Controls	Limited	Quarter 3 2014-15
ICT Software Procurement	Limited	Quarter 3 2014-15
ICT PC & Application Controls	Limited	Quarter 3 2014-15

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.

Five follow up reports were carried out for EKS during the year. The results for the follow up activity for 2013-14 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 5	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
Original Opinion	0	0	4	1
Revised Opinion	0	0	4	1

There are no fundamental issues of note arising from the audits undertaken in 2013-14. Reviews previously assessed as providing a Limited Assurance that are yet to be followed up are shown in the table below. The progress report for this will be reported to the Committee at the meeting following completion of the follow up.

Area Under Review	Original Assurance (Date to G&A Cttee)	Progress Report
ICT Software Licensing	Limited /June 2013	Quarter 3 2014-15

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 2013-14 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 2014 delivery was slightly behind plan and EKAP had delivered 156.96 days against 188.11 owed (83.44%). The 31.15 days carried forward will be delivered in 2014-15 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
2013-14	160	28.11	188.11	156.96	83.44%	-3.04
Total	489			457.85	93.63%	-31.15

3. Significant issues arising in 2013-14

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 from 2012-13 (shown in the table at 2.2) that was originally a Limited Assurance will be followed up later in 2014-15. There were three areas in 2013-14 where a limited assurance level was given which reflected a lack of confidence in arrangements, and this was brought to officers' attention. These reviews will be followed up and the progress made in control improvement will be reported to this committee at the appropriate time.

4.0 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.

Based on the work of the EKAP on behalf of EK Services during 2013-14, 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 EKAP

assesses the overall system of internal control in operation throughout 2013-14 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.

Attachment P

Performance against the Agreed EKS 2013-14 Audit Plan

Review	Original Planned Days	Revised Planned Days	Actual days to 31-03-14	Status and Assurance Level
Planned Work:				
Housing Benefits – Overpayments	15	15	7.19	Finalised - Substantial
Housing Benefits – Fraud Investigation Unit	15	15	13.32	Finalised - Substantial
Council Tax Reduction Scheme	0	5	4.80	Finalised - Substantial
Housing Benefits – Quarterly Testing	40	40	41.72	Finalised for 2013-14
Business Rates	30	30	29.99	Finalised - Reasonable
Debtors and Rechargeable Works	15	15	3.44	Finalised - Substantial
ICT – Change Controls	15	10	8.85	Finalised - Limited
ICT – Software Procurement	15	15	15.27	Finalised - Limited
ICT – PC Controls and Application Controls	15	10	8.68	Work-in-progress
Corporate/Committee	0	0	4.72	Finalised for 2013-14
Follow-up	0	5	5.94	Finalised for 2013-14
New Homes Bonus	0	0	0.34	Finalised
Finalisation of 2012-13 Audits:				
Housing Benefits and Assessment	0		9	Finalised - Reasonable
ICT – Network Security	0		3.7	Finalised - Substantial
Days under delivered in 2012-13		28.11		Finalised
Total	160	188.11	156.96	83.44%

Appendix 6

Improvement Actions Required for EKAP to “conform with the International Standard for the Professional Practice of Internal Auditing

PSIAS Reference	PSIAS Name	Action Required	Update at June 2014
1110	Organisational Independence	<ul style="list-style-type: none"> • Update the Audit Charter to reflect that the Head of Audit has direct access to the Chair of the Audit Committee should this be ever required. • Confirm annually that EKAP is organisationally independent. • Remind IA Staff of their ethical responsibilities. • Ensure the HoA’s performance appraisal is reviewed and signed off by Chief Executive and feedback sought from the Chair of the Audit Committee. 	<ul style="list-style-type: none"> • Completed • Included in Annual Report • Team Meeting 30th April 2014 • With the Director of Finance
1111	Direct Interaction with the ‘Board’	<ul style="list-style-type: none"> • Consider the need to meet in private at least annually with the Chair of the Audit Committee. 	<ul style="list-style-type: none"> • Proposed for December Meeting annually, also to be combined with assisting in the Committee’s self-Assessment.
1311	Internal Assessments	<ul style="list-style-type: none"> • Improve the internal quality assessment in accordance with the new requirements; specifically to capture more evidence of the assessments done and include budget information in the annual report. 	<ul style="list-style-type: none"> • Ongoing
1312	External Assessments	<ul style="list-style-type: none"> • Ensure an external assessment is carried out in the next four years. Look into a joint procurement exercise with Kent Audit Group. • Establish a champion/sponsor to oversee the process. • Agree the approach, scope and budget for the External Assessment with the Audit Committee. 	<ul style="list-style-type: none"> • Diarized, and now on the KAG agenda to see how the market develops.

2000	Managing the IA Activity	<ul style="list-style-type: none"> • General tidy up on files including ensuring compliance with the Document Retention Scheme and disposal of old files. • Investigate how our software APACE can do more for us, including updating the Audit Universe and Risk scores held. • Better evidence reasons for over and underspends on time budgets against individual reviews as recorded on APACE. • Combine the former Audit Charter and the Strategy, and update the Charter 	<ul style="list-style-type: none"> • Raised at Team Meeting 30th April 2014
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