

Annex 1

Annual Internal Audit Report for Thanet District Council 2020-21

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 approved Audit Charter. 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.

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 governance processes and 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 annual meetings. The shared arrangement for EKAP also secures organisational independence, which in turn assists EKAP in making conclusions about any resource limitations or ensuring there are no instances of restricted access.

3. Internal Audit Performance Against Targets

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 2020-21,

however, this has been an extraordinary year and there are no matters of concern to be raised at this time.

3.1 EKAP Resources

The EKAP has provided the service to the partners based on a FTE of 6.74. Additional audit days have been provided via audit contractors 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 5. The measures themselves were reviewed by the Client Officer Group at their annual meeting and no changes were made.

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 the Head of the Audit Partnership; all of whom 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, conducted a review in February 2021 of the Internal Audit arrangements. They have concluded that, where possible, they can place reliance on the work of the EKAP. See also 3.6.1 below.

3.5 Liaison between Internal Audit and External Audit

Liaison with the audit managers from Grant Thornton for the partner authorities and the EKAP is undertaken largely via email 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

3.6.1 The EKAP self-assessment of the level of compliance against the Public Sector Internal Audit Standards shows that some actions are required to achieve full compliance which EKAP will continue to work towards. There is, however, no appetite with the Client Officer Group to pay for an External Quality Assessment of the EKAP's level of compliance, relying on a review by the s.151 officers of the self-assessment. Consequently, the EKAP can say that it partially conforms with PSIAS and this risk is noted in the AGS.

3.6.2 The internal audit activity adds value to the organisation (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management and control processes.

3.6.3 The EKAP as required by the standards has demonstrated that it achieved the Core Principles in three key ways. Firstly, by fulfilling the definition of Internal Auditing which is the statement of fundamental purpose, nature and scope of internal auditing. The definition is authoritative guidance for the internal audit profession (and is shown at paragraph 1 above). Secondly by demonstrating that it has been effective in achieving its mission showing that it; -

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of the organisation.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.

And thirdly by complying with The Code of Ethics, which is a statement of principles and expectations governing behaviour of individuals and organisations in the conduct of internal auditing. The Rules of Conduct describe behaviour norms expected of internal auditors. These rules are an aid to interpreting the Core Principles into practical applications and are intended to guide the ethical conduct of internal auditors. Throughout 2020-21 the EKAP has been able to operate with strong independence, free from any undue influence of either officers or Members.

3.7 Financial Performance

Expenditure and recharges for the year 2020-21 are all in line with the Internal Audit cost centre hosted by Dover District Council. The EKAP was formed to provide a resilient, professional service and therefore achieving financial savings was not the main driver, despite this, efficiencies have been gained through forming the partnership.

4. Overview of Work Done

The original audit plan for 2020-21 included a total of 22 projects. To accommodate losing quarter one to C19 Redeployment, EKAP has communicated closely with the s.151 Officer, CMT and this Committee to ensure the projects undertaken continued to represent the best use of resources. As a result of the redeployment of EKAP staff throughout quarter one, and because of EKH being brought back in house, changes to the plan were agreed during the year. The total number of planned projects undertaken in 2020-21 was 10, eleven projects were pushed back in the overall strategic plan, with 4 being WIP at the year-end to be finalised in April, furthermore there were 10 Responsive projects undertaken, and 2 projects were finalised from the 2019-20 plan.

Review of the Internal Control Environment

4.1 Risks

During 2020-21, 74 recommendations were made in the agreed final audit reports to Thanet District Council. These are analysed as being Critical, High, Medium, or Low risk in the following table:

Risk Criticality	No. of Recommendations	Percentage
Critical	3	4%
High	25	34%
Medium	20	27%
Low	26	35%
TOTAL	74	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 the Internal Audit quarterly update reports. During 2020-21 the EKAP has raised and reported to the quarterly Governance & Audit Committee meetings 74 recommendations, and whilst 38% were in the Critical or High-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 critical and 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 twenty pieces of completed work for Thanet District Council, together with the finalisation of the two 2019-20 audits is as follows:

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

Assurance	No.	Percentage of Completed Reviews
Substantial	8	61%
Reasonable	4	31%
Limited	1	8%
No	0	0%
Work in Progress at Year-End	4	-
Not Applicable	9	-

* 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 92% of the reviews account for substantial or reasonable assurance.

There were ten reviews completed on behalf of EK Services and the assurances for these audits were - 4 Substantial, 2 Reasonable, 1 Limited, 3 Not Applicable, 2 reviews were work in progress at the year-end and 3 were Deferred. Information is provided in Appendix 4.

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 assessed previously as being as either 'limited' or 'no' assurance audit opinion yet to be followed up are detailed in the table at paragraph 4.3, 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 be reported to the 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 have been 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, or
- (for critical or high risks only) escalated to the audit committee.

At the conclusion of the follow up review the overall assurance level is re-assessed.

The results for the follow up activity for 2020-21 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 2020-21.

Total Follow Ups undertaken 4	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
Original Opinion	0	1	2	1
Revised Opinion	0	0	3	1

There was one review with an original limited assurance which was revised to Reasonable after follow up. This means there were no TDC reviews showing a partially limited assurance after follow up that required escalation to the Governance & Audit Committee during the year.

East Kent Housing received a continuation of the detailed follow up work to the 2019 Tenants' Health and Safety work. The two areas covered in 2020-21 were Lifts and Fire Safety, where the revised assurance levels were No and Limited assurance respectively. These concerns were escalated to the EKH Board at the time, the issues have subsequently been passed on to the Council as the service came back in-house from 01.10.20. Further work regarding Tenants' Health and Safety is planned for 2021-22.

EK Services received six follow ups; the revised assurances were Substantial for three reviews, Reasonable for one review, one with a partially Limited assurance after follow up (DDC) and one was Not Applicable.

Consequently, the areas with fundamental issues of note arising from the audits and follow up undertaken in 2020-21 have been resolved or escalated.

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, although the Committee should note that despite attempts to conclude, three of these are overdue.

Area Under Review	Original Assurance (Date to Committee)	Progress Report Due
Building Control	Limited – July 2020	Work In Progress- Delayed*
Street Cleansing	Limited - March 2019	Work In Progress- Delayed*
Public Health Burials	Limited - July 2021	Quarter 3 2021
Grounds Maintenance	Limited – November 2020	Work In Progress- Delayed*

** The delay in each case was due to a lack of continuity with management which caused a lack of response to the follow up work. Please note that this was the position at 31st March, and there is further detail contained in the Quarterly Update Report which covers to 30th June 2021.*

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 responsive work was carried out during the year at the request of management, there were no fraud investigations conducted by the EKAP on behalf of Thanet District Council in 2020-21.

The EKAP is named in the Council's whistleblowing policy as a route to safely raise concerns regarding irregularities, for which EKAP manages the Hotline (24-hour answer machine service) 01304 872198.

An independent review of the Counter Fraud Arrangements was undertaken in 2019 and this led to a joint pilot (with DDC, CCC & F&HDC) with specialist Fraud Investigators from Ashford Borough Council being undertaken in 2020. Whilst this Pilot was limited by the restrictions of Covid-19, a recent progress report following up on the original fraud risks and agreed recommendations has been undertaken and the Council has decided the arrangements with Ashford Borough Council will be extended into a new agreement, initially focusing on Tenancy Fraud and Right to Buy Processes.

The internal audit team will build on its data analytical skills and will continue to develop exploring the opportunity to discover fraud and error by comparing different data sets and matching data via the use of specialist auditing software.

4.5 Completion of Strategic Audit Plan

Appendix 2 shows the planned time for reviews undertaken, against actual time taken, follow up reviews, responsive work and reviews resulting from any special investigations or management requests. 240.40 audit days were completed for Thanet District Council during 2020-21 which represents 77.17% plan completion.

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.

Appendix 3 shows the planned time for reviews undertaken, against actual time taken for the follow up reviews and finalising audits for East Kent Housing Ltd. which ceased 30.09.20. From 2021-22 all Housing Reviews feature as part of the TDC Audit Plan.

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 presented to the TDC - Governance & Audit Committee and is attached as Appendix 4.

5. Overall Opinion 2020-21

It is a requirement of s.151 of the Local Government Act 1974 for the Council to maintain an ‘effective’ internal audit function, when forming my opinion on the Council’s overall system of control, I need to have regard to the amount of work which we have undertaken upon which I am basing my opinion. Despite losing Quarter One, taken together with previous year’s opinions and having completed 77% of the planned days, there is sufficient underpinning evidence meaning that I do not have to limit the scope of the opinion for 2020-21.

5.1 Corporate Governance

Corporate Governance is defined as being the structure of rules, practices and processes that direct and control the Council. To support the Head of Audit Opinion the EKAP will undertake specific reviews aligned to these processes as a part of the Audit Plan. The Audit Plan included two reviews against which the evidence-based opinion would be formed for 2020-21. These reviews were impacted by both the absence of a key member of staff and a vacant post, which highlighted that these key processes often fall to the responsibility of one person. The first was the review of the Local Code of Corporate Governance which could not be concluded before 31st March 2021, (see Quarterly Update Report July 21 for an update) and the second a review of GDPR which was deferred as it was unable to proceed at a critical time with staff being asked to work from home. This is a key review of Information Governance, which when last undertaken in 2018 concluded Limited Assurance and remained a Limited Assurance at follow up in 2019, it is consequently due to be included in the plan for 2021-22.

The Council has been working to resolve matters of Governance raised in 2019, as at 31st March 2021 these were ongoing. Additionally, a Governance Review was agreed to be undertaken by the External Auditors, Grant Thornton. Following changes to statutory reporting requirements, the External Auditors will also provide an Annual Report for the first time in respect of this year, and this too will cover Governance Arrangements.

The Head of Audit Partnership’s opinion is that there are unresolved matters affecting confidence in the Governance Arrangements for the Council, the TOR for the agreed external audit review will be essential to independently confirm where processes are strong and working effectively and where they may need to improve, and this will provide a helpful action plan for the Council. These matters must be brought to a close before I am able to conclude anything other than confidence is low in this area.

5.2 Internal Control

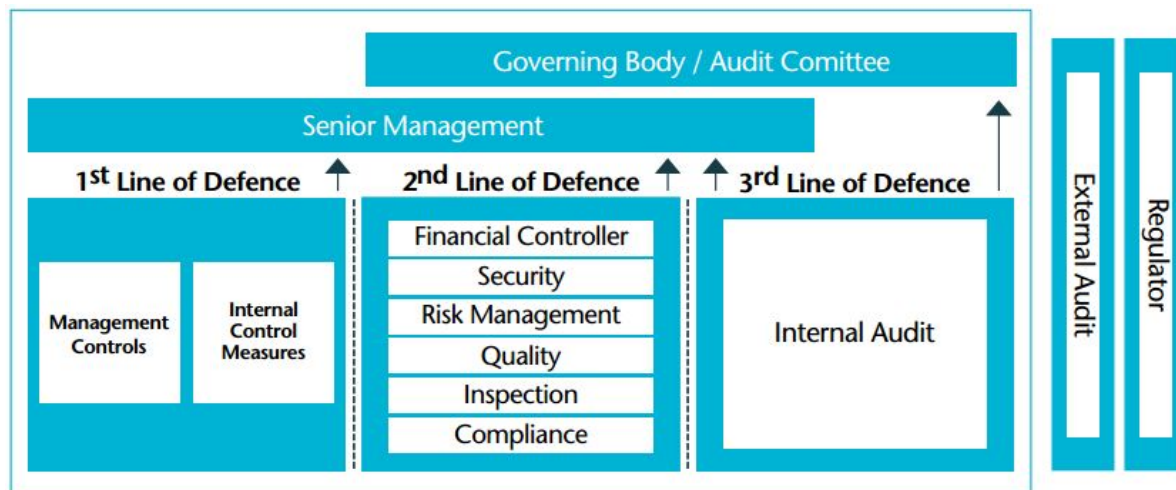
The EKAP is required by professional standards to provide an opinion, the audit plan is designed to provide coverage to enable that opinion to be made, based on the evidence from the reviews completed.

Whilst the results show 92% of the Assurances given during the year provide Substantial and Reasonable Assurance, I would like to draw attention to the Committee that EKAP undertook the audits it was able to carry out in the restricted circumstances. Some of the ten planned audits that were deferred included areas with high inherent risk that may well have attracted a greater range of assurances, for example reviews such as Playgrounds, Refuse Collection and Waste & Street Cleansing Vehicle Fleet Management require site visits which were not practical under the Covid restrictions. These important reviews in key areas will be brought forward in future internal audit plans.

The EKAP has been commissioned to perform only one follow up, in 2020-21 there were no reviews that remained a partially Limited Assurance after follow up, and there were no recommendations that were originally assessed as critical or high risk, which remained a high priority and outstanding after follow up escalated to the Governance & Audit Committee during the year. There are currently four reviews for TDC previously assessed as providing a Limited Assurance that are yet to be followed up. However, (as detailed in paragraph 4.3) for three of these, the Progress Reports have been delayed due to difficulties in gaining responses from management. There are occasions when audit recommendations are not accepted for operational reasons such as a manager's opinion that costs outweigh the risk, or other compensatory controls are to be relied upon. But in these instances, it is a lack of response that has hampered progress. Previous Annual Reports have highlighted the risk of a turnover of staff affecting the continuity of the agreement and implementation of control improvements. It transpires that two areas, which are Corporate Objectives for the Council, are again affected by turnover, and a new interim manager. In accordance with good governance it is hoped that these Progress Reports can be completed, and this Committee should expect to receive the results, or escalate the matter, at its next meeting. *Please Note - This report covers the period of work completed up to 31st March 2021 - since that date (and prior to this report deadline) responses for some of the delayed Progress Reports have been received and are included in the Quarterly Update Report elsewhere on this meeting agenda).*

The Three Lines of Defence Model shown below demonstrates the importance of Internal Controls working at the First and Second Lines, and how they are supported by the independent 3rd line of Defence and the relationship with the Audit Committee and external regulators.

The Head of Audit Partnership notes the difficulties in obtaining responses in some areas during such a difficult year, and is satisfied the Council can place assurance on the aspects of the systems of internal control tested and in operation during 2020/21.



5.3 Risk Management

The Council maintains a corporate risk register. The Governance & Audit Committee are responsible for overseeing the risk management framework. Each quarter the Committee reviews the Corporate Risks and considers the report of the Deputy Chief Executive. The next independent EKAP review of the Risk Management process is scheduled for quarter four of the 2021-22 audit plan. The previous EKAP review concluded in January 2018 with Reasonable Assurance.

The Head of Audit Partnership is satisfied the Council's risk management arrangements are effective.

Definition of Audit Assurance Statements & Recommendation Priorities

Cipfa Recommended Assurance Statement Definitions:

Substantial assurance - A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Reasonable assurance - There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

Limited assurance - Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

No assurance - Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

EKAP Priority of Recommendations Definitions:

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

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

Medium – A finding where the Council is in (actual or potential) breach of - or where there is a weakness within - its own policies, procedures or internal control measures, but which does not directly impact upon a strategic risk, key priority, or the operational service objective of the area under review. Medium priority recommendations are likely to require remedial action within three to six months and are actions which the Council should take.

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

**Performance against the Agreed 2020-21
Thanet District Council Audit Plan**

Area	Original Planned Days	Revised Budgeted Days	Actual days to 31-03-21	Status and Assurance Level
HOUSING SERVICES:				
Homelessness	10	10	0	Deferred
Tenant Health & Safety Compliance	0	10	2.51	Work-in-Progress
Data Quality	0	10	0	Deferred
Leasehold Services	0	10	0	Deferred
GOVERNANCE RELATED:				
GDPR, FOI & Information Management	10	10	1.74	Work-in-Progress
Members' Code of Conduct & Standards Arrangements	10	10	12.10	Finalised - Reasonable
Officers' Code of Conduct & Gifts & Hospitality	10	10	0.18	Deferred
Local Code of Corporate Governance	8	8	11.33	Work-in-Progress
Corporate Advice/CMT	2	2	4.15	Finalised for 2020-21
s.151 Officer Meetings and Support	9	9	14.34	Finalised for 2020-21
Governance & Audit Committee Meetings and Report Preparation	12	12	13.84	Finalised for 2020-21
2021-22 Audit Plan and Preparation Meetings	9	9	15.05	Finalised for 2020-21
CONTRACT AUDITS				
Service Contract Management	10	0	0	Deferred
Procurement	10	10	0.46	Work-in-Progress
SERVICE LEVEL:				
Cemeteries & Crematoria	12	12	13.12	Finalised - Reasonable
HMO Licensing & Selective Licensing	10	10	12.58	Finalised - Substantial
Coastal Management	10	10	6.07	Finalised - Substantial
Public Health Burials	7	7	15.87	Finalised - Limited
Environmental Health & Safety at Work	10	0	0.18	Deferred
Playgrounds	10	10	0.18	Deferred
Disabled Facilities Grants	10	10	9.65	Finalised - Substantial

Museums	12	12	0	Deferred
Ramsgate Harbour Accounts	5	5	6.31	Finalised - N/A
Members' Allowances & Expenses	10	10	10.74	Finalised - Substantial
Phones, Mobiles & Utilities	8	8	10.29	Finalised - Substantial
Your Leisure	10	0	0	Deferred
Waste & Street Cleansing Vehicle Fleet Management	12	12	0	Deferred
Refuse Collection	10	0	0	Deferred
Climate Change	10	10	9.36	Draft Report - N/A
OTHER :				
Liaison With External Auditors	1	1	0	Finalised for 2020-21
Follow-up Reviews	15	9	8.8	Finalised for 2020-21
FINALISATION OF 2019-20 AUDITS:				
Days over delivered in 2019-20		-3.46		
External Funding Protocol	15	8	2.42	Finalised - Substantial
Capital			5.10	Finalised - Substantial
RESPONSIVE WORK:				
Compliance with FPRs	0	6	8.01	Finalised - Reasonable
COVID-19 Discretionary Grant Scheme	0	15	15.55	Finalised - Reasonable
Creditors Duplicate Testing	0	0	0.81	Finalised - N/A
Governance	0	10	12.39	Finalised - N/A
Incorrect Payment Investigation	0	5	4.73	Finalised - N/A
Grant Funds Fact Finding	0	3	2.43	Finalised - N/A
Heritage Action Zone	0	0	0.81	Finalised - N/A
Land Charges	0	8	7.44	Finalised - Substantial
Investigate Data Leak	0	2	1.79	Finalised - N/A
HRA Properties Data Match	0	0	0.10	Finalised - N/A
TOTAL	285	311.54*	240.40	77.17%
C-19 Redeployments	0	38	38	Finalised - N/A

*30 days added to the revised planned days from the former East Kent Housing audit plan from 1st October 2020.

**Performance against the Agreed 2020-21
East Kent Housing Audit Plan**

Review	Original Planned Days	Revised Planned Days	Actual To 30/09/2020	Status and Assurance Level
Planned Work:				
CMT/Audit Sub Cttee/EA Liaison	4	4	3.09	Finalised for 2020-21
Follow-up Reviews	7	0	0	Finalised for 2020-21
Tenants' Health & Safety	8	8	8.13	Finalised -Various
Finalisation of 2019/20 Work-in-Progress:				
Days over delivered in 2019/20		-7.37		Allocated
Welfare Reform	0	1	0.41	Finalised - Substantial
Employee Health & Safety	1	0.63	1.00	Finalised - Limited
Total	20	12.63	12.63	100% as at 30/09/2020

Annual Internal Audit Report for EK SERVICES 2020-21

1. Introduction/Summary

The main points to note from this report are that the agreed programme of audits has been completed with some projects being finalised as work in progress at 31st March 2021. 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 cashable saving against budget.

Overview of Work Done

The original audit plan for 2020-21 included a total of 11 projects. To accommodate losing quarter one to C19 Redeployment, we have communicated closely with the s.151 Officers and the audit committees to ensure the projects undertaken continued to represent the best use of resources. As a result of this liaison some changes to the plan were agreed during the year. The total number of projects undertaken in 2020-21 was 6, with 3 being deferred at management's request and 2 being WIP at the year-end to be finalised in April. In addition, 4 reviews carried over from 2019-20 were finalised.

2. Review of the Internal Control Environment

2.1 Risks and Assurances

During 2020-21, thirty-seven 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, there were no critical risks raised:

Risk Criticality	No. of Recommendations	Percentage
Critical	1	3%
High	18	49%
Medium	12	32%
Low	6	16%
TOTAL	37	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 Councillors' attention through Internal Audit's quarterly update reports. During 2020-21 the EKAP has raised 37 recommendations, and whilst 52% 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 finalised 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	3	43%
Reasonable	2	29%
Limited	1	14%
No	1	14%
Work in Progress at Year-End	2	-
Not Applicable	3	-

NB: 'Not Applicable' is shown against quarterly benefit checks.

Taken together 72% of the reviews account for substantial or reasonable assurance. There was one review assessed as having a partial No assurance, and this was revised to partially Limited at the time of follow up. And one limited assurance which is to be followed up shortly.

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. The results of any follow up reviews yet to be undertaken will therefore be reported to the quarterly committee at the appropriate time:

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.

Six follow up reports were carried out for EK Services during the year. The results for the follow up activity for 2020-21 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 6	N/A	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
Original Opinion	1	1	0	2	2
Revised Opinion	1	0	1	1	3

There are no fundamental issues of note arising from the audits undertaken in the year. The review previously assessed as providing a partial No assurance was revised to partially Limited, and this was escalated to the relevant Audit Committee (DDC) during the year.

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 2020-21 there have been no fraud investigations conducted by the EKAP on behalf of EK Services.

2.4 Completion of Strategic Audit Plan

The EKAP 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.

In March 2020 when the Covid Emergency hit, the EKAP was initially able to continue with work in progress. Soon during April, it became necessary to suspend the audit plan and the staff were made available for redeployment. The staff were all able to utilise their skills in several different ways, spending 154 days over the partnership in roles supporting the Community Hub and business grants processes. Consequently, Quarter One (April, May and June) was impacted and it became clear that a new target of 75% plan completion would be more likely. By Quarter 2, the rhythm of commencing planned reviews, agreeing reports, setting up new briefs and closing progress reports was reinstated. Al be it that this was a new way of working for the team being 100% of their time at home. Excellent ICT and new applications or systems has made it possible to operate effectively relying only on virtual meetings and electronic access to records.

The EKAP delivered 82% of the agreed audit plan days across the Partnership. The performance figures for the East Kent Audit Partnership as a whole for the year show good performance against the adjusted targets. It is the opinion of the Head of Audit that sufficient work has been undertaken to be able to support an opinion for 2020-21.

The analysis in Annex A shows the individual reviews that were completed during the year. As at 31st March 2021 delivery was behind plan and EKAP had delivered 146.97 days against 160 required (91.85%). The 30.67 days carried over from 2019-20 adjust this percentage to 77.08% plan days completion. The days deferred will be adjusted in 2021-22 as part of the rolling four-year plan process. Three 15 day reviews were postponed at management's request due to the impact of C19.

3.0 Significant issues arising in 2020-21

From the work undertaken during 2020-21, 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 EKAP has been commissioned to perform only one follow up, there is one review (DBS Checks) previously assessed as providing a Limited Assurance that is yet to be followed up (Scheduled for Quarter one 2021-22).

4.0 Overall Conclusion

The work of Internal Audit and this report contribute to the overall internal control environment operating 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. It is a requirement of s.151 of the Local Government Act 1974 for the Council to maintain an 'effective' internal audit function, when forming my opinion on the Council's overall system of control, I need to have regard to the amount of work which we have undertaken upon which I am basing my opinion.

Based on the work of the EKAP on behalf of EK Services during 2020-21, the overall opinion is that 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. No system of control can provide absolute assurance, nor can Internal Audit give that assurance. This statement is intended to provide assurance that there is an ongoing process for identifying, evaluating, and managing the key risks.

**Performance against the Agreed 2020-21
East Kent Services Audit Plan**

Review	Original Planned Days	Revised Planned Days	Actual days to 31/03/2021	Status and Assurance Level
EKS Reviews;				
Housing Benefits Overpayments	10	15	14.08	Finalised - Substantial
Housing Benefit Testing	30	30	33.64	Finalised – N/A
Housing Benefit Subsidy	10	10	10.08	Finalised - Substantial
Customer Services Gateway	10	0	0	Deferred
ICT – Disaster Recovery	15	15	11.27	Finalised - Reasonable
ICT – Software Licensing	15	15	9.79	Work-in-Progress
KPIs	5	5	4.30	Finalised - Substantial
EKHR Reviews;				
Payroll – Data Testing	15	15	1.19	Work-in-Progress
Employee Allowances (Policy)	8	8	8.02	Finalised N/A
Employee Expenses	7	7	0	Deferred
EK Leavers	15	15	0.66	Deferred
Other;				
Corporate/Committee	5	8	8.24	Finalised for 2020-21
Follow up	5	7	7.35	Finalised for 2020-21
Finalisation of 2019/20 Audits:				
Days underdelivered in 2019/20		30.67	-	Allocated
EKHR Employee Benefits in Kind	10	2	1.19	Finalised – Substantial / No
Housing Benefit Testing 2019/20		11.67	10.82	Finalised - NA
EKHR Payroll		11	10.34	Finalised - Reasonable
EKHR DBS Checks		16	16.00	Finalised - Limited
Total	160	190.67	146.97	77.08%

EKAP Balanced Scorecard – 2020-21

<u>INTERNAL PROCESSES PERSPECTIVE:</u>	<u>2020-21 Actual</u>	<u>Target</u>	<u>FINANCIAL PERSPECTIVE:</u>	<u>2020-21 Actual</u>	<u>Original Budget</u>
	Quarter 4		Reported Annually		
Chargeable as % of available days	90%	80%	<ul style="list-style-type: none"> • Cost per Audit Day 	£339.14	£339.14
Chargeable days as % of planned days			<ul style="list-style-type: none"> • Direct Costs 	£432,553	£437,130
CCC	99.99%	100%	<ul style="list-style-type: none"> • + Indirect Costs (Recharges from Host) 	£10,530	£10,530
DDC	72.56%	100%	<ul style="list-style-type: none"> • - 'Unplanned Income' 	-£4,577	Zero
F&HDC	87.37%	100%			
TDC	77.17%	100%			
EKS	77.07%	100%			
EKH to 30.09.20 End	100%	100%	<ul style="list-style-type: none"> • = Net EKAP cost (all Partners) 	£447,660	£447,660
C19 Redeployment Days 154.48					
Overall	82.22%	100%			
Follow up/ Progress Reviews;					
<ul style="list-style-type: none"> • Issued 	41	-			
<ul style="list-style-type: none"> • Not yet due 	14	-			
<ul style="list-style-type: none"> • Now due for Follow Up 	32	-			
Compliance with the Public Sector Internal Audit Standards (PSIAS) (see Annual Report for more details)	Partial	Full			

<u>CUSTOMER PERSPECTIVE:</u>	<u>2020-21 Actual</u>	<u>Target</u>	<u>INNOVATION & LEARNING PERSPECTIVE:</u>	<u>2020-21 Actual</u>	<u>Target</u>
	Quarter 4		Quarter		
Number of Satisfaction Questionnaires Issued;	64		Percentage of staff qualified to relevant technician level	75%	75%
Number of completed questionnaires received back;	28		Percentage of staff holding a relevant higher level qualification	39%	39%
	= 44%		Percentage of staff studying for a relevant professional qualification	15%	N/A
Percentage of Customers who felt that;			Number of days technical training per FTE	2.97	3.5
<ul style="list-style-type: none"> • Interviews were conducted in a professional manner • The audit report was 'Good' or better • That the audit was worthwhile. 	100%	100%	Percentage of staff meeting formal CPD requirements (post qualification)	39%	39%
	100%	90%			
	95%	100%			