

Annex 1

Internal Audit Annual Report for Thanet District Council 2021-22

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 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 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

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, currently no appetite with the Client Officer Group to undertake 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 2021-22 the EKAP has been able to operate with strong independence, free from any undue influence of either officers or Members.

3.6 Financial Performance

Expenditure and recharges for year the 2021-22 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 2021-22 included a total of 24 projects. 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 this liaison some changes to the plan were agreed during the year, including a minor change due to EKHR being brought back in house. A few projects (6) have therefore been pushed back in the overall strategic plan, to permit some higher risk projects (1) to come forward in the plan and to finalise (7) projects from the 2020-21 plan. The total number of projects completed was 21, with 5 being WIP at the year-end to be finalised in April.

Review of the Internal Control Environment

4.1 Risks

During 2021-22, 102 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	8	8%
High	47	47%
Medium	28	27%
Low	19	19%
TOTAL	102	100%

Naturally, more emphasis is placed on recommendations for improvement regarding critical and 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 2021-22 the EKAP has raised and escalated eighteen recommendations to the quarterly Governance Committee meetings. Across the year a total of 102 recommendations were agreed, and 55% were in the Critical or High-Risk categories.

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 fourteen pieces of completed work for Thanet District Council, together with the finalisation of the seven 2020-21 audits is as follows:

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

Assurance	No.	Percentage of Completed Reviews
Substantial	4	23%
Reasonable	6	35%
Limited	6	35%
No	1	6%
Not Applicable	4	-
Work in Progress at Year-End	5	-

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

Taken together 58% 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, 1 Reasonable, 1 Limited, 4 Not Applicable, no reviews were work in progress at the year-end and 3 were Deferred. Information is provided in Appendix 3.

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 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 (for high risk) to test 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 2021-22 are set out below. The shift to the right 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 governance, risk and internal control in operation throughout 2021-22.

Total Follow Ups undertaken 15	N/A	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
Original Opinion	1	0	4	6	4
Revised Opinion	1	0	3	5	6

There were four reviews with an original limited assurance three of which remained Limited after follow up (see following table). Together with eighteen critical or high-risk recommendations that were outstanding at the time of follow up, these were escalated to the Governance & Audit Committee during the year.

Area Under Review	Original Assurance	Follow Up Result
Street Cleansing 2019	Limited	Limited
Grounds Maintenance	Limited	Reasonable / Limited
Building Control	Limited	Limited

EK Services received four follow ups; the revised assurances were Substantial for two reviews, Reasonable for two reviews, none with a Limited assurance after follow up.

Consequently, the areas with fundamental issues of note arising from the audits and follow up undertaken in 2021-22 have been resolved, or 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, although the Committee should note that the Street Cleansing Progress Report is overdue.

Area Under Review	Original Assurance (Date to Committee)	Progress Report Due
DBS Checks	Limited – November 2020	Work In Progress *

Street Cleansing 2021	No Assurance - March 2022	Summer 2022
Equality & Diversity	Limited – March 2022	Summer 2022
Right to Buy	Limited – March 2022	Summer 2022 *

*See July 2022 Quarterly Update report for results of Follow up

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 assurance 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 2021-22.

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.

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 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. 300.31 audit days were completed for Thanet District Council during 2021-22 which represents 91% 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.

Thanet District Council contributed 60 days from its original plan as its share in this three-way arrangement to form the EKS Audit Plan. During 2021-22 EKHR was brought back in house, as a consequence, 10 audit days were transferred back to the TDC Audit Plan for HR Reviews. The shared payroll service has been formed and as such the shared payroll related audits remain on the EKS Plan, with 6 days per partner creating a provision of 18 days per year in the EKS plan for these high value reviews. 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 3.

5. Overall Opinion 2021-22

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. Having completed 91% of the planned days, there is sufficient underpinning evidence to provide my opinion for 2021-22, as follows;

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 (on a rotational basis) aligned to these processes as a part of the Audit Plan. The Council has been working hard to resolve matters of Governance raised in 2019, as at 31st March 2022 these were ongoing. Additionally, the Governance Review agreed to be undertaken by the External Auditors was undertaken during the year resulting in Statutory Recommendations, which in turn lead to an Independent Monitoring Officer being appointed to further review the Governance Arrangements. In recognition of all of this work, the audit plan included two reviews against which the evidence-based opinion would be formed for 2021-22. The review of Equality and Diversity resulted in a Limited Assurance, and the planned review of Performance Management was deferred, due to new arrangements being introduced (meaning that it would have been poorly timed to complete this review).

My opinion to 31st March, is that there are significant unresolved matters affecting confidence in the Governance Arrangements for the Council. This view is set against the backdrop of the wider Governance Work being undertaken and following the departure of the s.151 Officer in October 2021. The recommendations from the Independent Monitoring Officer's Report will be essential to ensure improvements in those aspects of Corporate Governance that need to improve. These recommendations provide a helpful improvement plan for the Council. These matters must be implemented and become embedded before I am able to conclude anything other than confidence remains very low in this area.

(In the period April to June 2022 significant changes impacted the Council, some arising from the Independent Monitoring Officer's recommendations and some from having concluded other action. This has resulted with the departure of the Monitoring Officer and the Chief Executive from the Council. The Council is taking steps to put interim arrangements in place).

5.2 Internal Control

The Head of Audit Partnership is satisfied the Council can place assurance on the aspects of the systems of control tested and in operation during 2021-22. The results show 58% of the Assurances given during the year provide Substantial and Reasonable Assurance. There have been some very positive results in areas where improvement has been achieved, such as Tenant's Health and Safety Compliance. There are however, a number of operational areas where limited assurances have been raised, and one (an area identified as a Corporate Priority) received No Assurance (see definitions on appendix 1).

There have been occasions during the year where our work has been hampered 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 impacted progress.

For some of these areas, reports over successive EKAP Audit Cycles have concluded low assurances. Revealing little or no sustained progress, despite agreed action plans being set out.

These matters are escalated through our reports to the Governance and Audit Committee; however, the issues remain outstanding and are not improving. Previous Internal Audit Annual Reports have highlighted the risk of a turnover of staff affecting the continuity of the agreement and implementation of control improvements. Some areas, which are Corporate Objectives for the Council, are again affected by turnover, and often utilise the engagement of interim managers. The outcome though is a trend that EKAP is identifying at an operational level, staff are doing a very good job in delivering services, but controls over setting service standards, keeping policies up to date, managing performance against targets are all areas either missing or falling behind to the detriment of the overall governance arrangements. This trend is declining, the process of escalating internal control issues affecting Corporate Objectives are not being addressed over successive years, leading to further decline in governance in some areas.

In accordance with good governance, it is expected that my opinion is reflected in the Annual Governance Statement and that this Committee should be confident to be able to escalate any outstanding issues and concerns regarding Governance, Risk Management, or Internal Control they may have, and to ensure improvements in the overall system of internal controls are made. This challenge needs to become more robust and effective to turnaround the findings evidenced by the work of EKAP.

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 Acting Deputy Chief Executive. The independent EKAP review of the Risk Management review concluded a Reasonable Assurance, and the Council is in the process of updating the Risk Management Strategy and improving the risk register presented to this Committee. 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 2021-22
Thanet District Council Audit Plan**

Area	Original Planned Days	Revised Budgeted Days	Actual days to 31/03/22	Status and Assurance Level
FINANCIAL GOVERNANCE:				
Creditors & CIS	10	12	14.61	Finalised - Reasonable
Income & Cash Collection	10	10	2.08	Work-in-Progress
Budgetary Control	10	10	11.06	Finalised - Substantial
HOUSING SYSTEMS:				
Temporary Accommodation	12	0	0	Deferred
Right to Buy	10	10	10.74	Finalised - Limited
Responsive Repairs & Maintenance	15	15	16.66	Finalised - Limited
Tenant Health & Safety	10	0	0	See Housing Regulator Review
Rechargeable Works	10	0	0	Deferred
Resident Involvement	10	0	0	Deferred
Tenancy & Estate Management	10	15	17.69	Finalised – Reasonable/Limited
TECHNOLOGY/CYBER RISKS:				
Cloud Computing/Digital	10	10	1.43	Work-in-Progress
GOVERNANCE RELATED:				
Corporate Advice/CMT	2	2	5.22	Finalised for 2021-22
Risk Management	10	10	9.12	Finalised - Reasonable
Performance Management	10	10	0	Deferred
Equality & Diversity	10	10	15.63	Finalised - Limited
s.151 Officer Meetings and Support	9	9	11.97	Finalised for 2021-22
Governance & Audit Committee Meetings and Report Preparation	12	12	14.74	Finalised for 2021-22
2021-22 Audit Plan and Preparation Meetings	9	9	12.23	Finalised for 2021-22
HR RELATED:				
Recruitment	0	10	0.76	Work-in-Progress
SERVICE LEVEL:				

Thanet Lottery	15	15	0.53	Work-in-Progress
Service Contract Management	12	12	0	Deferred
Commercial Let Properties and Concessions	10	10	16.96	Finalised - Limited
Electoral Registration & Election Management	10	10	12.62	Finalised - Reasonable
Land Charges	10	10	3.26	Finalised - Substantial
Ramsgate Marina	12	12	14.06	Finalised - Reasonable
Ramsgate Harbour Accounts	5	5	4.94	Finalised - N/A
Events Management, Sports & Community Development	10	0	0	Deferred
Garden Waste	12	12	0.36	Work-in-Progress
Street Cleansing	14	14	11.98	Finalised - No Assurance
OTHER:				
Liaison With External Auditors	1	1	0.54	Finalised for 2021-22
Follow-up Reviews	15	15	22.98	Finalised for 2021-22
FINALISATION OF 2020-21 AUDITS:				
Procurement	5	65	9.06	Finalised - Substantial
Coastal Management			4.32	Finalised - Substantial
GDPR & Homeworking Implications			11.16	Finalised - N/A
Playgrounds			11.16	Finalised - Reasonable
Local Code of Corporate Governance			1.83	Finalised - Limited
Climate Change			8.06	Finalised- N/A
Housing Regulator Review			19.96	Finalised - Reasonable
RESPONSIVE ASSURANCE:				
HRA Properties Data Match	0	0	2.59	Finalised- N/A
TOTAL	320	330	300.31	91%

*10 days added to the revised planned days from the former East Kent Human Resources audit plan from 1st October 2020.

Internal Audit Annual Report for EK SERVICES 2021-22

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 2022. 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.

Overview of Work Done

The original audit plan for 2021-22 included a total of 8 projects and some changes to the plan were agreed during the year, including 32 days being passed back to Councils due to EKHR being brought back in house. A few projects (3) have therefore been pushed back in the overall strategic plan, to permit some higher risk projects (2) to come forward in the plan and to finalise (3) projects from the 2020-21 plan. The total number of projects completed was 10.

2. Review of the Internal Control Environment

2.1 Risks and Assurances

During 2021-22, thirty-five recommendations were made in the agreed final audit reports for EK Services. These are analysed as being Critical, High, Medium, or Low risk in the following table:

Risk Criticality	No. of Recommendations	Percentage
Critical	2	6%
High	14	40%
Medium	15	43%
Low	4	11%
TOTAL	35	100%

Naturally, more emphasis is placed on recommendations for improvement regarding critical and 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 2021-22 none of the above recommendations were escalated to the quarterly Audit Committee meetings. Across the year a total of 35 recommendations were agreed, and whilst 46% were in the Critical or High-Risk categories, none require further escalation 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	4	66%
Reasonable	1	17%
Limited	1	17%
No	0	-
Not Applicable	4	-
Work in Progress at Year-End	0	-

NB: 'Not Applicable' is shown against quarterly benefit checks and the two responsive reviews.

Taken together 83% of the reviews account for substantial or reasonable assurance. There was one review assessed as having a partial Limited assurance, and this was revised to Reasonable at the time of follow up.

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.

Four follow up reports were carried out for EK Services during the year. The results for the follow up activity for 2021-22 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	N/A	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
Original Opinion	0	0	1	1	2
Revised Opinion	0	0	0	2	2

There are no fundamental issues of note arising from the audits undertaken in the year. The review previously assessed as providing a partial Limited assurance (software licensing) was revised to Reasonable assurance, and this was reported to the Audit Committees 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 2021-22 there have been no fraud investigations conducted by the EKAP on behalf of EK Services. However, some time was incurred by EKAP in a liaison role between CIVICA and the National Anti-Fraud Network and Action Fraud in respect of some attempted fraudulent Covid grant applications, that were made during the pandemic.

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.

The EKAP delivered 95.45% 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 targets. It is the opinion of the Head of Audit that sufficient work has been undertaken to be able to support an opinion for 2021-22.

The analysis in Annex A shows the individual reviews that were completed during the year. As at 31st March 2022 the EKAP had delivered 118.70 days against the revised target of 128 (92.97%). Thirty-Two days were transferred to the Partner’s plans when the HR service was taken back in house.

3.0 Significant issues arising in 2021-22

From the work undertaken during 2021-22, 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 are no reviews previously assessed as providing a Limited Assurance that are yet to be followed up.

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 2021-22, 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. 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 2021-22 East Kent Services Audit Plan

Review	Original Planned Days	Revised Planned Days	Actual days to 31/03/22	Status and Assurance Level
EKS REVIEWS:				
Council Tax	15	15	15.48	Finalised - Substantial
Housing Benefit Testing	15	15	12.91	Finalised – N/A
Housing Benefit Payments	15	15	18.00	Finalised - Substantial
Customer Services	15	0	0	Deferred
ICT – Change Controls	15	15	0.20	Deferred
ICT – Procurement & Disposal	15	15	19.04	Finalised - Substantial
KPIs	5	5	0.74	Deferred
Payroll	18	18	16.42	Finalised - Substantial
EKHR	32	0	0.20	Transferred to Partners
OTHER:				
Corporate/Committee	8	8	8.04	Finalised for 2021-22
Follow Up	3	3	4.22	Finalised for 2021-22
RESPONSIVE ASSURANCE:				
Housing Benefit Verification Framework	0	1	0.95	Finalised – N/A
Restart Grants	0	6	7.06	Finalised - N/A

FINALISATION OF 2020-21 AUDITS:				
ICT Disaster Recovery	5	1	0.35	Finalised - Reasonable
Housing Benefit Testing		5	5.45	Finalised – N/A
ICT Software Licensing		9	9.63	Finalised - Reasonable/Ltd
Total	160	128*	118.70	92.73%

*32 days transferred to the partners' revised plans from the former East Kent Human Resources audit plan from 1 October 2020.

EKAP Balanced Scorecard – 2021-22

<u>INTERNAL PROCESSES PERSPECTIVE:</u>	<u>2021-22 Actual</u>	<u>Target</u>	<u>FINANCIAL PERSPECTIVE:</u>	<u>2021-22 Actual</u>	<u>Original Budget</u>
	Quarter 4		Reported Annually		
Chargeable as % of available days	89%	80%	<ul style="list-style-type: none"> • Cost per Audit Day 	£319.67	£356.35
Chargeable days as % of planned days			<ul style="list-style-type: none"> • Direct Costs 	£446,288	£459,443
CCC	94.78%	100%	<ul style="list-style-type: none"> • + Indirect Costs (Recharges from Host) 	£10,530	£10,945
DDC	99.20%	100%	<ul style="list-style-type: none"> • - 'Unplanned Income' 	-£7,587.50	Zero
TDC	91.00%	100%			
FHDC	97.83%	100%			
EKS	92.73%	100%			
Overall	95.45%	100%	<ul style="list-style-type: none"> • = Net EKAP cost (all Partners) 	£449,230.50	£470,388
Follow up/ Progress Reviews;			Minus Prior Year Saving Refunded	-£27,261.54	
<ul style="list-style-type: none"> • Issued 	62	-	EKAP Charge for 2021-22	£421,968.96	Zero
<ul style="list-style-type: none"> • Not yet due 	21	-			
<ul style="list-style-type: none"> • Now due for Follow Up 	20	-			
Compliance with the Public Sector Internal Audit Standards (PSIAS)	Partial	Full			

<u>CUSTOMER PERSPECTIVE:</u>	<u>2021-22 Actual</u>	<u>Target</u>	<u>INNOVATION & LEARNING PERSPECTIVE:</u>	<u>2021-22 Actual</u>	<u>Target</u>
	Quarter 4		Quarter 4		
Number of Satisfaction Questionnaires Issued;	62		Percentage of staff qualified to relevant technician level	74%	74%
Number of completed questionnaires received back;	25		Percentage of staff holding a relevant higher level qualification	38%	38%
	= 40%		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	6.66	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. 	99%	100%	Percentage of staff meeting formal CPD requirements (post qualification)	38%	38%
	100%	90%			
	98%	100%			