

Internal Audit Annual Report for Thanet District Council 2022-23

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 7.23.

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 2022-23 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 year the 2022-23 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. The partnership councils have each received a refund of a share of £7,136.76 based on the number of days per partner in the overall plan. This has also reduced the cost per audit day. (See Appendix 5 for full details).

4 Overview of Work Done

The original audit plan for 2022-23 included a total of 28 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. A few projects (8) have therefore been pushed back in the overall strategic plan, to permit some higher risk projects (3) to come forward in the plan and to finalise (6) projects from the 2021-22 plan. The total number of projects completed was 27, with 1 being work in progress at the year-end to be finalised in April.

Review of the Internal Control Environment

4.1 Risks

During 2022-23, 167 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	13	8%
High	75	45%
Medium	51	30%
Low	28	17%
TOTAL	167	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 2022-23 the EKAP has raised and escalated thirty-five recommendations to the quarterly Governance Committee meetings. Across the year a total of 167 recommendations were agreed, and 53% 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 twenty-one pieces of completed work for Thanet District Council, together with the finalisation of the six 2021-22 audits is as follows:

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

Assurance	No.	Percentage of Completed Reviews
Substantial	3	13%
Reasonable	7	29%
Limited	5	21%
No	9	37%
Not Applicable	3	-
Work in Progress at Year-End	1	-

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

Taken together 42% of the reviews account for substantial or reasonable assurance. There have been an unprecedented number of No assurance (or partial No assurance) reviews and taken together, 58% of the reviews were Limited or No assurance.

There were nine reviews completed on behalf of EK Services and the assurances for these audits were – six Substantial, no Reasonable, one (partially) Limited, two Not Applicable, one review was work in progress at the year-end and none 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 2022-23 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 the year.

Total Follow Ups undertaken 17	N/A	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
Original Opinion	3	1	6	6	1
Revised Opinion	2	1	3	9	2

There were seven reviews with an original no or limited assurance; four of which remained no or limited after follow up (shown in the following table). These were escalated to the Governance & Audit Committee during the year, together with thirty-five critical or high-risk recommendations that were outstanding at the time of follow up.

Area Under Review	Original Assurance (Date to G&A Cttee)	Follow Up Result (Date to G&A Cttee)
Street Cleansing	No (March 2022)	No (September 2022)
Commercial Let Properties & Concessions	Limited (July 2022)	Limited (September 2022)
Equality & Diversity	Limited (March 2022)	Limited (September 2022)
Thanet Community Lotto	Limited (September 2022)	Limited (July 2023)

Consequently, the areas with fundamental issues of note arising from the audits and follow up undertaken in 2022-23 have been resolved, or escalated to the Governance and Audit Committee, during the year.

Reviews previously assessed as providing a (partially) Limited or No Assurance that are yet to be followed up are shown in the table at 5.2 below. The progress reports for these will be reported to the Committee at the meeting following completion of the follow up.

4.4 Special Investigations and Fraud Related Work

The prevention and detection of fraud and corruption is 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 2022-23.

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. 341.53 audit days were completed for Thanet District Council during 2022-23 which represents 103.49% 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. 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 2022-23

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 103.49% of the planned days, there is sufficient underpinning evidence to provide my opinion for 2022-23, 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's Opinion the EKAP undertakes specific reviews (on a rotational basis) aligned to these processes as a part of the Audit Plan. The audit plan included three reviews against which the evidence-based opinion would be formed for 2022-23. The review of Officers' Code of Conduct resulted in Substantial Assurance, the arrangements for Thanet Community Lottery gained a Limited Assurance and the review of Complaints Monitoring was allocated a No Assurance. The planned review of Project

Management was deferred to accommodate a post implementation review of a project (Berth 4-5) which resulted in a No Assurance opinion. The recommendations agreed by management more broadly also address the current lack of a formal Project Management Framework.

My opinion to 31st March, is that there are significant matters affecting confidence in the Governance Arrangements for the Council. This view is set against the backdrop of the increased number of No Assurance opinions concluded this year, and the trend that many of the service reviews with a partially limited assurance were split because the service was operating well, but the governance around the setting of policy, service standards, compliance with regulations were found to be missing or out of date. Thus, attention to the governance aspects of these service areas was lacking, at the time of the review.

In parallel to the work of the independent internal auditors, the Council has reported to Full Council on the implementation of the recommendations from the Independent Monitoring Officer's Report. These matters now implemented need to become embedded before I am able to test them for their effectiveness, and some of this is dependent on the new structure and officer posts being filled, meanwhile I am unable to conclude anything other than confidence remains low in this area.

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 2022-23. The results show 42% 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 Recruitment and Food Safety.

There are, however, a higher than usual number of operational areas where Limited or No assurances have been raised 42% (see definitions on appendix 1). Furthermore, four reviews showed little progress at the time of follow up and were escalated to the Committee during the year, along with 35 critical or high priority outstanding recommendations. For two of these reviews the Committee received an update from Management to indicate subsequent progress made (Street Cleansing and Commercial Let Properties & Asset Management), the Committee should however be encouraged to receive a similar update on the risks identified for the other two reviews lacking progress (Equality & Diversity and Thanet Community Lottery).

The ten reviews assessed during the year as providing a (partially) Limited or No 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. 58% of the 24 assurance reviews completed received a (partially) Limited or No assurance, which is higher than is usual. Management has agreed an action plan of internal control improvements for each review.

Area Under Review	Original Assurance (Date to Committee)	Progress Report Due
Dog Warden, Fly Tipping & Litter Enforcement	Reasonable /No March 2023	Quarter 1 2023-24
Complaints Monitoring	No March 2023	Quarter 1 2023-24
Absence Management	Reasonable/ Limited July 2023	Quarter 2 2023-24

Licensing	Reasonable/ No March 2022	Quarter 2 2023-24
Planned Maintenance - Contract Letting & Management	No July 2023	Quarter 2 2023-24
East Kent Opportunities	No July 2023	Quarter 2 2023-24
Museums	Limited July 2023	This review was a Second Follow up
Income, Bank Reconciliation & Cash Collection	Substantial/ Limited September 2022	Quarter 1 2023-24
Post Implementation Review of Berth 4-5 Project Management	No Cabinet March 2023	Quarter 3 2023-24
Car Parking Enforcement	No July 2023	Quarter 3 2023-24

There have been occasions during the year where our work has been hampered due to difficulties in gaining responses from management and would seem to be a symptom of a lack of capacity for management.

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. The four areas remaining Limited or No Assurance after follow up for this year are detailed at paragraph 4.3. Attention is drawn again to these issues. The breadth and number of low level assurances yet to be followed up as listed above are also an issue for concern.

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 management 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 Director of Corporate Services - s.151 Officer. The previous independent EKAP review of the Risk Management review

concluded a Reasonable Assurance, and the Council has updated the Risk Management Strategy and made improvements to the risk register presented to this Committee. The Head of Audit Partnership is satisfied the Council's risk management arrangements are working effectively.

6. Management Response

- 6.1 Firstly management wishes to formally recognise the value that the Internal Audit function provides TDC and also thank Christine Parker and her team for their hard work, dedication and contribution to the Council over the past 12 months.
- 6.2 Management accepts and acknowledges the opinion of the Head of Internal Audit in reaching her conclusions on the Council's corporate governance, internal control and risk management arrangements. However, management wishes to stress and highlight some of the context within which these findings have arisen.
- 6.3 It has been well publicised that TDC has encountered issues and shortcomings in some of its corporate governance arrangements in prior years and in response the Council has been focussed on successfully delivering both the external auditor's statutory recommendations and those of the Independent Monitoring Officer. It should be noted that considerable progress has been made in this area, and there will be a focus on finalising this activity.
- 6.4 As the Head of Internal Audit has rightly pointed out, there has been limited capacity within the organisation's corporate management team over the past twelve months or so; with the Council's previous entire top tier of management leaving the organisation over the space of a few months during 2021 and 2022. This has undoubtedly limited the capability to fully respond to and implement the range of internal audit recommendations over this period of time, as such it is not a surprise to management that there have been shortfalls in the operation of the Council's internal control environment during this time.
- 6.5 Finally, during the pandemic it was necessary for Internal Audit to focus on more straightforward audit activities and some of the more challenging audit areas were subsequently deferred to the 2022/23 audit plan. As such, given the audit plan for last year contained a higher proportion of challenging audit areas this also can be attributed to explain in part why there has been an increase in the number of audits receiving a lower level of assurance.
- 6.6 Nonetheless, the Council remains committed to implementing these recommendations and is confident that with a new management team appointed the 2023/24 annual report will reflect this commitment and present a far more positive position.

Chris Blundell
Director of Corporate Services

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 2022-23
Thanet District Council Audit Plan**

Area	Original Planned Days	Revised Budgeted Days	Actual days to 31-03-23	Status and Assurance Level
FINANCIAL GOVERNANCE:				
Car Parking & Enforcement	10	10	7.40	Finalised - No
VAT	10	10	11.11	Finalised - Reasonable
HOUSING SYSTEMS:				
Housing Allocations	10	10	0	Deferred
HMO Licensing	10	10	10.22	Finalised - Substantial
Tenant Health & Safety	10	10	0	Deferred
Leasehold Services	12	12	0	Deferred
Capital Programme/ Planned Maintenance	12	12	29.91	Finalised - No
Contract Letting Procurement Process	10	10		
GOVERNANCE RELATED:				
Digital/ Cloud Computing	10	10	12.00	Finalised - Reasonable
Officers' Code of Conduct	10	10	9.02	Finalised - Substantial
Complaints Monitoring	10	10	11.18	Finalised - No
Project Management	10	0	0	Deferred
Corporate Advice/CMT	2	2	5.26	Finalised
s.151 Officer Meetings and Support	9	9	12.34	Finalised
Governance & Audit Committee Meetings & Report Preparation	12	12	15.18	Finalised
Audit Plan & Preparation Meetings	9	9	11.94	Finalised
HR RELATED:				
Absence Management - Sickness, Annual & Flexi Leave	12	12	11.8	Finalised – Reasonable /Limited
COUNTER FRAUD:				
Counter Fraud & Corruption	10	10	0	Postponed to 23-24
SERVICE LEVEL:				
Safeguarding	10	10	13.91	Finalised - Reasonable

Community Safety	10	10	0	Postponed to 23-24
CCTV	10	10	10.42	Finalised - No
Dog Warden & Environmental Crime	10	10	10.19	Finalised - Reasonable/No
Food Safety	10	10	10.08	Finalised - Substantial/No
Pollution/Contaminated Land	10	10	11.20	Finalised - Substantial
Business Continuity / Emergency Planning	10	0	0	Deferred
Licensing	10	10	13.99	Finalised - Reasonable/No
Museums	10	10	8.15	Finalised - Limited
Ramsgate Harbour Accounts	5	5	0.07	Work-in-Progress
East Kent Opportunities	10	10	9.53	Finalised - No
Waste Vehicle Fleet Mgmt.	13	13	14.82	Finalised - Reasonable
Climate Change	5	5	4.74	Finalised - N/A
Employee Health and Safety	10	0	0	Postponed to 23-24
OTHER:				
Liaison With External Auditors	1	1	0.22	Finalised
Follow-up Reviews	15	25	27.53	Finalised
FINALISATION OF 2021-22 AUDITS:				
Repairs & Maintenance	5	5	1.02	Finalised - Limited
Income, Bank Rec. & Cash Collection			9.51	Finalised - Substantial/ Limited
Maritime			1.29	Finalised - Reasonable
Recruitment			11.04	Finalised - Reasonable
Risk Management			1.9	Finalised - Reasonable
Thanet Community Lotto			11.11	Finalised - Limited
RESPONSIVE ASSURANCE:				
Corporate Leak Investigation	0	1	1.15	Finalised – N/A
PIR - Berth 4-5	0	20	19.73	Finalised – No
Staff Matter	0	2	2.57	Finalised – N/A
TOTAL	330	330	341.53	103.49%

Internal Audit Annual Report for EK SERVICES 2022-23

1. Introduction/Summary

The main points to note from this report are that the agreed programme of audits has been completed with one project being finalised as work in progress at 31st March 2023. The majority of reviews have given a substantial assurance and there are no major areas of concern that would give rise to a qualified opinion.

2. Overview of Work Done

The original audit plan for 2022-23 included a total of 8 projects. There were nine reviews completed, and a special investigation to assist the DWP in a joint investigation was added. There was a review of ICT Network Security which had commenced (shown as work in progress) but was subsequently deferred. The function has transferred from April 1st 2023 back to the partner councils, this review will be built into future plans for each individual council going forward. The number of days in the EKS Audit Plan for 2023-24 have been adjusted accordingly.

3. Review of the Internal Control Environment

3.1 Risks and Assurances

During 2022-23, twenty-one 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	0	0%
High	6	29%
Medium	6	29%
Low	9	42%
TOTAL	21	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 to the three relevant audit committees. During 2022-23 none of the above recommendations were escalated to the quarterly Audit Committee meetings. Across the year a total of 21 recommendations were agreed, and whilst 29% were in the High-Risk category, 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 nine 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	6	86%
Reasonable	0	0%
Limited	1	14%
No	0	-
Not Applicable	2	-
Work in Progress at Year-End	1	-

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

86% of the reviews account for substantial assurance. There was one review assessed as having a partially Limited assurance, and this will be followed up in 2023-24.

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 via the quarterly update report to the audit committees at the appropriate time.

The review assessed as providing a partially Limited assurance (Data Management) is due to be followed up in 2023-24, The review contains seven recommendations, two are the responsibility of EKS; two are DDC, two are TDC, and one is joint TDC/DDC. The results of which will be reported to the Audit Committees during the year.

3.2 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 2022-23 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	0	0	4
Revised Opinion	0	0	0	0	4

There are no fundamental issues of note arising from the audits undertaken in the year.

3.3 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 2022-23 there have been no fraud investigations conducted by the EKAP on behalf of EK Services. However, some time was incurred by EKAP in a joint investigation with the DWP in respect of some attempted fraudulent grant applications, that were made. The DWP are leading on taking the findings forward, the EKAP has provided statements for evidence shared with them.

3.4 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 98.98% 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 2022-23.

The analysis in Annex A shows the individual reviews that were completed during the year. As at 31st March 2023 the EKAP had delivered 117.94 days against the revised target of 128 (92.14%).

4. Significant issues arising in 2022-23

From the work undertaken during 2022-23, 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, this has not occurred during the year.

The EKAP has been commissioned to perform only one follow up, there is one review previously assessed as providing a partially Limited Assurance that is yet to be followed up (Data Management).

5. 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 2022-23, 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.

Annex A to EKS Annual Report

Performance against the Agreed 2022-23 East Kent Services Audit Plan

Review	Original Planned Days	Revised Planned Days	Actual days to 31/03/2023	Status and Assurance Level
EKS REVIEWS:				
Business Rates	15	15	14.97	Finalised - Substantial
Housing Benefit DHPs	15	15	13.73	Finalised - Substantial
Housing Benefit Testing	15	16	16.51	Finalised - N/A
Debtors	15	10	15.61	Finalised - Substantial
ICT – Data Management	15	15	8.47	Finalised – Reasonable/ Limited
ICT – Network Security	15	15	5.00	Work-in-Progress
KPIs	5	7	7.04	Finalised - Substantial
Payroll	18	18	17.60	Finalised - Substantial
OTHER:				
Corporate/Committee	8	5	6.59	Finalised
Follow Up	6	6	2.86	Finalised
FINALISATION OF 2021-22 AUDITS:				
ICT Procurement & Disposal	1	1	1.22	Finalised - Substantial
RESPONSIVE ASSURANCE:				
Joint DWP Investigation	0	5	8.34	Finalised – N/A
Total	128	128	117.94	92.14%

EKAP Balanced Scorecard – 2022-23

<u>INTERNAL PROCESSES PERSPECTIVE</u>	<u>2022-23 Actual</u>	<u>Target</u>	<u>FINANCIAL PERSPECTIVE:</u>	<u>2022-23 Actual</u>	<u>Original Budget</u>
	Quarter 4		Reported Annually		
Chargeable as % of available days	89%	90%	<ul style="list-style-type: none"> • Cost per Audit Day 	£373.33	£378.73
Chargeable days as % of planned days			<ul style="list-style-type: none"> • Direct Costs 	£488,433	£489,397
CCC	94.03%	100%	<ul style="list-style-type: none"> • + Indirect Costs (Recharges from Host) 	£10,530	£10,530
DDC	99.61%	100%		£6,172.75	Zero
TDC	103.49%	100%	<ul style="list-style-type: none"> • - 'Unplanned Income' 		
FHDC	99.35%	100%			
EKS	92.14%	100%			
Overall	98.89%	100%	<ul style="list-style-type: none"> • = Net EKAP cost (all Partners) 	£492,790.25	£499,927
Follow up/ Progress Reviews;					
<ul style="list-style-type: none"> • Issued 	53	-			
<ul style="list-style-type: none"> • Not yet due 	25	-			
<ul style="list-style-type: none"> • Now due for Follow Up 	28	-			
Compliance with the Public Sector Internal Audit Standards (PSIAS) (see Annual Report for more details)	Partial	Partial			

<u>CUSTOMER PERSPECTIVE:</u>	<u>2022-23 Actual</u>	<u>Target</u>	<u>INNOVATION & LEARNING PERSPECTIVE:</u>	<u>2022-23 Actual</u>	<u>Target</u>
	Quarter 4		Quarter 4		
Number of Satisfaction Questionnaires Issued;	68		Percentage of staff qualified to relevant technician level	61%	60%
Number of completed questionnaires received back;	42		Percentage of staff holding a relevant higher-level qualification	50%	50%
	= 61 %		Percentage of staff studying for a relevant professional qualification	0%	N/A
Percentage of Customers who felt that;			Number of days technical training per FTE	4.35	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)	50%	50%
	96%	90%			
	98%	100%			