

## Internal Audit Annual Report for Thanet District Council 2023-24

### 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 considering fraud risk throughout its work, and 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 4. 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 each 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 quality assessment (EQA) for the EKAP was conducted in March 2024. The results of the EQA are being presented to the same committee meeting as this annual report. See also 3.6.1 below. The EKAP Team is assessed as "Generally Conforms" (with the Public Sector Internal Audit Standards) see 3.6.1.

#### **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 "Generally Conforms" with the Public Sector Internal Audit Standards (PSIAS). This is the highest rating available under the External Quality Assessment. From 2025 new Global Internal Audit Standards (GIAS) will be introduced, the EQA provided an action plan to both grow the current level of compliance with the PSIAS and assist the team to prepare for the new GIAS. Further updates regarding this progress will be presented in subsequent annual reports.

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 keyways. 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 2023-24 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 are in line with the Internal Audit cost centre hosted by Dover District Council. Some unplanned income has created a minor saving in year, which has been rolled over to be refunded in 2024-25. 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 will each receive a refund of a share of £18,166 net of the cost of the EQA, based on the number of days per partner in the overall plan. This has also reduced the cost per audit day. The credit was rolled over to 2024-25 as part of the year end process. (See Appendix 4 for full details).

## **4. Overview of Work Done**

The original audit plan for 2023-24 included a total of 31 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 (11) have therefore been pushed back in the overall strategic plan. The total number of projects completed was 19, with an additional 2 projects finalised from the 2022-23 plan and with one as work in progress at the year-end carried over.

## **Review of the Internal Control Environment**

### **4.1 Risks**

During 2023-24, 160 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:

<b>Risk Criticality</b>	<b>No. of Recommendations</b>	<b>Percentage</b>
Critical	8	5%
High	100	63%
Medium	34	21%
Low	18	11%
<b>TOTAL</b>	<b>160</b>	<b>100%</b>

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 2023-24 the EKAP has raised and escalated twenty recommendations to the quarterly Governance and Audit Committee meetings (see table at paragraph 5.2). Across the year a total of 160 recommendations were agreed, and whilst 68% were in the Critical or High-Risk categories, and where appropriate these have been escalated throughout the year via the Quarterly Internal Audit Update Reports none require further escalation at this time.

## 4.2 Assurances

Internal Audit applies one of four 'assurance opinions' to each review, please see Appendix 1 for the definitions. This provides a level of reliance that management can place on the system of internal control to deliver the goals and objectives covered in that particular review. The conclusions drawn are described as being "a snapshot in time" and the purpose of allocating an assurance level is so that risk is managed effectively, and control improvements can be planned. Consequently, where the assurance level is either 'no' or 'limited', or where high priority recommendations have been identified, a follow up progress review is undertaken and, where appropriate, the assurance level is revised.

The summary of Assurance Levels issued on the nineteen pieces of completed work for Thanet District Council, together with the finalisation of the two 2022-23 audits is as follows:

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

<b>Assurance</b>	<b>No.</b>	<b>Percentage of Completed Reviews</b>
Substantial	8	42%
Reasonable	3	16%
Limited	7	37%
No	1	5%
Not Applicable	1	-
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 58% of the nineteen reviews (with an assurance level) account for substantial or reasonable assurance, and 42% of reviews received a (partially) low level of assurance to management on the system of internal control in operation at the time of the review. (Please see Section 4.3 on Progress Reports).

There were four reviews completed on behalf of EK Services and the assurances for these audits were – two Substantial, 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 one 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 critical or high risks) 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 with a revised implementation date, 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) “closed” on the EKAP System with a revised implementation date and escalated to management for further tracking and reporting 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 2023-24 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 12	N/A	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
<b>Original Opinion</b>	2	3	2	4	1
<b>Revised Opinion</b>	1	2	2	5	3

There were four reviews with a no, limited (or partially limited) opinion after follow up that required escalation to the Governance & Audit Committee during the year, as follows;

Area Under Review	Original Assurance (Date to G&A Cttee)	Follow Up Result (Date to G&A Cttee)
Street Scene Litter Enforcement	No March 2023	No July 2023

Absence Management	Reasonable / Limited July 2023	Reasonable / Limited September 2023
Licensing (cost neutral exercise)	Reasonable / No July 2023	Reasonable / No March 2024
Rent Collection & Debt Management	Reasonable / Limited September 2023	Reasonable / Limited March 2024

EK Services received two follow-ups; the revised assurances for each were Substantial, there was one with a partially Limited assurance awaiting follow up (ICT data Management Disaggregation Project).

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

Reviews previously assessed as initially 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.

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.

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.

One responsive review led to Internal Audit investigations into whistleblowing allegations of significant overcharging by a contractor working on social housing. The Internal Audit evidence was passed to management which led to the Council engaging additional resources to re-measure the work paid for under the contract. This confirmed that overcharging was systemic by one contractor and efforts are being made by the Council to recover the overcharged amounts. Internal controls failed to identify this overcharging. The post inspection regime (by a third party) was also fundamentally flawed and itself gave rise to allegations of fraudulent overcharging. The overcharging amounted to £149,555.75. It is of concern that management failed to resolve why these allegations were not appropriately investigated by line management when first raised with them; and why it became necessary for the whistleblower to (rightly) raise their concerns with the EKAP. There is also concern that culturally there is a general lack of understanding regarding 'blowing the whistle', and

regarding the duty of care towards the whistleblower (having not been taken seriously). Failure to deal with whistleblowing incidents is in itself an identifier of potential fraud or poor governance, and when staff (and others) have no confidence in the Council's Whistleblowing arrangements it is less likely that concerns will be raised, although nationally it is evidenced that most frauds are identified by Whistleblowers.

#### **4.5 Completion of Audit Plan**

Appendix 2 shows the planned time for reviews undertaken, against actual time taken, follow up reviews, responsive assurance work and reviews resulting from any special investigations or management requests. 317.59 audit days were completed for Thanet District Council which represents 91.26% plan completion. Plan completion was slightly impacted this year by a staff vacancy of approximately 6 weeks, however the EKAP is now back to full staffing levels.

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 31<sup>st</sup> 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 Balanced Scorecard at Appendix 4 provides the overview of plan completion across the partnership.

Appendix 3 shows the planned time for reviews undertaken, against actual time taken, follow up reviews and unplanned reviews resulting from any special investigations for East Kent Services. Thanet District Council contributed 60 days from its original plan as its share in this three-way arrangement.

### **5. Overall Opinion 2023-24**

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 91.26% of the planned days, there is sufficient underpinning evidence to provide my opinion, 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 Scheme of Officer Delegations was one specific Governance review undertaken in the year, assessed with Substantial Assurance. A planned review of Performance Management was deferred at client request due to new arrangements being implemented. Additionally, risks against the governance arrangements are considered as part of agreeing the scope of work for each review within the plan.

Please see paragraph 5.2 for individual areas of Council activity that have been reviewed that have identified Internal Control System weaknesses. This of course also directly impacts the Corporate Governance Opinion overall.

For 2023-24 the Head of Audit Partnership is satisfied the Council largely complies with Corporate Governance guidance, noting that the EKAP has not reviewed Counter Fraud Arrangements (deferred), and concerns have been expressed (in Paragraph 4.4) regarding Whistleblowing. Additionally, the AGS should sufficiently reflect concerns raised in reports identifying examples where statutory guidance, codes of practice or regulations are not complied with and what steps are planned / being taken to mitigate any gaps. Examples identified in the EKAP reports include;

- Street Cleansing is a key corporate priority, however successive audits in this area have concluded low levels of assurance in complying with the standards required by regulations. Whilst the Council is currently increasing resources in this area, Internal Audit reviews have seen improvements in governance arrangements, although are yet to evidence any significant improvement with compliance and consequently have a duty of care to raise concerns that the Council is not adequately meeting its legal responsibilities as prescribed the Environmental Protection Act and associated Defra Code of Practice and the associated impact on this corporate priority.
- Successive audits of GDPR since its introduction in 2018 have concluded that the Council is not yet fully GDPR compliant which exposes it to the increased risk of fines by the Information Commissioner in the event of data breaches. This gap in compliance with legislation and the steps that are being taken should be reflected in the AGS.
- The Council is non-compliant with the legislative requirements to undertake a cost neutral exercise in support of the setting of fees for areas such as Licensing. This non-compliance with legislation and the steps being taken to rectify it should be reflected in the AGS.
- Employee Health & Safety remained Limited after follow-up. See the Management Response in the Quarterly Update Report elsewhere in the agenda, some of this is reported post 31<sup>st</sup> March 2024, however, should also be reflected in the AGS.
- Health and Safety concerns were also raised during a follow up review, concerning refuse freighters reversing without the guidance of a banksman. Examples of this were highlighted to management by the EKAP. Management assured the EKAP that these had been investigated and dealt with in accordance with policy, however subsequent audit enquiries with HR (as part of the follow up) highlighted that this was not the case. Consequently, serious breaches of H&S were left undealt with by management exposing the risks that; a) such poor practice would continue, and b) that the Council exposed itself to legal challenge for failing to consistently and evenly apply its disciplinary policy and procedures. Once management listened to what Internal Audit was saying, a good response was achieved, the practice has now stopped. From a Corporate Governance perspective this is exactly the right outcome and the one to focus on. However, initially management were distracted by the scope of EKAP's reports and internal audit received incorrect information regarding their follow up of the 3 reported incidents which causes concern.
- Linked to Employee Health & Safety is the review of Grounds Maintenance, also post 31<sup>st</sup> March 2024 and featured in the Quarterly Update Report. Management has responded swiftly to the matters identified, however the AGS should reflect the list of statutory requirements that have potentially been breached.

## 5.2 Internal Control

In the first 3 quarters of the year, there were delays in obtaining management responses to key audits in a number of areas, most notably Cyber Security and Absence Management, both reports concluded Limited assurance. This delayed the finalisation of the audits and their onward reporting to this Committee, which is not in the interests of good corporate governance.

Taking a holistic look over the past 4 years of the rolling strategic audit plan the areas which remain with limited or no assurance being the areas of the Council's internal control system which have been assessed as falling below a reasonable standard of control include:

- External Funding Protocol;



- Cash Collection;
- Absence Management;
- GDPR;
- Project Management;
- Service Contract Management;
- Commercial Let Properties and Concessions;
- ICT Software Licensing;
- Housing rent debt recovery;
- Anti-Social Behaviour
- Thanet Lottery;
- Environmental Health & Safety at Work;
- Equality & Diversity;
- Licensing (cost neutral exercise);
- Building Control, and
- Street Cleansing.

The EKAP has been commissioned to perform only one follow up. During 2023-24 there were four reviews with a (partially) Limited Assurance after follow up (see table in 4.3), and there were twenty recommendations 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 (see following table). Progress against implementing these will be managed through the Corporate Governance Group.

<b>Review</b>	<b>Number of Critical / High-Risk Recommendations Previously Escalated</b>	<b>Date Escalated to Committee</b>
Thanet Lotto	Four	July 2023
Museums	Three	July 2023
Safeguarding	One	July 2023
Dog Warden & Street Scene Enforcement	One	July 2023
Complaints Monitoring	One	September 2023
Absence Management	Three	September 2023
Cloud Computing	Three	March 2024
Waste Vehicle Fleet Management	One	March 2024
Licensing	One	March 2024
Rent Collection & Debt Management	Two	March 2024

The three reviews assessed as providing a (partially) 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. 42% of the 19 assurance reviews completed received a (partially) Limited or no assurance. Management has agreed an action plan of internal control improvements for each review.

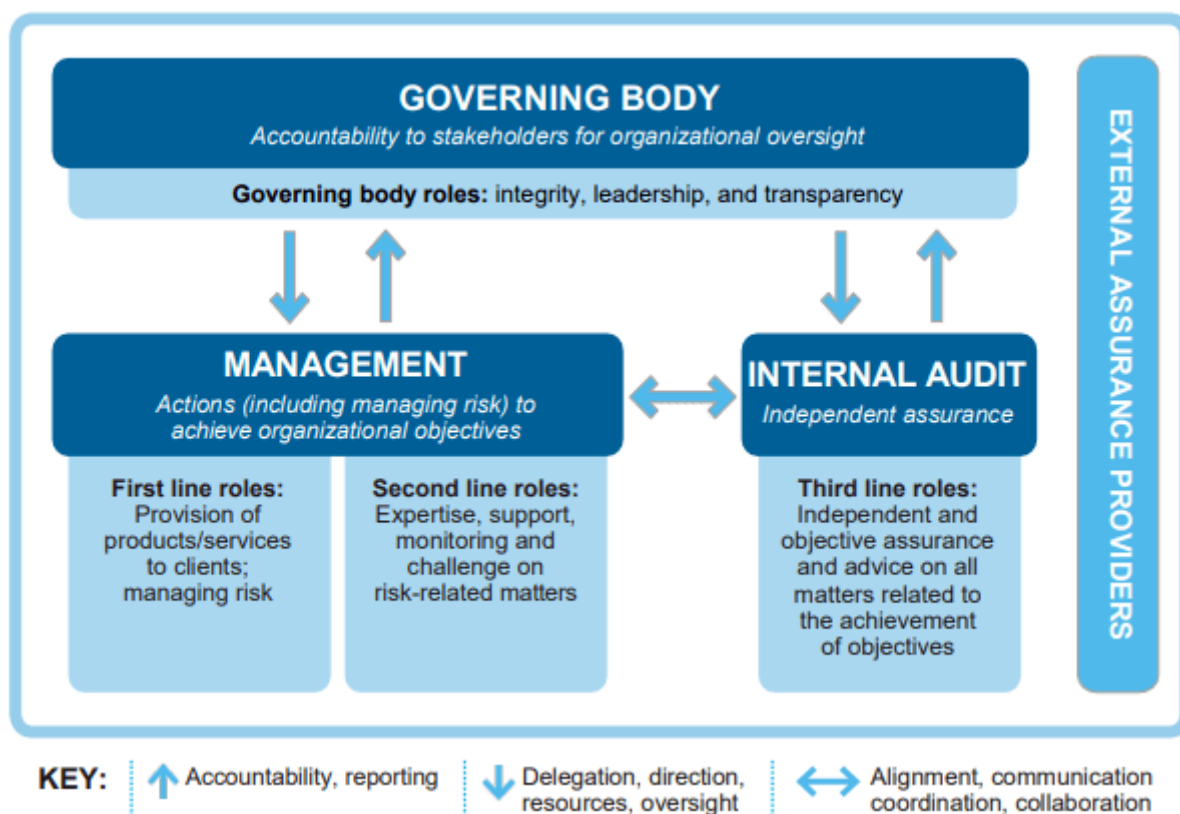
<b>Area Under Review</b>	<b>Original Assurance (Date to A&amp;G Cttee)</b>	<b>Progress Report Due</b>
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EKS – Data Management Desegregation Project	Reasonable /Limited (September 2023)	Quarter 2 <b>2024-25</b>
Planning Application Income & s.106	Substantial/ Limited (November 2023)	Quarter 2 2024-25
External Funding Protocol	Limited (March 2024)	Quarter 2 2024-25

In the 2022-23 Annual Report members' attention was drawn to the breadth and number of low-level assurances as being an issue for concern. There were reviews attracting no assurance opinions where the time take to rectify matters was also delayed, such as the gaps in project management arrangements identified through the Berth 4-5 review (No Assurance) and the gaps in governance surrounding the East Kent Opportunities LLP review. Both of which have required additional work during the year to bring a revised opinion. One requiring an audit to be planned for Quarter 2 of 2024-25 to independently assess the improvements in the new Project Management Framework currently being rolled out across the Council and the other required a second progress report to highlight those matters identified had been successfully resolved. The challenge set in the 2022-23 annual report was for the 'processes for tracking progress in implementing IA recommendations needed to become more robust and effective to be able to evidence the work of EKAP has been positively responded to'. This challenge and the declining trend highlighted last year have been positively impacted by the formation of the Corporate Governance Group in February 2024. The monitoring of risks and agreed actions through this group is providing a good track record of how the Council responds to Internal Audit Recommendations, and in tracking previously escalated risks, to ensure they are acted upon. Whilst the period covered by this annual report is up to 31<sup>st</sup> March 2024, sufficient activity by the Corporate Governance Group had taken place to comment on the positive direction of travel that is emerging. Over time the Council is determined to attract fewer low level assurance opinions, by supporting managers through the process and encouraging a culture of continuous improvement in respect of identifying and managing risks. This is noted and evidence is beginning to emerge that these efforts are being rewarded – see the Quarterly Update Report later in the agenda with four Substantial Opinions, and across 2023-24 eight Substantial opinions were assessed.

It was also identified by management that Internal audit should be encouraged to engage more with Management Team, the Corporate Governance Group and at Managers' Forum. Presentations given to these groups have received positive feedback. It is anticipated that new opportunities for engagement and an acknowledgment the important role Internal Audit plays in the "Three Lines of Defense" (see image below) and how managers can engage at all stages in the process with Internal Audit, will bring a better understanding of risk ownership and thus better implementation of risk mitigation actions through Internal Audit reports.

**The Three Lines of Defense Model**, illustrating the role of Managers, Auditors and the Audit Committee; -



Whilst there has been a noted improvement in internal audit assurance opinions in many areas within quarter 4 of 2023-24 being noticeably positive, there continues to be some areas of concern identified. The work of the Corporate Governance Group, and the additional engagement with Internal Audit following the presentations given both provide evidence of a positive direction of travel. The Head of Audit Partnership is therefore satisfied the Council can place assurance on the aspects of the systems of control tested and in operation during 2023-24.

### 5.3 Risk Management

Each review undertaken by EKAP contains an element of operational risk management in the agreed scope. The Governance & Audit Committee is responsible for overseeing the risk management framework. The Corporate Risk register was presented quarterly to the Governance & Audit Committee during the 2023-24 year, which evidences the effectiveness of processes in place.

The next independent audit of the Council's arrangements for Risk Management is intended to be included as part of the 2025-26 audit plan, the previous review conducted in 2021-22 received Substantial Assurance.

## 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 further highlight some of the

progress that we believe has been made in recent months and also provide some more context within which these findings have arisen.

### 6.3. Assurance Levels

6.4. The table below demonstrates the improvement in the proportion and number of audits that received a substantial or reasonable audit opinion in 2023/24 compared to 2022/23. Notably there was only one 'no' assurance opinion provided during 2023/24, markedly down from the 9 recorded in 2022/23.

Assurance	2022/23		2023/24		Comparison 2022/23 vs 2023/24 No.
	No.	Percentage of Completed Reviews	No.	Percentage of Completed Reviews	
Substantial	3	13%	8	42%	5
Reasonable	7	29%	3	16%	-4
Limited	5	21%	7	37%	2
No	9	38%	1	5%	-8
Not Applicable	3	-	1	-	n/a
Work in Progress at Year-End	1	-	1	-	n/a

6.5. Nonetheless, management notes the relatively high proportion of limited (or partially limited) opinions in the past year and are committed to further improvement in 2024/25.

### 6.6. Fraud

6.7. Management note the concerns expressed by the Head of Internal Audit in relation to arrangements to detect and prevent fraud, in particular in relation to whistleblowing. In response management is exploring options to relaunch its whistleblowing policy to ensure staff feel empowered to raise any concerns appropriately.

6.8. Otherwise, management wishes to note that the council has a wide range of counter-fraud activities across its services. For instance, the Council participates in the National Fraud Initiative, which is a data matching exercise largely around housing benefit claimants, employees and suppliers, and which complies with data protection requirements.

### 6.9. Corporate Governance

6.10. 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, bar a few final minor hurdles to overcome, management will soon be able to report to Full Council on its conclusion.

### 6.11. Management Capacity

6.12. At the beginning of the 2023/24 there remained limited capacity within the organisation's corporate management team; with the Council's previous entire top tier of management leaving the organisation over the space of a few months during 2021 and 2022. The majority of our new Heads of Service started in the summer of 2023 with the final vacant role, the Head of Legal and Democracy, being filled at the end of October 2024. This undoubtedly limited the capability to fully respond to and implement the range of internal audit recommendations at the beginning of 2023/24. However, since then, with a full complement of senior officers in post, management are of the view that there has been significant improvements in the capacity to fully respond to and implement the range of internal audit recommendations.

6.13. **Governance Board**

6.14. As reported elsewhere on this agenda, during 2023/24 the council has taken steps to improve the overall control environment and associated governance arrangements, of which part of this suite of improvement activities includes the establishment of a Governance Board.

6.15. The purpose of the TDC Corporate Governance Board is to keep under review the governance arrangements and related procedures of the Council to ensure best practice so that the highest standards are maintained.

6.16. In relation to Internal Audit and the Control Environment its initial focus has been to Consider the detailed findings and recommendations of all internal audit reports where a 'limited' or 'no' assurance opinion has been provided.

6.17. Through the work of this board, and in a relatively short period of time, substantial progress has been made in closing down these outstanding audit recommendations, with the total number of critical audit recommendations reducing from eight to six and the number of high recommendations reducing from 51 to 29 respectively.

6.18. **Conclusion**

6.19. Nonetheless, the Council remains committed to implementing these recommendations and remains confident that with the full complement of our new management team now in situ that progress will continue to be made in 2024/25; that next year's 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 2023-24  
Thanet District Council Audit Plan**

Area	Original Planned Days	Revised Budgeted Days	Actual days to 31-03-24	Status and Assurance Level
<b>FINANCIAL GOVERNANCE:</b>				
Capital	10	10	10.65	Finalised - Substantial
Treasury Management	10	10	8.91	Finalised - Substantial
External Funding Protocol	10	10	11.21	Finalised - Limited
Insurance & Inventories of Portable Assets	10	10	10.87	Finalised - Substantial
<b>HOUSING SYSTEMS:</b>				
Homelessness	10	10	12.09	Finalised - Reasonable/ Limited
Void Property Management	10	0	0	Deferred
Rent Accounting, Accounting & Debt Management	10	10	10.55	Finalised - Reasonable/ Limited
Tenancy Fraud	10	10	0	Deferred
Resident Engagement	10	10	3.74	Work-in-Progress
Anti-Social Behaviour	5	5	5	Finalised - Reasonable
HRA Business Plan	10	10	9.15	Finalised - Substantial
<b>GOVERNANCE RELATED:</b>				
Scheme of Officer Delegations	10	10	12.8	Finalised - Substantial
Performance Management	10	10	0	Deferred
Corporate Advice/ CMT	2	2	7.9	Finalised
s.151 Officer Meetings & Support	9	9	12.04	Finalised
Governance & Audit Committee Meetings and Report Preparation	12	12	17.43	Finalised
Audit Plan & Preparation Meetings	9	9	15.26	Finalised
<b>HR RELATED:</b>				
Payroll	3	3	3.31	Finalised - Substantial
<b>COUNTER FRAUD:</b>				
Counter Fraud & Corruption	10	10	0	Deferred
<b>ICT RELATED:</b>				
Change Controls	15	15	0	Deferred

Network Security	10	10	0	Deferred
Cyber-Security	10	12	18.40	Finalised - Limited
<b>SERVICE LEVEL:</b>				
CSO Compliance	10	10	0.34	Deferred
Community Safety	10	15	14.41	Finalised - Substantial/ Limited
Environmental Protection Service Requests	10	13	12.7	Finalised - Reasonable
Grounds Maintenance	12	15	14.46	No Assurance
Ramsgate Harbour Accounts	5	5	0	Deferred
Planning Applications, Income & s.106	10	18	18.48	Finalised - Substantial/ Limited
Building Control	10	0	0	Deferred
Your Leisure	10	10	0	Deferred
Visitor Information Arrangements	10	10	10.34	Finalised - Substantial
Garden Waste	10	11	11.75	Finalised - Substantial
Refuse Collection	10	10	8.97	Finalised - Reasonable
Climate Change	5	0	0	Deferred
Employee Health & Safety	10	18	17.59	Finalised - Limited
<b>OTHER:</b>				
Liaison With External Auditors	1	1	1.34	Finalised
Follow-Up Reviews	15	15	27.26	Finalised
<b>FINALISATION OF 2022-23 AUDITS:</b>				
Absence Management	5	10	0.23	Finalised - Reasonable/ Limited
Car Parking & Enforcement			5.57	Finalised - No
Ramsgate Harbour Accounts			4.84	Finalised - N/A
<b>RESPONSIVE ASSURANCE:</b>				
LUF Grant - Project Assurance	0	0	0.24	Finalised
<b>TOTAL</b>	<b>348</b>	<b>348</b>	<b>317.59</b>	<b>91.26%</b>



**Performance against the Agreed 2023-24  
East Kent Services Audit Plan**

<b>Review</b>	<b>Original Planned Days</b>	<b>Revised Planned Days</b>	<b>Actual days to 31-03-24</b>	<b>Status and Assurance Level</b>
<b>EKS REVIEWS:</b>				
Housing Benefits Administration	15	13	13.15	Finalised - Substantial
Housing Benefits Testing	20	14	13.79	Finalised - Not Applicable
Council Tax Reduction Scheme	15	15	16.08	Finalised - Substantial
Customer Services	15	13	1.33	Work-In-Progress
Transition Governance		8	8.30	Finalised - Not Applicable
<b>OTHER:</b>				
Corporate/Committee	4	6	6.51	Finalised
Follow Up	2	2	1.47	Finalised
<b>FINALISATION of 2022-23 AUDITS:</b>				
Debtors	2	2	1.45	Finalised - Substantial
Data Management Desegregation Project	1	1	1.55	Finalised – Limited / Reasonable
<b>Total</b>	<b>74</b>	<b>74</b>	<b>63.63</b>	<b>85.99%</b>

**EKAP Balanced Scorecard – 2023-24**

<u>INTERNAL PROCESSES PERSPECTIVE</u>	<u>2023-24 Actual</u>	<u>Target</u>	<u>FINANCIAL PERSPECTIVE:</u>	<u>2023-24 Actual</u>	<u>Original Budget</u>
⋮					
	<b>Quarter 4</b>		<b>Reported Annually</b>		
<b>Chargeable as % of available days</b>	<b>86%</b>	<b>90%</b>	<ul style="list-style-type: none"> <li>• Cost per Audit Day</li> </ul>	<b>£389.61</b>	<b>£403.37</b>
<b>Chargeable days as % of planned days</b>	<b>88.84%</b>	<b>100%</b>	<ul style="list-style-type: none"> <li>• Direct Costs</li> </ul>	<b>£514,382</b>	<b>£521,918</b>
CCC	100.12%	100%	<ul style="list-style-type: none"> <li>• + Indirect Costs (Recharges from Host)</li> </ul>	<b>£10,530</b>	<b>£10,530</b>
DDC	91.26%	100%	<ul style="list-style-type: none"> <li>• - 'Unplanned Income'</li> </ul>	<b>-£10,630</b>	<b>Zero</b>
TDC	94.13%	100%	<ul style="list-style-type: none"> <li>• = Net EKAP cost (as billed all Partners)</li> </ul>	<b>£514,282</b>	<b>£532,448</b>
FHDC	86.00%	100%			
EKS					
<b>Overall</b>	<b>93.44%</b>	<b>100%</b>	<b>Savings of £18,166 achieved in 2023-24 to be apportioned and rolled forward to 2024-25 as follows;</b>		
<b>Follow up/ Progress Reviews;</b>	<b>58</b>	<b>-</b>	<b>Allocated to the cost of EQA £3,750</b>		
<ul style="list-style-type: none"> <li>• Issued</li> </ul>	<b>20</b>	<b>-</b>	<b>F&amp;HDC credit £3,828</b>		
<ul style="list-style-type: none"> <li>• Not yet due</li> </ul>	<b>36</b>	<b>-</b>	<b>TDC credit £4,068</b>		
<ul style="list-style-type: none"> <li>• Now due for Follow Up</li> </ul>			<b>DDC credit £3,731</b>		
<b>Compliance with the Public Sector Internal Audit Standards (PSIAS)</b>	<b>Generally Conforms</b>		<b>CCC credit £2,789.</b>		

<b><u>CUSTOMER PERSPECTIVE:</u></b>	<b><u>2023-24 Actual</u></b>	<b><u>Target</u></b>	<b><u>INNOVATION &amp; LEARNING PERSPECTIVE:</u></b>	<b><u>2023-24 Actual</u></b>	<b><u>Target</u></b>
	<b>Quarter 4</b>		<b>Quarter 4</b>		
<b>Number of Satisfaction Questionnaires Issued;</b>	<b>74</b>				
<b>Number of completed questionnaires received back;</b>	<b>30</b>		<b>Percentage of staff qualified to relevant technician level</b>	<b>75%</b>	<b>50%</b>
	<b>= 41%</b>		<b>Percentage of staff holding a relevant higher-level qualification</b>	<b>36%</b>	<b>36%</b>
<b>Percentage of Customers who felt that;</b>			<b>Percentage of staff studying for a relevant professional qualification</b>	<b>0%</b>	<b>N/A</b>
<ul style="list-style-type: none"> <li>• Interviews were conducted in a professional manner</li> <li>• The audit report was 'Good' or better</li> <li>• That the audit was worthwhile.</li> </ul>	<b>100%</b>	<b>100%</b>	<b>Number of days technical training per FTE</b>	<b>4.41</b>	<b>3.5</b>
	<b>100%</b>	<b>90%</b>	<b>Percentage of staff meeting formal CPD requirements (post qualification)</b>	<b>36%</b>	<b>36%</b>
	<b>100%</b>	<b>100%</b>			