

Public Document Pack



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8 March 2023

Dear Councillor

NOTICE IS HEREBY GIVEN THAT a meeting of the **GOVERNANCE COMMITTEE** will be held in the Council Chamber at these Offices on Thursday 16 March 2023 at 6.00 pm when the following business will be transacted.

Members of the public who require further information are asked to contact Democratic Services on (01304) 872305 or by e-mail at democraticservices@dover.gov.uk.

Yours sincerely

A handwritten signature in black ink, appearing to read 'N. Smith', written over a white background.

Chief Executive

Governance Committee Membership:

D Hannent (Chairman)
S S Chandler (Vice-Chairman)
S H Beer
D A Hawkes
S J Jones
P D Jull
P Walker

AGENDA

1 **APOLOGIES**

To receive any apologies for absence.

2 **APPOINTMENT OF SUBSTITUTE MEMBERS**

To note appointments of Substitute Members.

3 **DECLARATIONS OF INTEREST** (Page 4)

To receive any declarations of interest from Members in respect of business to be transacted on the agenda.

4 **QUARTERLY INTERNAL AUDIT UPDATE REPORT** (Pages 5 - 29)

To consider the attached report of the Head of Audit Partnership (East Kent Audit Partnership).

5 **INTERNAL AUDIT CHARTER AND DRAFT INTERNAL AUDIT PLAN 2023-24**
(Pages 30 - 57)

To consider the attached report of the Head of Audit Partnership (East Kent Audit Partnership).

6 **TREASURY MANAGEMENT QUARTER THREE REPORT 2022/23**

To consider the report of the Head of Finance and Investment (to follow).

7 **AUDIT PROGRESS REPORT AND SECTOR UPDATE** (Pages 58 - 74)

To consider the attached report of the external auditors, Grant Thornton.

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Declarations of Interest

Disclosable Pecuniary Interest (DPI)

Where a Member has a new or registered DPI in a matter under consideration they must disclose that they have an interest and, unless the Monitoring Officer has agreed in advance that the DPI is a 'Sensitive Interest', explain the nature of that interest at the meeting. The Member must withdraw from the meeting at the commencement of the consideration of any matter in which they have declared a DPI and must not participate in any discussion of, or vote taken on, the matter unless they have been granted a dispensation permitting them to do so. If during the consideration of any item a Member becomes aware that they have a DPI in the matter they should declare the interest immediately and, subject to any dispensations, withdraw from the meeting.

Other Significant Interest (OSI)

Where a Member is declaring an OSI they must also disclose the interest and explain the nature of the interest at the meeting. The Member must withdraw from the meeting at the commencement of the consideration of any matter in which they have declared a OSI and must not participate in any discussion of, or vote taken on, the matter unless they have been granted a dispensation to do so or the meeting is one at which members of the public are permitted to speak for the purpose of making representations, answering questions or giving evidence relating to the matter. In the latter case, the Member may only participate on the same basis as a member of the public and cannot participate in any discussion of, or vote taken on, the matter and must withdraw from the meeting in accordance with the Council's procedure rules.

Voluntary Announcement of Other Interests (VAOI)

Where a Member does not have either a DPI or OSI but is of the opinion that for transparency reasons alone s/he should make an announcement in respect of a matter under consideration, they can make a VAOI. A Member declaring a VAOI may still remain at the meeting and vote on the matter under consideration.

Note to the Code:

Situations in which a Member may wish to make a VAOI include membership of outside bodies that have made representations on agenda items; where a Member knows a person involved, but does not have a close association with that person; or where an item would affect the well-being of a Member, relative, close associate, employer, etc. but not his/her financial position. It should be emphasised that an effect on the financial position of a Member, relative, close associate, employer, etc OR an application made by a Member, relative, close associate, employer, etc would both probably constitute either an OSI or in some cases a DPI.

Subject: QUARTERLY INTERNAL AUDIT UPDATE REPORT

Meeting and Date: Governance Committee – 16th March 2023

Report of: Christine Parker – Head of Audit Partnership

Decision Type: Non-key

Classification: Unrestricted

Purpose of the report: This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance Committee meeting, together with details of the performance of the EKAP to the 31st December 2022

Recommendation: That Members note the update report.

1. Summary

This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance Committee meeting.

2. Introduction and Background

- 2.1 For each Audit review, management has agreed a report, and where appropriate, an Action Plan detailing proposed actions and implementation dates relating to each recommendation. Reports continue to be issued in full to each member of Corporate Management Team, as well as an appropriate manager for the service reviewed.
- 2.2 Follow-up reviews are performed at an appropriate time, according to the status of the recommendation, timescales for implementation of any agreed actions and the risk to the Council.
- 2.3 An Assurance Statement is given to each area reviewed. The assurance statements are linked to the potential level of risk, as currently portrayed in the Council's risk assessment process. The assurance rating given may be Substantial, Reasonable, Limited or No assurance.
- 2.4 Those services with either Limited or No Assurance are monitored and brought back to Committee until a subsequent review shows sufficient improvement has been made to raise the level of Assurance to either Reasonable or Substantial. A list of those services currently with such levels of assurance is attached as Annex 2 to the EKAP report.
- 2.5 The purpose of the Council's Governance Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent review of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.
- 2.6 To assist the Committee meet its terms of reference with regard to the internal control environment an update report is regularly produced on the work of internal audit. The purpose of this report is to detail the summary findings of completed audit reports and follow-up reviews since the report submitted to the last meeting of this Committee.

SUMMARY OF WORK

- 2.7 There have been six internal audit assignments completed during the period, which are summarised in the table in section 2 of the report.
- 2.8 In addition four follow-up reviews have been completed during the period, which are detailed in section 3 of the quarterly update report.
- 2.9 For the nine-month period to 31st December 2022, 210.49 chargeable days were delivered against the target of 300, which equates to 70.16% plan completion.

3 Resource Implications

- 3.1 There are no additional financial implications arising directly from this report. The costs of the audit work will be met from the Financial Services 2022-23 revenue budgets.
- 3.2 The financial performance of the EKAP is currently on target at the present time.

Appendices

Appendix 1 – Internal Audit update report from the Head of the East Kent Audit Partnership.

Background Papers

- Internal Audit Annual Plan 2022-23 - Previously presented to and approved at the 17th March 2022 Governance Committee meeting.
- Internal Audit working papers - Held by the East Kent Audit Partnership.

Contact Officer: Christine Parker, Head of Audit Partnership



INTERNAL AUDIT UPDATE REPORT FROM THE HEAD OF THE EAST KENT AUDIT PARTNERSHIP.

1. INTRODUCTION AND BACKGROUND

1.1 This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance Committee meeting, together with details of the performance of the EKAP to the 31st December 2022.

2. SUMMARY OF REPORTS:

Service / Topic		Assurance level	No. of Recs.	
2.1	EKS - Business Rates	Substantial	C H M L	0 0 2 4
2.2	EKS - Discretionary Housing Payments	Substantial	C H M L	0 3 2 3
2.3	Housing Allocations	Reasonable	C H M L	0 2 3 0
2.4	<u>Absence Management:</u> Sick Leave; Annual Leave; and Flexi Leave.	Limited Reasonable Reasonable	C H M L	0 3 3 3
2.5	Planning Applications, Income and s.106 Agreements	Reasonable/Limited	C H M L	0 4 2 3
2.6	Tech 1 (Main Accounting System) Project – Post Implementation Review	Not Applicable	C H M L	1 5 2 0

2.1 EKS Business Rates – Substantial Assurance

2.1.1 Audit Scope

To ensure that the processes and procedures established by EK Services/CIVICA are sufficient to provide the level of service required by the partner councils and incorporate relevant internal controls regarding the administration of Business Rates, especially the recording of accounts, valuation, billing and monitoring of accounts including payments and changes in responsible person.

2.1.2 Summary of Findings

Business Rates are a tax that apply to all non-domestic properties in England, unless specifically exempt from rating. Liability broadly reflects the value of a property – its 'rateable value' (RV) – multiplied by the tax rate – the 'multiplier' – less any relevant reliefs. Currently the multipliers are 51.2p (standard) and 49.9p (small business). CIVICA manages the collection of business rates under a contract for Canterbury, Dover and Thanet councils.

The primary findings giving rise to the Substantial Assurance opinion in this area are as follows:

- There is an agreement in place between CIVICA and all three councils (DDC, CCC & TDC) for the provision of managing the Business Rates service.
- There is an established, documented system in place for Business Rates to be administered that is well managed.
- Staff have access to a wealth of information regarding procedures, best practice and legislation via the intranet which was found to be comprehensive and up to date.
- Access to the OpenRevs system (Northgate) used for the Business Rates administration is being authorised and well managed.
- A separation of duties exists for key processes (i.e. refunds and suspensions).
- The calculation of liability for each account was found to be accurate for the test sample selected with the correct relief being applied and maximum amount of relief to be applied across all accounts being taken into consideration.

Scope for improvement was however identified in the following areas:

- The management of void properties, in particular site visits, needs to be undertaken as per the terms of the agreement.
- Periodic reviews of accounts need to be occurring as per the terms of the agreement, this should also include, where possible, a quality assurance/spot check of accounts. Solely relying on customer feedback (which may not always be via the official complaints process and therefore documented) is possibly too late and reflects on each of the councils' reputations and not necessarily that of CIVICA's.
- Consideration of an official training programme/route needs to be undertaken for both personal and professional staff development as the current arrangements for 'on-job' training does not officially document the career path for a Business Rates Officer/Manager.
- A refresh of procedures is required to ensure they are up to date and consistent with what is being practised and applied. These should detail any evidence that may be required to be presented to confirm identity/occupation for applying discounts.

- Business Rate KPI target as at end of 2021/22 was not being met, reasons for this were the impact of the pandemic, this may also not be achievable for the 2022/23 financial year given the current financial climate and adjustments may need to be considered.

2.2 EKS - Discretionary Housing Payments – Substantial Assurance

2.2.1 Audit Scope

To ensure that the processes and procedures established by CIVICA are sufficient to provide the level of service required by the partner Councils and these incorporate relevant internal controls regarding the provision of additional financial assistance to claimants who are already receiving either Housing Benefit or Council Tax Benefit, and who are experiencing particular financial hardship with regard to paying the shortfall of housing rent or council tax by the evaluation of, and then approval or rejection of applications.

2.2.2 Summary of Findings

Discretionary Housing Payments (DHPs) are temporary top-up payments to assist people who have additional housing costs which are not being met by Housing Benefit or Universal Credit (UC) housing cost entitlement. The DHP fund is a limited amount determined and provided each year by Central Government (DWP).

The DHP process for DDC, CCC and TDC is currently being managed by Civica Services Ltd under a shared agreement.

The DWP have produced guidelines and each of the partner councils have written and agreed a policy on how claims are to be administered. These are available via each of the partner councils' websites and updated yearly to detail the budget available; this is evidenced at appendix B of the policy, this ensures the process remains open and transparent.

The primary findings giving rise to the Substantial Assurance opinion in this area are as follows:

- Discretionary Housing Payments are made in accordance with the joint councils' policy and government guidance.
- The policy is reviewed annually and publicised on all council websites, Canterbury requires a refresh so that the most up to date policy is available.
- The same DHP application forms are available on all council websites.
- The budget is closely monitored on a weekly basis by Civica.
- A sample of DHP applications and 3 appeals were reviewed from 2022-23 and in the majority of cases, the reason and basis for the decision could be followed.
- All claim information is stored securely within the customer's record on google drive.
- An agreed and published document retention schedule for services provided by Civica on behalf of the councils is being maintained.

Scope for improvement was however identified in the following areas:

- All information relating to the decision process should be retained on file i.e. officer decisions notes (memo).

- A policy update and refresh is required to ensure all processes have been accurately documented and timescales for decisions are stated.
- The retention schedule requires an update to reflect the move to cloud based storage services.

2.3 Housing Allocations – Reasonable Assurance

2.3.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that housing property is allocated efficiently and effectively to qualifying tenants in accordance with Council policy and procedures and offers choice to prospective tenants through the allocations process in accordance with prevailing legislation.

2.3.1 Summary of Findings

In 2021/22 the Council allocated around 375 properties to applicants on the Housing Register. Despite this, there continues to be more applications to join the Housing Register than homes available. Data obtained over the period April 2020 to March 2021 showed that the average waiting time across all property types was around 16 months.

The primary findings giving rise to the Reasonable Assurance opinion in this area are as follows:

- The Housing Allocations policy is readily available to officers and also members of the public wishing to join the Housing register.
- Applicants with and without access to a computer are able to complete an application for entry onto the Housing Register and also place bids on properties.
- All completed applications are being assessed and scored consistently in accordance with criteria listed in the Allocations Policy.
- Property adverts contain all information relevant to the property and any eligibility conditions associated with the property.
- All decisions to make an offer of a tenancy are being suitably documented.
- Potential tenants should be able to view a property before accepting an offer of an allocation on it.

Some scope for improvement was however identified in the following areas:

- Whilst the current Housing Allocations Policy has been subject to regular internal reviews, it has not been subject to an external consultation to formally seek the views of external stakeholders since it was introduced in 2016.
- Insufficient checks are being undertaken to verify local connections resulting in the possibility of persons joining the Housing Register which do not meet with the local connections criteria.
- Action should be taken to ensure that the current backlog regarding the review of medical reports is reduced as soon as practical.
- Suitable performance indicators around the allocations processes should be reintroduced and reported to Senior Management at regular intervals.

2.4 Absence Management – Limited/Reasonable Assurance

2.4.1 Audit Scope

To provide assurance that staff absences are valid and authorised by management either in advance or in the case of sickness immediately after the event. To ensure that staff resources are adequately controlled and managed.

2.4.2 Summary of Findings

At the time of the audit there were 516 employees employed by Dover District Council across 13 different service areas. The staff handbook states that *'in order to ensure that the Council's most valuable assets, its employees, are able to contribute successfully towards the strategic direction of the Council and to achieve their full potential, the Council needs an effective framework for the recruitment, retention, deployment and development of its entire staff.'*

The Council has an Absence Management Policy, an Annual Leave Policy and a Flexible Working Policy in place which form part of a framework for managing absence across the Council. See below absence management figures taken from the East Kent People system: -

	Headcount	FTE
01/04/2019	354	302.06
01/04/2020	383	330.61
01/04/2021	426	375.58
	Days lost (sickness)	Per FTE
2019/2020	2407	6.6
2020/2021	1802	4.94
2021/2022	3740.5	10.25

Management can place Limited Assurance on the system of control in operation for the management of sickness absence and Reasonable Assurance on the system of control for the management of annual leave and flexi records.

Weaknesses were identified in the following areas: -

- The management of sickness absence across the Council is not consistent and there are absences that are not being recorded on the People Manager system.
- There are instances where no recorded return to work interviews are taking place or employee self-certification recorded for absences.
- The effectiveness of sickness absence monitoring and reporting needs to improve once managers are consistently recording sickness absences into the People Manager system in compliance with policy and guidance.
- The People Manager system does not send any notifications to managers when sickness triggers are hit.

- The Tractile system used to record flexi and employee timesheets has very basic functionality for example it does not interface with the People Manager system, it fails to recognise breaches of policy and it allows managers to leave employee timesheets unauthorised.

Effective control was however evidenced in the following areas:

- The absence management policy suite provides sufficient detail for management and employees to follow although these policies must contain the date they were approved and introduced to support good governance.
- Annual leave is being managed and monitored effectively.
- Whilst there are weaknesses in the Tractile system functionality, it was being used well for flexi management and by employees themselves.

2.5 Planning Applications, Income & S106 – Limited/Reasonable Assurance

2.5.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to:

- Planning Applications and Income: Ensure that planning application procedures, including those in respect of fees and collection of income, are in accordance with Statute, and the organisation's Standing Orders and Financial Regulations.
- Section 106 Agreements: Ensure that Section 106 agreements are used where appropriate in planning applications and that all legal requirements are adhered to. All income / benefits from the agreement are received and obligations imposed are complied with to the benefit of the district.

2.5.2 Summary of Findings

In March 2012, the government published the National Planning Policy Framework. The framework provides a balanced set of national planning policies for England covering the economic, social and environmental aspects of development. The policies in it must be taken into account in preparing Local Plans and Neighbourhood Plans and it is a material consideration in deciding planning applications.

The Planning department has two statutory performance indicators which are to determine major planning applications within 13 weeks and to process non-major planning applications within 8 weeks. These statutory performance indicators do not include applications with Section 106 Agreements, but it does include applications that have an agreed extension of time or Planning Performance Agreement. The two performance indicators are monitored by the Cabinet quarterly, along with other performance criteria and contextual information as shown below: -

KPI	KPI Description	DDC Target 2021/22	DDC Outturn 2021/22
PLA001	Percentage of major planning applications determined in 13 weeks (exc. section 106 agreements) or	65%	93.75%

	within an agreed extension of time or Planning Performance Agreement		
PLA002	Percentage of non-major planning applications determined in 8 weeks (exc. Section 106 agreements)	75%	94.56%
PLA003	The percentage of decisions for major applications overturned at appeal (+)	<10%	0%
PLA004	The percentage of decisions for non-major applications overturned at appeal (+)	<10%	0.7%
PLA007	Number of new houses completed.	No target	561
PLA009	% of appeals upheld by the Planning Inspectorate as a % of those submitted	No target	17.63%

Management can place Reasonable Assurance on all elements of the planning applications and S106 Agreement process except for the following elements where Limited Assurance is placed on the system of internal controls: -

- The governance arrangements in place for reporting planning performance; and
- The audit trail of S106 agreement income received prior to October 2020, when the Tech One system was introduced, and e-financials discontinued.

The primary findings giving rise to the Limited Assurance opinion in this area are as follows:

- There is an insufficient audit trail within the accountancy system to evidence income relating to S106 Agreements prior to October 2020 when the accountancy system changed from e-financials to Tech One.
- There is an urgent need to introduce procedure notes for S106 agreements to provide clarity over processes and responsibilities for managing the S106 process across departments such as Legal, Accountancy, Income and Planning.
- Two out of the ten planning application samples tested (three major and seven minor) were processed within the statutory period, although the other eight samples all had time extensions agreed. The three major applications took an average of 88.33 days to process, and the five minor applications took an average of 54.4 days to process.
- There is evidence to suggest that officers are using extensions of time to enable negotiations during the planning process, which can be lengthy. It is questioned whether some of these negotiations could be avoidable. The use of extensions of time are an embedded part of the Government stats, however it is noted that they can distort the performance figures by making them look better than they are.

Effective control was however evidenced in the following areas:

- Management information being reported at a manager level through Power-Bi is effective, timely and insightful.
- The quality of pre-application processes and planning application decisions being processed and evidenced is high.
- From the samples tested it was found that the Planning department is operating in compliance with legislation and the National Planning Policy Framework.
- The audit trail of planning correspondence and income (from October 2020 onwards) is good.

- Complaint levels are low and are being dealt with professionally.

2.6 Tech 1 Project PIR – Not Applicable

2.6.1 Audit Scope

To provide independent assessment of the lessons learned regarding the Project Management processes employed for the capital project from the start to delivery.

2.6.2 Summary of Findings

Before the implementation of the Tech One System in 2020 the Council had been using a financial management system named e-financials since 2001 alongside a bespoke in-house built Budget Monitoring system. The limited improvements to the systems, the increase in cost of e-financials and the loss of in-house expertise for maintaining the in-house built Budget Monitoring system led to a decision to procure the Tech One system.

A project was set up to deliver 'OneCouncil' by the summer of 2020 at a cost of £400k, the provision of which was included in the MTFP. The project out-turn was £427,450 largely due to the increased demand on staff time required during the testing phases of the project.

	Budget	Outturn	Variance
TechOne Consultancy	£220,000	£220,000	£0
Recharge of staff time	£80,000	£110,650	£30,650
Contingency	£100,000	£0	(£100,000)
TechOne Annual Software Costs	£0	£76,800	£76,800
Document Imaging extraction	£0	£20,000	£20,000
Total	£400,000	£427,450	£27,450

This post implementation review focused on what went well and what could be improved to allow senior management to reflect and apply learning to help improve project outcomes for the future.

What went well?

The following areas were a strength for the Tech One implementation project: -

- The structure of the project governance was initially setup in accordance with recognised good practice.
- The commitment of some staff to see the project through to a conclusion during a very difficult and challenging period throughout the pandemic helped the Council meet a very ambitious and challenging set of go-live deadlines set by Tech One.
- There was a good use of project plans to help manage different project stages at a project management level.
- Data migration and data testing processes were well documented and managed, although system testing and sign off was not sufficiently robust.
- The audit trail of project documentation from a project management perspective was good and allowed a robust post implementation review to take place.

What could be improved?

Scope for improvement was identified in the following areas:

- Some 'perceived system benefits' set out within the initial project scope have not been realised despite a small project overspend on this project of £27,450.
- Project guidance needs to be improved to help provide clarity over how senior management expect projects to be governed and managed.
- Project risk management practices and project risk oversight could be improved.
- The two-person project team was too small and didn't include sufficient expertise in ICT, risk management or project management.
- Project Board oversight weakened as the project progressed into the testing phases and go-live phases of the project.
- Project Board focus meetings could be improved with a more structured and consistent approach to meeting management.
- The project outcome may have benefited with a sufficient change programme to help bring reluctant staff onboard with the project.

3.0 FOLLOW UP OF AUDIT REPORT ACTION PLANS:

- 3.1 As part of the period's work, four follow up reviews have been completed of those areas previously reported upon to ensure that the recommendations previously made have been implemented, and the internal control weaknesses leading to those recommendations have been mitigated. Those completed during the period under review are shown in the following table.

Service/ Topic	Original Assurance level	Revised Assurance level	Original Number of Recs		No of Recs Outstanding	
			C	H	C	H
a) Right to Buy	Substantial	Substantial	M	L	M	L
b) Parks for People – Kearsney Abbey & Russel Gardens	N/A	N/A	C	H	C	H
c) Recruitment & Leavers	Reasonable	Substantial	C	H	C	H
d) EKS Procurement Disposal	Substantial	Substantial	C	H	C	H
ICT &			M	L	M	L

- 3.2 Details of each of any individual high priority recommendations outstanding after follow-up are included at Annex 1 and on the grounds that these recommendations have not been implemented by the dates originally agreed with management, they are now being escalated for the attention of the s.151 Officer and Members of the Governance Committee.

The purpose of escalating outstanding high-risk matters is to try to gain support for any additional resources (if required) to resolve the risk, or to ensure that risk acceptance or tolerance is approved at an appropriate level.

b) Parks for People - Since the initial audit the Council has appointed a new Strategic Director responsible for project management and it is starting to develop a new framework for risk management. This is a positive step which has the potential to improve governance particularly as project management and risk management are critical features of good governance. Once project management and risk management guidance has been approved, developed and published on the Staff Hub the Council will be in a stronger position to deliver successful projects in the future.

4.0 WORK-IN-PROGRESS:

- 4.1 During the period under review, work has also been undertaken on the following topics, which will be reported to this Committee at future meetings, Repairs and Maintenance, Employee Health & Safety, Income, Cash Collection & Bank Reconciliation, Leasehold Services, and VAT.

Due to resource implications within the Finance Departments (arising from the budget and closure of accounts pressures) the proposed 22-23 VAT audit has been postponed until the Summer of 2023. The Council is currently tolerating the risk that it is behind with submitting its VAT returns and is also not up to date with its partial exemption calculation.

5.0 CHANGES TO THE AGREED AUDIT PLAN:

- 5.1 The 2022-23 Audit plan was agreed by Members at the meeting of this Committee on 17th March 2022.
- 5.2 The Head of the Audit Partnership meets on a quarterly basis with the Strategic Director (Corporate Resources) - Section 151 Officer to discuss any amendments to the plan. Members of the Committee will be advised of any significant changes through these regular update reports. Minor amendments are made to the plan during the course of the year as some high-profile projects or high-risk areas may be requested to be prioritised at the expense of putting back or deferring to a future year some lower risk planned reviews. The detailed position regarding when resources have been applied and or changed are shown as Annex 3.

6.0 FRAUD AND CORRUPTION:

- 6.1 There were no other new or recently reported instances of suspected fraud or irregularity that required either additional audit resources or which warranted a revision of the audit plan at this point in time.

7.0 INTERNAL AUDIT PERFORMANCE

- 7.1 For the nine-month period to 31st December 2022, 210.49 chargeable days were delivered against the target of 300, which equates to 70.16% plan completion.

- 7.2 The financial performance of the EKAP is currently on target at the present time.
- 7.3 Thee EKAP introduced an electronic client satisfaction questionnaire, which is used across the partnership. The satisfaction questionnaires are sent out at the conclusion of each audit to receive feedback on the quality of the service.

Attachments

- Annex 1 Summary of High priority recommendations outstanding after follow-up.
Annex 2 Summary of services with Limited / No Assurances yet to be followed up.
Annex 3 Progress to 31-12-2022 against the agreed 2022/23 Audit Plan.
Annex 4 Balance Scorecard of KPIs to 31st December 2022
Annex 5 Assurance Statements

SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING OR IN PROGRESS AFTER FOLLOW-UP – ANNEX 1

Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager’s Comment on Progress Towards Implementation.
<i>Parks for People: Kearsney Abbey & Russell Gardens – January 2023</i>		
<p>The Project Management Guidance located on the intranet should be amended: -</p> <ul style="list-style-type: none"> • to make it clear that management expect all project documents to be retained for audit and assurance purposes (i.e. terms of reference, risk registers, minutes from meetings, delegations etc. for audit, assurance and accountability purposes); and • to make it clear that all decisions to progress with a project are recorded for accountability and assurance purposes; and • to ensure the Project Board agendas and minutes from project meetings consistently following a format that ensure an update and review of the following: - <ul style="list-style-type: none"> i) Project Budget Position; ii) Review Project Risks; iii) Current project Position – development; 	<p>The Council will establish a corporate working group to review the project guidance and the issues raised within the audit report and look closely at where responsibility for project guidance should sit.</p> <p>Proposed Completion Date & Responsibility</p> <p>Strategic Director (Operations and Commercial) (RW) & Director of Finance, Housing and Community (MD). Spring 2022</p>	<p>Auditor Comment: - Since the appointment of the Strategic Director – Corporate and Regulatory (LM), responsibility for project management now formally sits under the responsibility of the Major Projects and Programme Manager (EJA). She is putting together project guidance for managers and staff to use on the Staff Hub. It has been confirmed that senior management are committed to strengthening the project guidance in place and implementing the audit recommendations from the Kearsney Abbey Post Implementation Review and more recently the Tech One Post Implementation Review. Senior Management have confirmed that any new guidance should be in place by the summer of 2023.</p> <p>Recommendation Outstanding with Intent to Action. Revised Implementation Date – August 2023.</p>

SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING OR IN PROGRESS AFTER FOLLOW-UP – ANNEX 1

Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager’s Comment on Progress Towards Implementation.
<p>iv) Current Project Position - delivery;</p> <p>v) Contract Management;</p> <p>vi) Decisions made since last meeting;</p> <p>vii) Decisions due before next meeting;</p> <p>viii) Communication (CMT, Portfolio Holder, Public)</p> <p>AOB.</p>		
<p>Project governance should be carefully considered before taking the decision to proceed with a project. Answers to the following questions should be routinely considered when a project is being approved? Management should consider adding this to the project guidance: -</p> <ul style="list-style-type: none"> Does the project need to be led by a specific department (i.e. Property Services for projects involving restoration, renovation, assets, asbestos removal)? Is the scope of the project realistic in terms of assumptions relating to finances, cost, budget, timescales, contingency and 	<p>To be considered once a Corporate Working Group has been established.</p> <p>Proposed Completion Date & Responsibility</p> <p>Strategic Director (Operations and Commercial) (RW) & Director of Finance, Housing and Community (MD). Spring 2022</p>	<p>Auditor Comment: - See comments in Recommendation 1 above.</p> <p>Additionally, CMT are introducing a new risk management framework which now falls under the responsibility of the Democratic and Corporate Services Manager (RB). The two officers responsible for Project Management and Risk Management have confirmed that they will be working together to ensure that risk management criteria is aligned in terms of project risk management and organisational risk management.</p> <p>Recommendation Outstanding with Intent to Action. Revised Implementation Date – August 2023.</p>

SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING OR IN PROGRESS AFTER FOLLOW-UP – ANNEX 1

Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
<p>officer expertise required during the project?</p> <ul style="list-style-type: none"> • Does the proposed project team include all areas of expertise required to deliver the project successfully (risk management, surveyor, accountant, ecologist, community engagement, planning, building control, procurement etc.)? • Will the project team have the experience and expertise to manage risks effectively? • Who are the main stakeholders / partners, and have they been consulted? <p>Is it essential that the Council assess the financial risk to the Council if the project runs in to problems. (i.e. what is the worst-case scenario and is this still acceptable to the Council? Is the Council willing to underwrite any overspend)</p>		
<p>Management should note and adopt the 'list of potential project risks and controls' (Appendix 2) which has been put together as part of the Kearsney Abbey post implementation review and add this to the Project Risk</p>	<p>To be considered once a Corporate Working Group has been established.</p> <p>Proposed Completion Date & Responsibility</p>	<p>Auditor Comment: - See comments in Recommendation 1 above.</p> <p>Additionally, CMT are introducing a new risk management framework which now</p>

SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING OR IN PROGRESS AFTER FOLLOW-UP – ANNEX 1

Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager’s Comment on Progress Towards Implementation.
<p>Management Guidance made available on the intranet. This document should be updated on conclusion and reflection of each project to provide insight into the risks faced in order to help improve outcomes and learning for future projects.</p>	<p>Strategic Director (Operations and Commercial) (RW) & Director of Finance, Housing and Community (MD). Spring 2022</p>	<p>falls under the responsibility of the Democratic and Corporate Services Manager (RB). The two officers responsible for Project Management and Risk Management have confirmed that they will be working together to ensure that risk management criteria is aligned in terms of project risk management and organisational risk management.</p> <p>Recommendation Outstanding with Intent to Action. Revised Implementation Date – August 2023.</p>
<p>The Council should adopt the Project Risk Register Template (at appendix 3) and set out the project risk management process in the Project Management Guidance made available through the intranet. It should also adopt the 5x5 risk management matrix (appendix 3) which was successfully used as part of the Dover District Leisure Centre Project for managing projects in future.</p>	<p>To be considered once a Corporate Working Group has been established.</p> <p>Proposed Completion Date & Responsibility</p> <p>Strategic Director (Operations and Commercial) (RW) & Director of Finance, Housing and Community (MD). Spring 2022</p>	<p>Auditor Comment: - See comments in Recommendation 1 above.</p> <p>Additionally, CMT are introducing a new risk management framework which now falls under the responsibility of the Democratic and Corporate Services Manager (RB). The two officers responsible for Project Management and Risk Management have confirmed that they will be working together to ensure that risk management criteria is aligned in terms of project risk management and organisational risk management.</p>

SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING OR IN PROGRESS AFTER FOLLOW-UP – ANNEX 1

Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager’s Comment on Progress Towards Implementation.
		Recommendation Outstanding with Intent to Action. Revised Implementation Date – August 2023.
<p>Responsibility for the project management guidance documents currently located under ‘Corporate Services’ on the intranet should be clarified. Once the guidance is updated its location on the intranet should be shared with managers at managers forum.</p>	<p>To be considered once a Corporate Working Group has been established.</p> <p>Proposed Completion Date & Responsibility</p> <p>Strategic Director (Operations and Commercial) (RW) & Director of Finance, Housing and Community (MD). Spring 2022</p>	<p>Auditor Comment: - Responsibility for project management now formally sits under the responsibility of the Major Projects and Programme Manager (EJA). She is putting together project guidance for managers and staff to use on the Staff Hub.</p> <p>Recommendation Outstanding with Intent to Action. Revised Implementation Date – August 2023.</p>

SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED			
Service	Reported to Committee	Level of Assurance	Follow-up Action Due
Garden Waste & Recycling Income	01-12-2022	Limited/Reasonable	Work-in-Progress
Grounds Maintenance	01-12-2022	Limited	Work-in-Progress
<u>Absence Management:</u> Sick Leave; Annual Leave; and Flexi Leave.	16-03-2023	Limited Reasonable Reasonable	Spring 2023
Planning Applications, Income and s.2016 Agreements	16-03-2023	Reasonable/Limited	Spring 2023

**PROGRESS AGAINST THE AGREED 2022-23 AUDIT PLAN
DOVER DISTRICT COUNCIL**

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-2022	Status and Assurance Level
FINANCIAL SYSTEMS:				
Income, Cash Collection & Bank Rec.	10	10	0.18	Work-in-Progress
VAT	10	10	0.26	Work-in-Progress
Insurance & Inventories of Portable Assets	10	10	0.18	Postponed
HOUSING SYSTEMS:				
Housing Allocations	10	10	11.42	Finalised - Reasonable
Private Sector Housing	10	10	12.21	Finalised - Reasonable
Right to Buy	10	10	10.17	Finalised - Reasonable
Repairs & Maintenance	10	10	0	Work-in-Progress
Leasehold Services	12	12	0	Work-in-Progress
Sheltered Housing	10	10	10.01	Finalised - Substantial
HR RELATED:				
Absence Management	10	10	10.89	Finalised – Limited, Reasonable, Reasonable
GOVERNANCE RELATED:				
GDPR, FOI & Information Mngmt.	12	12	0	Work-in-Progress
Complaints Monitoring	10	10	10.98	Finalised – Substantial
Scheme of Officer Delegations	10	10	0	Postponed to 23-24
Corporate Advice/CMT	2	2	4.36	Ongoing
s.151 Meetings and Support	9	9	9.98	Ongoing
Governance Committee Meetings and Reports	12	12	10.23	Ongoing
2023-24 Audit Plan Preparation and Meetings	9	9	5.93	Ongoing
COUNTER FRAUD & CORRUPTION:				
Counter Fraud and Corruption	10	10	0	Work-in-Progress
SERVICE LEVEL:				
Employee Health & Safety	10	10	0	Work-in-Progress
Safeguarding	10	10	0	Work-in-Progress
Port Health – Consultancy	10	10	6.04	Finalised – N/A
Port Health – Assurance	10	10	0	Postponed

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-2022	Status and Assurance Level
Climate Change	5	5	1.02	Work-in-Progress
Food Safety	10	10	10.16	Finalised - Substantial
Planning Applications, Income & s106	12	12	13.78	Finalised – Reasonable/Limited
Corporate Plan, Local Plan & MTFP	10	0	0	Postponed
Building Control	10	10	0	Postponed to 23-24
Waste Management	15	15	0	Postponed to 23-24
OTHER:				
Liaison with External Auditors	1	1	0.45	Ongoing
Follow-up Work	15	15	7.59	Ongoing
FINALISATION OF 2021-22- AUDITS:				
Digital/Cloud Computing	5	15	10.64	Finalised – Reasonable
Environmental Protection			0.77	Finalised – Reasonable
CSO Compliance			0.14	Finalised – Reasonable
Grounds Maintenance			12.47	Finalised – Limited/Reasonable
Tenancy & Estate Management			0.45	Finalised – N/A
Budgetary Control			3.14	Finalised – Reasonable
Phones, Mobiles & Utilities			14.70	Finalised – Reasonable/Limited
Recruitment			4.73	Finalised – Reasonable
Main Accounting System – Post Implementation Review			12.67	Finalised – N/A
Garden Waste & Recycling Income			14.94	Finalised - Limited
RESPONSIVE ASSURANCE:				
None this Period				
TOTAL	300	300	210.49	70.16%

**PROGRESS AGAINST THE AGREED 2022-23 AUDIT PLAN
EAST KENT SERVICES**

Review	Original Planned Days	Revised Planned Days	Actual days to 31/12/2022	Status and Assurance Level
EKS Reviews:				
Business Rates	15	15	14.97	Finalised - Substantial
Housing Benefit DHPs	15	15	7.06	Finalised - Substantial
Housing Benefit Testing	15	16	16.51	Finalised - N/A
Debtors	15	10	0.14	Work in progress
ICT – Data Management	15	15	0.27	Quarter 4
ICT – Network Security	15	15	0.30	Quarter 4
KPIs	5	7	7.04	Finalised - Substantial
Payroll	18	18	17.60	Finalised - Substantial
Other:				
Corporate/Committee	8	5	4.45	Ongoing
Follow Up	6	6	0.43	Ongoing
Joint DWP Investigation	0	5	6.88	Ongoing
Finalisation of 2021-22 Audits:				
ICT Procurement & Disposal	1	1	1.22	Finalised - Substantial
Total	128	128	76.87	60.05%

INTERNAL PROCESSES PERSPECTIVE :	2022-23 Actual	Target	FINANCIAL PERSPECTIVE:	2022-23 Actual	Original Budget
	Quarter 3		Reported Annually		
Chargeable as % of available days	88%	90%	<ul style="list-style-type: none"> • Cost per Audit Day 	£	£
Chargeable days as % of planned days			<ul style="list-style-type: none"> • Direct Costs 	£	£
CCC	74.52%	75%	<ul style="list-style-type: none"> • + Indirect Costs (Recharges from Host) 	£	£
DDC	70.16%	75%	<ul style="list-style-type: none"> • - 'Unplanned Income' 	£	Zero
TDC	75.24%	75%			
FHDC	70.34%	75%			
EKS	60.05%	75%			
Overall	71.20%	75%	<ul style="list-style-type: none"> • = Net EKAP cost (all Partners) 		£
Follow up/ Progress Reviews;					
<ul style="list-style-type: none"> • Issued 	38	-			
<ul style="list-style-type: none"> • Not yet due 	25	-			
<ul style="list-style-type: none"> • Now due for Follow Up 	24	-			
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 3		Quarter 3		
Number of Satisfaction Questionnaires Issued;	52		Percentage of staff qualified to relevant technician level	61%	60%
Number of completed questionnaires received back;	31		Percentage of staff holding a relevant higher-level qualification	36%	36%
	= 60 %		Percentage of staff studying for a relevant professional qualification	14%	N/A
Percentage of Customers who felt that;			Number of days technical training per FTE	3.9	3.5
• Interviews were conducted in a professional manner	100%	100%	Percentage of staff meeting formal CPD requirements (post qualification)	50%	50%
• The audit report was 'Good' or better	94%	90%			
• That the audit was worthwhile.	97%	100%			

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.

Subject:	INTERNAL AUDIT CHARTER AND DRAFT INTERNAL AUDIT PLAN 2023-24
Meeting and Date:	Governance Committee – 16th March 2023
Report of:	Christine Parker – Head of Audit Partnership
Decision Type:	Non-key
Classification:	Unrestricted

Purpose of the report:	This report sets out the proposed Internal Audit Plan for 2023/24 detailing a breakdown of audits and an analysis of available days.
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Recommendations:	That Members approve to adopt the Internal Audit Charter for delivery of the internal audit service for the next three years.
	That Members approve the Council’s Internal Audit Plan for 2023/24

Summary.

This report includes the Audit Charter for the East Kent Audit Partnership which sets out the overarching vision, aims and strategy for the Internal Audit Service together with the draft plan of work for the forthcoming 12 months for approval.

1.0 Introduction and Background.

- 1.1 The purpose of the Council’s Governance Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent review of the Authority’s financial and non-financial performance to the extent that it affects the Authority’s exposure to risk and weakens the control environment, and to oversee the financial reporting process.
- 1.2 In accordance with current best practice, the Governance Committee should “review and assess the annual internal audit work plan”. The purpose of this report is to help the Committee assess whether the East Kent Audit Partnership has the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with the professional standards for Internal Auditors.

2.0 Audit Mission & Charter.

- 2.1 The Audit Mission is a simple high-level statement setting out the objectives for the service, please see attached as Annex A.
- 2.2 The Audit Charter is an important document setting out the expectations of how the Internal Audit function will be delivered. Not only does having a Charter and keeping it up to date assist the Council in complying with best practice, but by considering the Audit Charter, the Governance Committee is also demonstrating its effectiveness by ensuring that these mechanisms are in place and are working effectively.
- 2.3 The Audit Charter establishes the purpose, authority, objectives and responsibility of the East Kent Audit Partnership, it goes on to set out the Terms of Reference, Organisational Relationships and Independence, Competence and Standards of Auditors, the Audit Process

and in providing an Internal Audit function to the partner councils; as well as the resources required across the four partnership sites and details how the resource requirements will be met.

- 2.4 The Audit Charter is attached as Annex B to this report. It is essentially the 'Why' and 'How' the East Kent Audit Partnership will provide the Internal Audit Service. It is a document that does not materially change from year to year and consequently it was suggested last year that this be approved for the next three years (to 31st March 2026) with the caveat that should any significant changes be required a revised Charter will be presented for consideration. Having undertaken a detailed self-assessment against the revised Public Sector Internal Audit Standards (PSIAS) minor aspects of the Charter were refreshed. It is proposed again, that subject to there being any future changes to the standard having a knock on effect to the Charter, this document will next be brought back to this Committee in March 2026.

3.0 Risk Based Internal Audit Plan.

- 3.1 The Audit Plan for the year 2023 to 2024 is attached as Annex C and has the main components to support the approved Audit Charter. The plan is produced in accordance with professional guidance, including the Public Sector Internal Audit Standards (PISAS). A draft risk based plan is produced from an audit software database (APACE) maintained by the EKAP which records our risk assessments on each service area based upon previous audit experience, criticality, financial risk, risk of fraud and corruption etc. Amendments have been made following discussions with senior management, taking account of any changes within the Council over the last 12 months, and foreseen changes over the next.
- 3.2 The plan has then been further modified to reflect emerging risks and opportunities identified by the Chief Executive, Directors, and the links to the Council's Corporate Plan and Corporate Risk Register. This methodology ensures that audit resources are targeted to the areas where the work of Internal Audit will be most effective in improving internal controls, the efficiency of service delivery and to facilitate the effective management of identified risks.
- 3.3 Furthermore, wider risks are considered, by keeping abreast of national issues and advice from the auditing profession / firms. The annual "Risk in Focus" report provides an opportunity to track how risk priorities are developing over time. A number of dominant themes are emerging. Climate change and environmental sustainability has gained in prominence more than any other risk type over the past three years. It is a moving target that organisations will have to make continuous efforts to mitigate for decades to come. This should therefore be considered a "forever risk" that is likely to move up the risk rankings over time. Risks related to business continuity, crisis management and disasters response have been heavily impacted by recent events, and the same is true of health, safety & security, Human capital, diversity and talent management and organisational culture. These latter three have a clear human capital element to them. Organisations have been forced to flex and adapt over the past 18 months, protecting their workforces from harm as health risks sharply escalated. As the pandemic has rolled on for longer than many expected, organisations have had to think about the psychological wellbeing of their staff and what socially distanced and remote working conditions mean for staff cohesion and culture. The top ten identified risks through 'Risk In Focus' survey have been considered for inclusion in the 2023/24 plan as follows;

1 - Cyber Security & Data Security – Cybersecurity and data security retained its hold as the number one threat in the Risk in Focus 2023 survey – with 82% of respondents saying it was a top five risk (the same as in 2022). It is also the area on which internal auditors say they spend most time and effort. In three years' time, internal auditors expect the risk to still rank highest as a threat to their organisations but with slightly fewer ranking it a top five risk (77%). In fact, the threat landscape has become more dangerous – not least because of the war in Ukraine. Survey respondents said cybercrime and data security was their second biggest risk

from the conflict. In addition to this ransomware acts increased by 80% in 2022. There is an ICT review in the audit plan for 2023-24.

2 - Human Capital, Diversity & Talent Management – In the wake of an ongoing pandemic, organisational culture and talent management have become key areas of competitive advantage for organisations. Human capital, diversity and talent management ranked 2nd in Risk in Focus 2023's risk ranking, up from fourth place in 2022. With 50% citing it as a top five risk this year compared to 40% last year. Eighteen percent of respondents said it was their number one priority. It is a risk that is firmly cementing itself among the hardest challenges businesses face and internal auditors say that it will rank as the second largest risk three years from now – with 21% saying it will be their number one priority. There are HR reviews planned across the strategic audit plan.

3 - Macroeconomic and geopolitical uncertainty - The war in Ukraine took many organisations by surprise, including those with deep commercial interests in the region. As the Risk in Focus 2023 survey took place during the first quarter of 2022 when the conflict was just beginning, the crisis helped to push macroeconomic and geopolitical uncertainty into 3rd place in the survey, up from seventh just a year ago. With 46% citing it as a top five risk this year, compared to 32% last year. No time has been allocated in 2023-24 regarding this risk.

4 - Changes in laws and regulations

This risk has reduced slightly down from number 2 in 2022. Local councils will always be subject to changes in laws and regulations from government and are expected to react immediately to these changes. There is no time allocated specifically in the 2023-24 plan but any changes may be picked up within the individual audit reviews.

5 - Digital disruption

Digital disruption, new technology and AI - The pandemic pushed organisations' digitalisation efforts into third place in the risk rankings in the Risk in Focus 2022 survey as they moved staff to homeworking and shifted sales online. Not surprisingly, perhaps, this year internal auditors ranked it as the 5th biggest risk their organisations faced. With 38% citing it a top five risk this year compared to 45% last year. The Council is expected to keep pace with advances in digital services and this is a constant pressure upon them. No time has specifically been allocated in 2023-24 but this will be partially covered by ICT audits including that of cyber-security.

6 - Climate change and environmental sustainability - While internal auditors have had climate change on the agenda for some time, chief audit executives taking part in this year's Risk in Focus 2023 roundtable on the topic agreed that it was moving higher up their agendas. "Last year we were starting to wake up to the issue with training and seminars; this year we are getting into the detail and starting to implement environmental issues in every audit," said one participant. A Climate Change review has been undertaken recently and time has been allocated in the 2023-24 plan for a follow up to assess the Council's progress against this agenda.

7 - Business continuity, crisis management and disasters response

Following the pandemic and the large-scale changes that have been introduced since that time, such as working from home, etc. The Council's business continuity plans and responses have been thoroughly tested and lessons have been learnt. Although there has been widespread vaccinations undertaken nationally there is still the risk from variants of Covid and the Council must always be prepared for this.

8 – Supply chain, outsourcing and nth party risk

Stress on supply chains will be a constant feature over the next few years, especially since the European Commission's Proposal for a Directive on Corporate Sustainability Due Diligence

seeks to further tighten environmental and human rights protection in law. In this year's survey, supply chain, outsourcing and "nth" party risk ranked eighth in terms of its potential impact (up from ninth in 2022) and respondents said it ranked sixth in terms of the areas where internal audit functions spend most time and effort.

The reversal of outsourcing EKS ICT will commence from 1st April 2023. There will still be a small support service for CIVICA in the coming year to provide their ICT service requirements. No time has specifically been allocated in 2023-24 to this.

9 - Financial, liquidity and insolvency risks - Last year's Risk in Focus assessment showed that organisations were firmly concentrating on their financial resilience and liquidity, whilst this remains an issue for all organisations, there is a new focus to ensure that key business partners are being monitored. Insolvencies may rise in correlation with the withdrawal of government support, indeed, it has been estimated that insolvency rates will raise by 13%. Services, leisure, hospitality and travel sectors rely on government policy and, approaching two years into the pandemic, the future of businesses in these industries is still in question. Contractor or supplier failure remains a key risk. No time has specifically been allocated in 2023-24 to this.

10 - Organisational governance and corporate reporting –

Organisational governance has moved up slightly to now feature in the top ten risks for 2023. This is an important aspect of any company and especially for a local council which represents the local community and residents. It must be seen as complying with the many and various governance requirements placed upon a council to keep the trust of the local people. There are a number of governance reviews scheduled which will inform the annual opinion in July 2024.

- 3.4 There are insufficient audit resources to review all areas of activity each year. Consequently, the plan is based upon a formal risk assessment that seeks to ensure that all areas of the Council's operations are reviewed within a strategic cycle of audits. In order to provide Members with assurance that internal audit resources are sufficient to give effective coverage across all areas of the Authority's operations, a strategic plan has been included.
- 3.5 To comply with the best practice, the agreed audit plan should cover a fixed period of no more than 1 year. Members are therefore being asked to approve the 2023-24 plan at the present time, and the future years are shown as indicative plans only, to provide Members with assurance that internal audit resources are sufficient to provide effective coverage across all areas of the Authority's operations within a rolling cycle.
- 3.6 The plan has been prepared in consultation with the Directors and the Council's statutory s.151 Officer. The plan is also designed to meet the requirements expected by the External Auditors for ensuring key controls are in place for its fundamental systems. This Committee is also part of the consultation process, and its views on the plan of work for 2023-24 are sought to ensure that the Council has an effective internal audit of its activities and Members receive the level of assurance they require to be able to place assurance on the annual governance statement.
- 3.7 The risk assessment and consultation to date has resulted in;
- 75% Core Assurance Projects- the main Audit Programme
 - 3% Fraud Work – fraud awareness, reactive work and investigating potential irregularities
 - 0% Corporate Risk – testing the robustness of corporate risk mitigating action
 - 22% Other Productive Work – Corporate meetings, follow up, general advice, liaison
- Total number of audits 24.

For 2023-24 the days available for carrying out audit is 318 days. When compared to the resources available and working on the basis that the highest risk areas should be reviewed as a priority, the EKAP has sufficient resources to review undertake 24 audits. The detailed draft audit plan is contained in Annex C.

4.0 Benchmarking the level of Internal Audit Provision.

4.1 Members should have regard to how audit resources within the Council compare to other similar organisations when considering the adequacy and effectiveness of the internal audit plan. The results of benchmarking show that the average number of internal audit days provided by district councils within Kent is circa 400 days annum. The audit plan of Dover District Council of 318 days plus their share of the EKS audit plan totals 343. The Dover plan is therefore 14.25% less well-resourced than the Kent average.

5.0 Head of Internal Audit Opinion of the 2023/24 Internal Audit Plan.

5.1 This report is presented to Members by the Council's Strategic Director (Corporate Resources) whose s.151 responsibility it is to maintain an effective internal audit plan. In the interests of openness and transparency and in order to enable Members to make an informed decision on the internal audit plan presented for their approval consideration should also be given to the opinion of the Head of Internal Audit on the effectiveness of the plan.

5.2 It is the professional opinion of the Head of the East Kent Audit Partnership that the draft 2023-24 internal plan presented for Members' consideration is less well-resourced than the Kent average and accordingly our overall audit opinion at the end of the year will be limited to commenting on the systems of internal control that have been examined. The current resources of the EKAP will allow for an opinion to be given on the Council's key risk areas and systems. This should be sufficient coverage to inform the Annual Governance Statement.

5.3 The Head of the East Kent Audit Partnership highlights that Members either approve the 2023-24 internal audit plan as drafted or they may recommend to Cabinet that additional resources should be allocated to bring the plan up to the Kent average. This would require an additional 57 days per annum, which at an estimated cost per audit day of £400 would cost £22,800 per annum.

6.0 Background Papers.

- Internal Audit Annual Plan 2022/23 - Previously presented to and approved in March 2022 Governance Committee meeting.
- Internal Audit working papers - Held by the East Kent Audit Partnership.
- Former Audit Mission, Audit Charter and Strategies - Previously presented to and approved at Governance Committee meetings.

Attachments

Annex A Audit Mission
Annex B EKAP Internal Audit Charter
Annex C Dover District Council & EKS/Civica draft 2023/24 Internal Audit Plans

CHRISTINE PARKER
Head of Audit Partnership

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East Kent Audit Partnership Mission

The four East Kent authorities Canterbury City Council (CCC), Dover District Council (DDC), Folkestone & Hythe District Council (F&HDC), and Thanet District Council (TDC) formed the East Kent Audit Partnership (EKAP) in order to deliver a professional, cost effective, efficient, internal audit function. A key aim for the EKAP, supported by an agreed Audit Charter, is to build a resilient service that provides opportunities to port best practice between the four councils and East Kent Services acting as a catalyst for change and improvement to service delivery as well as providing assurance on the governance arrangements in place.

EKAP provides an independent, objective assurance and consulting activity designed to add value and improve the councils' operations. It helps the partners accomplish their objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The mission for internal auditing (linked to the definition above) is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight reflecting each councils' Corporate Objectives.



EAST KENT AUDIT PARTNERSHIP AUDIT CHARTER

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1 Introduction & Vision

- 1.1 This Charter establishes the purpose, authority, objectives and responsibility of the Audit Partnership, in providing an Internal Audit function within the Partner Councils.
- 1.2 The EKAP is committed to the highest standards and prides itself on complying with the definition of Internal Auditing, the ethical codes that the profession requires and adopting the International standards.
- 1.3 The Audit Partnership is hosted by Dover District Council. The four East Kent authorities Canterbury City Council (CCC), Dover District Council (DDC), Folkestone & Hythe District Council (F&HDC), and Thanet District Council (TDC) formed the East Kent Audit Partnership (EKAP) in order to deliver a professional, cost effective, efficient, internal audit function. A key aim for the EKAP is to build a resilient service that provides opportunities to port best practice between the four sites, acting as a catalyst for change and improvement to service delivery as well as providing assurance on the governance arrangements in place.
- 1.4 The Audit Partnership is sufficiently independent of the activities that it audits, and this enables the auditors to perform their duties in a manner, which facilitates impartial and effective professional judgements and recommendations.
- 1.5 The organisational status of the Audit Partnership is such that it is able to function effectively. The Head of Audit Partnership must be able to maintain their independence and report to members. The Head of Audit Partnership has sufficient status to facilitate the effective discussion of audit strategies, plans, results and improvement plans with the senior management and audit committees of the individual partners.
- 1.6 Accountability for the response to the advice and recommendations of the Audit Partnership lies with each partner's own management.
- 1.7 The Audit Partnership reports to those committees charged with governance. The main objective is to independently contribute to the councils' overall process for ensuring that an effective internal control environment is maintained. The work of the Audit Partnership for each of the partner authorities is summarised into an individual annual report, which assists in meeting the requirements to make annual published statements on the internal control systems in operation as required by Section 6 of the Accounts and Audit Regulations 2015.

2 Terms of Reference

2.1 Strategy & Purpose

Internal Audit is a statutory requirement under the Local Government Act 1972 (Section 151). It is the strategy of the Audit Partnership to comply with best practice as far as possible. The East Kent Audit Partnership has therefore adopted the best practice principles set out in the Public Sector Internal Audit Standards (PSIAS). The definition of Internal Audit taken from their guidance is as follows:

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.

This definition sets out the primary purpose of the Audit Partnership, but the guidance also recognises that other work may be undertaken which may include consultancy services and fraud-related work. Where relevant and applicable the Audit Partnership also follows the professional and ethical standards of the Institute of Internal Auditors, being that many of the staff are members of this Institute.

2.2 Responsibility & Scope

2.2.1 Internal Audit is responsible for appraising and reviewing:

- a) the completeness, reliability and integrity of information, both financial and operational,
- b) the systems established to ensure compliance with policies, plans, procedures, laws and regulations, i.e. rules established by the management of the organisation, or externally,
- c) the means of safeguarding assets,
- d) the economy, efficiency and effectiveness with which resources are employed,
- e) whether operations are being carried out as planned and objectives and goals are being met.
- f) Significant emerging risk exposures which threaten the delivery of Corporate objectives.
- g) Fraud and corruption risks.
- h) Governance issues and risks which threaten the ethical delivery of services.

2.2.2 The scope of the Audit Partnership includes the review of all activities of the partner councils, without restriction. In doing this, the purpose of Internal Audit is to:

- a) Advise the Chief Executive, Directors, Senior Managers and Audit Committee on appropriate internal controls and the management of risk,
- b) Assist the Chief Executive, Directors, Senior Manager and Audit Committee with the way that organisational objectives are achieved at operational levels,
- c) Assure the Chief Executive, Directors, Senior Managers and Audit Committee of the reliability and integrity of systems, and that they are adequately and effectively controlled,
- d) Alert the Chief Executive, Directors, Senior Managers and Audit Committee to any system weaknesses or irregularities.

2.2.3 In addition, the Audit Partnership may carry out special investigations as necessary, and agreed with the s.151 Officer or Monitoring Officer as appropriate, in respect of cases of fraud, malpractice or other irregularity, or carry out individual ad hoc projects as requested by management and agreed by the Head of Audit Partnership and the partners' client officer.

2.2.4 Assurance to third parties may be agreed, by the Head of Audit Partnership with the relevant s.151 Officer on a case by case basis; such as acting as the First Level Controller for Inter Reg Grant Claims. The rate charged to a third party for assurance work is set by the Joint s.151 Client Officer Group at £375 per audit day. The decision to provide such a service is informed by the required timing of the work, whether the skills and resources are available and if it is in the best interest of the EKAP and the Partners to do so, the nature of this work may include, for example the verification of claims or returns.

2.2.5 The decision to undertake consultancy services will be made in conjunction with the relevant partner's s.151 Officer and other management as necessary. The EKAP is able to avoid conflicts of interest if carrying out consultancy work due to the flexibility of the arrangements, as auditors may be rotated accordingly. The decision to provide such a service is informed by the required timing of the work, whether the skills and resources are available and if it is in the best interest of the EKAP and the Partners to do so, the nature of this work may

include for example, being involved on project teams for new systems development. There are no contingency provisions within the agreed audit plans, therefore if work has not been included in the plan from the outset, a variation will need to be agreed for any consultancy work, to re-allocate time within the relevant partner's own plan, or through buying in additional resource to back-fill whilst partnership staff carry out the assignment.

2.3 Authority

2.3.1 The procedures for auditing the Council are included within each of the councils' Constitutions. This typically includes words to the effect that the Authority shall:

- a) Make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has the responsibility for the administration of those affairs, and
- b) Shall maintain an adequate and effective system of Internal Audit of their accounting records and control systems.

Additionally, there may be delegated authority to the Chief Executive and Directors to establish sound arrangements for the planning, appraisal, authorisation and control of the use of resources, and to ensure that they are working properly. Maintaining adequate and effective controls is necessary to:

- a) carry out activities in an orderly, efficient and effective manner,
- b) ensure that policies and directives are adhered to,
- c) ensure compliance with statutory requirements,
- d) safeguard assets & to prevent fraud,
- e) maintain complete and reliable records and information, and
- f) prevent waste & promote best value for money.

2.3.2 The Audit Partnership is authorised to complete a programme of audit reviews within the Partner Councils through the delegation of powers to Dover District Council, as the Lead body for the Audit Partnership.

2.3.3 The Head of Audit Partnership works principally with a nominated officer, the s.151 Officer, for each of the Partner councils, to ensure that a continuous internal audit review of the accounting, financial and other operations of the Council is performed. Progress on the work undertaken shall be submitted regularly to the appropriate committee with responsibility for Internal Audit.

2.3.4 All employees and Councillors shall comply with the requirements of the Council's internal and external auditors who have authority to:-

- a) enter at all reasonable times on any Council premises or land,
- b) have access to all Council assets such as records, documents, contracts and correspondence, including computer hardware, software and data,
- c) require and receive such explanations as are necessary concerning any matters under examination, and
- d) require any employee of the Council to produce cash, stores or any other Council property under his/her control.

2.3.5 Employees and Councillors of any of the Partners may report any financial irregularity or suspected irregularities to the Head of Audit Partnership, who shall then ensure that the matter is dealt with in accordance with the individual council's Anti Fraud and Corruption Strategy.

2.4 **Avoiding Conflicts of Interest**

- 2.4.1 An additional benefit of four councils working in partnership to provide an internal audit service, is providing sufficient staff to give flexibility and the opportunity for the rotation of Auditors. Where consultancy projects are requested and agreed, conflicts of interest will be avoided by preventing the Auditor undertaking that project from reviewing that area of operation for a period of time equivalent to current year plus one (see also paragraph 3.2 below). The EKAP provides a pure audit arrangement and does not have any “non audit” or operational responsibilities that would otherwise have the potential to cause a conflict of interest.

3 **Organisational Relationships and Independence**

3.1 **Audit Partnership Management and Staffing**

The audit service is managed by the Head of Audit Partnership, who is responsible for providing a continuous internal audit service under the direction of the Section 151 Officers. The auditor assigned to each individual review is selected by the Head of Audit Partnership, based on their knowledge, skills, experience and discipline to ensure that the audit is conducted properly and in accordance with professional standards.

3.2 **Relationship with Service Managers**

- It is the responsibility of management, not auditors, to maintain systems of internal control.
- To preserve its independence and objectivity, staff involved in the Audit Partnership shall not have direct responsibility for, or authority over, any of the activities subject to audit review. Staff transferring to EKAP may not review an area they were previously operationally responsible for, for a period of two years (current year plus one).
- The involvement of an auditor through conducting an audit review, or providing advice, does not in any way diminish the responsibility of line management for the proper execution and control of their activities.
- Co-operative relationships will be fostered with management to enhance the ability of the Audit Partnership to achieve its objectives effectively.
- All employees should have complete confidence in the integrity, independence and capability of the Audit Partnership. We recognise that the relationship between auditors and service managers is a privileged one, and information gained in the course of audit work will be treated confidentially, and only reported appropriately.

3.3 **Relationship with Line Management and Statutory Officers**

- 3.3.1 The Head of Audit Partnership will have regular meetings with each of the Partner's s.151 Officer / nominated client officer. Any events that may have an adverse affect on the audit plan, or a significant impact on the Council will be reported immediately.

- 3.3.2 Any high risk matters of concern, which have not been adequately dealt with after an appropriate period of time and after follow up, will be escalated to the s.151 Officer / nominated client officer, who will be asked to decide for each high risk matter whether:

- Resources should be allocated to enable the risk to be reduced in the agreed way, or
- To approve that the risk will be accepted and tolerated, or

- To determine some other action to treat the risk.

The outcome of which will be report to the Audit Committee, whose attention will be drawn to critical or high risk matters outstanding after follow up.

- 3.3.3 The Head of Audit Partnership has unrestricted access to the s.151 Officer, the Monitoring Officer and the Head of Paid Service as appropriate. Engagement with the statutory officers is not prescribed, however regular attendance at CMT with IA updates is desirable.

3.4 Relationship with the Partners

- 3.4.1 The Head of Audit Partnership has a reporting line relationship directly to the Dover District Council's Director of Finance, Housing and Communities the Council's s.151 Officer. Together under the Collaboration Agreement for the provision of one shared Internal Audit Service, the four s.151 Officers form the "Client Officer Group" which is the key governance reporting line for the EKAP. The s.151 Client Officer Group meets collectively with the Head of Audit Partnership to consider the strategic direction and development of the partnership and any performance matters.

- 3.4.2 The East Kent Audit Partnership overall performance is reported to all the partner authorities annually. Key performance measures and indicators have been agreed and these are also reported quarterly. As well as individual assurance reports, and the quarterly Audit Committee reports, EKAP will present an Annual Audit Report that is used to inform the councils' governance statement to:

- Provide an individual summary of the work completed for each Partner,
- Compare actual audit activity with that planned,
- Provide an opinion on the adequacy and effectiveness of the councils' framework of governance, risk management and control,
- Summarise the performance of the East Kent Audit Partnership against its performance criteria, and provide a statement of conformance with professional standards, with details of the quality assurance and improvement programme,
- Include the cost of the service for the partner.

The Accounts and Audit Regulations section 5 requires that a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. The Charter sets out how the EKAP will meet this requirement.

3.5 Relationship with Audit Committees

Please note the PSIAS refer to the 'board', and it is expected that the audit committee will fulfil the role of the board in the majority of instances.

The East Kent Audit Partnership has a direct relationship with those charged with the responsibility for governance. Consequently, the Head of Audit Partnership issues a report summarising the results of its reviews to each meeting. The Annual Report is the foundation for the opinion given through the Governance Assurance Statement, which is published annually. The Accounts and Audit Regulations section 3 requires that a relevant authority has a sound system of internal control which

- facilitates the effective exercise of its functions and the achievement of its aims and objectives,
- ensures that the financial and operational management of the authority is effective, and
- includes effective arrangements for the management of risk.

This Charter establishes how the EKAP contributes to complying with the regulations and creates the link to the Annual Governance Statement. The Committee will also approve the annual work plan for their Council.

The Head of Audit Partnership will escalate any critical or high-risk matters of concern that have not been adequately actioned by management at the progress report stage to the committee via the quarterly update report, drawing attention to significant matters in the annual report. The Head of Audit Partnership may meet privately with the chair of the audit committee and has direct access to the committee should this be required.

The Audit Committee will note decisions relating to the appointment and removal of the Head of Audit Partnership.

3.6 Relationship with External Audit

- The Head of Audit Partnership will liaise with the External Auditors to:
 - Foster a co-operative and professional working relationship,
 - Reduce the incidence of duplication of effort,
 - Ensure appropriate sharing of information, and
 - Co-ordinate the overall audit effort.
- In particular the Head of Audit Partnership will:
 - Discuss the annual Audit Plan with the External Auditors to facilitate External Audit planning,
 - Hold meetings to discuss performance and exchange thoughts and ideas,
 - Make all Internal Audit working papers and reports available to the External Auditors,
 - Receive copies of all relevant External Auditors reports to Management, and
 - Gain knowledge of the External Auditors' programme and methodology.

3.7 Relationship with Other Regulators, Inspectors and Audit Bodies

The Head of Audit Partnership will foster good relations with all other audit bodies, regulators and inspectors. In particular protocols regarding joint working, access to working papers, confidentiality and setting out the respective roles will be agreed where applicable. The EKAP will only become involved with external regulators and inspectors if expressly required by the partner authority as part of the agreed audit plan.

3.8 Relationship with the Public

The councils' Anti-Fraud, Corruption, Bribery and Whistleblowing policies encourage staff, members, contractors and members of the public to raise their concerns in several ways, one of which includes making contact with Internal Audit. This Charter therefore considers the responsibility EKAP has with investigating complaints made from contractors, staff or the general public about their concerns. It is concluded that each case must be assessed on its own merits and agreement with the s.151 Officer reached before EKAP resources are directed towards an investigation.

4 Competence and Standards of Auditors

4.1 Competence

The Head of Audit Partnership will ensure that those engaged in conducting audit reviews, possess the appropriate knowledge, qualifications, experience and discipline to carry them out with due professional care and skill.

4.2 Standards

Regardless of membership, all auditors will be expected to work in accordance with the Public Sector Internal Audit Standard and practice statements issued by the Institute of Internal Auditors and CiPFA. The East Kent Audit Partnership strives to meet best practice as highlighted in paragraph 2.1. The auditors must also observe the Codes of Ethics of the Institute of Internal Auditors and CiPFA, which call for high standards of honesty, objectivity, diligence and loyalty in the performance of their duties and responsibilities. In addition to professional codes of ethics, the EKAP staff are bound to the DDC Code of Conduct through their employment contract.

5 Audit Process

5.1 The EKAP seeks to deliver effective outcomes by;

- Understanding the four partner councils, their needs and objectives,
- Understanding its position with respect to other sources of assurance and to plan our work accordingly,
- Embracing change and working with the four councils to ensure our work supports management,
- Adding value and assisting the partners in achieving their objectives,
- Being forward looking, knowing where the partners wish to be and being aware of the local and national agenda, and their impact,
- Being innovative and challenging,
- Helping to shape the ethics and standards of the four councils, and
- Sharing best practice and assisting with the joint working agenda.

5.2 Planning

5.2.1 The internal audit process is to follow a planned approach based upon risk assessments. The planning framework comprises the following:

- A Strategic Plan, which ensures that coverage of each of the partner councils as a whole, over a time frame of three to five years, is maintained and reviewed annually, to take into account the new priorities and risks of each authority. This focuses internal audit effort on the risks of the four partner's objectives and priorities. It also seeks to add value to the partners by reviewing areas that most support management in meeting their objectives. The Head of Audit Partnership works together with the two Deputy Heads of Audit to consult relevant service managers and heads of service at each site to assist in formulating the strategic audit plans. Each council's corporate aims and objectives, individual service plans, risk registers, time spent on previous audits, any problems encountered, and level and skill of service staff involved are taken into account and information is entered into the audit software. All areas as identified in the strategic plan are then subject to a risk assessment to identify their risk level and whether or not they are to be included in the proposed annual plan. The audit plans are generated from the audit software based on the risk scores of each area of activity identified through the consultation process
- An Annual Plan for each partner, specifying the planned audits to be performed each year, their priority and the resource requirements for each planned audit review.

5.2.2 For each audit review undertaken, the planning framework comprises the following:

- An Audit Brief, specifying the objectives, scope and resources for the audit.
- Where appropriate either a detailed Audit Programme of tests to be conducted, or a CiPFA Audit Matrix of testing to follow.

The Audit Brief is prepared by the Head of Audit Partnership or Deputy Heads of Audit and reviewed and agreed with the client manager prior to the commencement of the audit review (except where an unannounced visit is necessary).

5.3 Documentation

The EKAP is committed to continuous improvement and has standardised all the working practices across the partnership. The Internal Audit team has access to a common Audit Manual to ensure that the same processes are operational across all the partner sites. The Audit Manual is subject to (at least) annual review. Audit working papers contain the principal evidence to support the report and they provide the basis for review of work. The Auditors employ an audit methodology that requires the production of working papers, which document the following:

- The samples of transactions collected when examining the adequacy, effectiveness and application of internal controls within the system.
- The results of the testing undertaken.
- Other information obtained from these examinations.
- Any e-mails, memos or other correspondence with the client concerning or clarifying the findings.
- A report summarising significant findings and recommendations for the reduction of risk or further control improvement.
- The Service Manager's response to the draft report and then agreed recommendations made in the final audit report.

5.4 Consultation

5.4.1 Prior to the commencement of an audit, the Head of Audit Partnership or Deputy Heads of Audit will communicate by phone, e-mail or face to face meeting with the relevant Manager to discuss the terms of reference. Having agreed the proposed brief with the Manager, the Head of Audit Partnership or Deputy Heads of Audit will:

- issue a copy of the proposed Audit Brief by e-mail, and
- where appropriate arrange a pre-audit meeting between the Service Manager and the Auditor to discuss the purpose, scope and expected timing of the work.

In the case of special investigations, such prior notification may not be given where doing so may jeopardise the success of the investigation. In such an event, the prior approval of the Chief Executive, s.151 Officer or Monitoring Officer will be obtained.

5.4.2 During the conduct of reviews, Auditors are to consult orally and / or in writing with relevant staff to:

- ensure that information gathered is accurate and properly interpreted,
- allow Management to present adequate/reliable evidence to ensure a balanced judgment is formed,
- ensure recommendations add value, are cost effective and practicable, and
- keep Management informed of the progress of the audit.

5.5 Reporting

- 5.5.1 A written discussion document (draft report) is prepared and issued by the responsible Auditor at the conclusion of each audit. Prior to its issue, the appropriate Deputy Head of Audit reviews the draft together with the supporting working papers. The purpose of this document is to allow the service manager the opportunity to confirm factual accuracy and challenge any of the findings of the review.
- 5.5.2 The draft document will contain an outline action plan listing proposed individual recommendations for internal control improvement. These recommendations are categorised to indicate whether there is a high, medium or low risk of the control objectives failing. It is at this stage that the Service Manager accepts or negotiates that the risks are in fact present, that they accept responsibility for the risks and discuss how they proposed to mitigate or control them.
- 5.5.3 The document is then updated, and if changes are required following the discussion, is presented to the Service Manager as a Draft Report. On completion of the Action Plan, a final version of the report containing "Agreed Actions" is issued to the Service Manager with a copy to the relevant Director. Additional copies are circulated as agreed with each Partner Authority.
- 5.5.4 The agreed actions will be followed up, and high priority recommendations will be tested to ensure they have been effective after their due date has passed.
- 5.5.5 Audit reports are to be clear, objective, balanced and timely. They are to be constructed in a standardised format which will include:
- The objectives of the audit,
 - The scope of the audit, and where appropriate anything omitted from the review,
 - An overall conclusion and opinion on the subject area,
 - Proposed actions for improvement,
 - Service Manager's comments (where appropriate), and
 - A table summarising all the Proposed/Agreed Actions, risk category, a due date and any management responses.
- 5.5.6 Each Final Report carries one of four possible levels of Assurance. This is assessed as a snapshot in time, the purpose of which is for all stakeholders to be able to place reliance on that system of internal controls to operate as intended; completely, consistently, efficiently and effectively. Assurance given by Internal Audit at the year end is based on an overall assessment of the assurance opinions it has given during that year, and can only apply to the areas tested. There are insufficient resources to audit every aspect of every area every year.
- 5.5.7 In addition to individual audit reports for each topic, the performance of the East Kent Audit Partnership is analysed and reviewed as described in section 3.4 of this Charter.

5.6 Follow Up

- 5.6.1 The Audit Partnership will follow up on management action arising from its assignments. Each individual recommendation is recorded on the specialist auditing software used. Each recommendation is classified as to whether it is critical, high, medium or low risk. The due date for implementation and the responsible person are also recorded.

- 5.6.2 Following the last due date within the Action Plan, the auditors follow up whether or not action has been taken to reduce the identified risk. They ask the responsible officer for each individual recommendation whether:
- a. The control improvement has successfully been implemented
 - b. Progress is being made towards implementing the control improvement
 - c. No action has yet occurred due to insufficient time or resources
 - d. That after agreeing the action, the risk is now being tolerated
 - e. That the control improvement is no longer relevant due to a system change
 - f. Other reason (please specify).
- 5.6.3 Further testing will be carried out where necessary (e.g. critical and high risk recommendations) to independently confirm that effective action has in fact taken place.
- 5.6.4 A written summary of the results of the follow up action is issued to the relevant Service Manager and Director, and where appropriate a revised assurance level is issued. The results of follow-up reviews and the revised assurance opinions issued are also reported to the audit committee.
- 5.6.5 Any areas of concern after follow up, where it is thought that management has not taken appropriate action, will be escalated to senior management and ultimately the Audit Committee as described in paragraph 3.3.2 of this Charter.

6 Resources

6.1 Staff Resources

- 6.1.1 Dover District Council is the host authority for the shared internal audit service therefore it employs or contracts with all the staff engaged to deliver the service. The current team is made up of full or part time staff all providing a range of skills and abilities within the Internal Audit profession. Those staff accredited to a professional body are required to record their Continued Professional Development (CPD) in order to evidence that they maintain their skills and keep up to date. Additionally, the staff are bound by the professional standards and code of ethics for their professional body, either CIPFA, the ACCA or the CIIA.
- 6.1.2 A mix of permanent staff and external contractors will provide the resources required to fill the required number of chargeable audit days. Internal Audit staff will be appropriately qualified and have suitable, relevant experience. Appropriate professional qualifications are ACCA, IIA or AAT. The DDC appraisal scheme including an assessment of personal development and training needs will be utilised to identify technical, professional, interpersonal and organisational competencies. Having assessed current skills a personal development plan will be agreed for all EKAP staff intended to fill any skill gaps.
- 6.1.3 The Dover District Council's Personal Performance Review process will be the key driver to identifying any skill gaps, and training, where appropriate, will be investigated at an individual level, as well as across the team, and on a Kent wide basis (through collaborative arrangements at Kent Audit Group). In the short-term, the specialised computer audit skills gap may be addressed through the engagement of contractors for specialist work, and where possible, a team member will shadow the "expert" to gain additional skills.

6.2 Budget

The EKAP budget is hosted by DDC and apportioned between the partners based on the agreed number of audit days. The cost per audit day is a metric reported annually in the Annual Report. The budget includes direct and indirect costs to the partnership. The

individual salaries paid to the staff, including the Head of the Audit Partnership are standard grades as assessed by the DDC Job Evaluation system.

7. Quality assurance

The quality assurance arrangements for the EKAP include all files being subject to review by either the Deputy Head of Audit for the site and/or by the Head of Audit Partnership (particularly if the review has 'no' or 'limited' assurance). The review process is ongoing and includes adequate supervision of the audit staff and of the audit work performed. This review ensures that the work undertaken complies with the standards defined in the Public Sector Internal Audit Standards and with the requirements of this Charter. In addition to the ongoing review of the quality of individual working papers and reports and performance against the balanced scorecard of performance indicators; an annual assessment of the effectiveness of Internal Audit is undertaken separately by each of the partner authorities. To comply fully with the PSIAS the EKAP has presented the options for an external quality assessment to be undertaken before October 2017. However, the s.151 Client Officer Group has decided to not spend resources on an External Quality Assessment but to rely on the self-assessment.

8. Additional Services

8.1 Special Investigations and Fraud Related Work

The EKAP is, from time to time, required to carry out special investigations, including suspected fraud and irregularity investigations and other special projects. The prevention and detection of fraud and corruption is ultimately the responsibility of management within the four partner authorities. However, EKAP is aware of its role in this area and will be alert to the risk of fraud and corruption when undertaking its work. The EKAP will immediately report to the relevant officer any detected fraud or corruption identified during the course of its work; or the discovery of any areas where such risks exist.

Consequently, a provision for additional time in the event of fraud related work being required has not been included in any of the annual audit plans. Any special investigations which the EKAP is requested to undertake may be accommodated from re-allocating time within the relevant partner's own plan, or through buying in additional resource to either investigate the case, or to back-fill whilst partnership staff carry out the investigation. The provision of resources decision will be made on a case-by-case basis in conjunction with the relevant partner's s.151 Officer and other management as necessary. The Head of Audit Partnership will give consideration to conflicts of interest, capacity, skills and competency when assessing the scope of the investigation, before agreeing to undertake the engagement. The reporting lines and methodology will vary from investigation-to-investigation dependent on the circumstances. Close liaison with the Monitoring Officer and s.151 Officer is essential, particularly in the (rare) event of a potential criminal matter.

An added advantage due to the flexibility of the arrangements within the EKAP means that we are able to use auditors who are not necessarily known at an authority to complete special investigations as this strengthens independence.

The s.151 Officer will keep the Head of Audit Partnership apprised via the regular meetings of any disciplinary action taken by the council that may be relevant to internal audit planning and risk assessments, if staff have been found to act deceitfully or circumvent controls etc.

8.2 Ad Hoc / Consultancy Work/ External Bodies

A contingency has not been included in any of the partners' plans. Therefore if work has not been included in the plan from the outset, a variation will need to be agreed for any subsequently requested work, to re-allocate time within the relevant partner's own plan, or through buying in additional resource, to back-fill whilst partnership staff carry out the assignment. The decision will be made in conjunction with the relevant partner's s.151 Officer and other management as necessary. Conflicts of interest may be avoided if carrying out consultancy work due to the flexibility of the arrangements within the EKAP, as we are able to rotate auditors accordingly. Approval of requests from Management for additional projects are subject to certain criteria, to include whether the EKAP has the relevant skills and capacity to undertake the assignment.

Requests for assurance work from external bodies are not anticipated, nor does the EKAP have capacity or spare resource to deliver such requests. However, in the event that a request is received, the s.151 Client Officer Group would consider and authorise such an undertaking and a separate legal agreement confirming the engagement would be drawn up with DDC as the host authority (EKAP not being a separate legal entity). The Head of Audit Partnership would give the same consideration to conflicts of interest, capacity, skills and competency when assessing the scope of the work, as it if were an internal assignment, before agreeing to undertake the engagement.

8.3 Value for Money (VFM) Reviews

VFM relates to internal audit work that assesses the economy, efficiency and effectiveness of an activity. The work of EKAP is planned to take account of VFM generally, indeed this is supported by the objective to port best practice between sites where appropriate. Audit plans may have a specific provision for VFM reviews (or a review of VFM arrangements). Where possible VFM reviews will be run concurrently with other sites within East Kent where this is deemed to be most beneficial to participating authorities. The EKAP staff are alert to the importance of VFM in their work, and to report to management any examples of actual or possible poor VFM that they encounter in the course of their duties.

9. Amendment to Audit Charter

Amendment of this Charter is subject to the approval of the Partners' Audit Committees, Chief Executives, s.151 Officers and the Head of Audit Partnership.

February 2023

References:

Former Audit Strategy
Audit Manual
Public Sector Internal Audit Standards (PSIAS)
CIPFA Local Government Application Note to PSIAS

10. Glossary

Add Value

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.

Adequate Control

Present if management has planned and organised (designed) in a manner that provides reasonable assurance that the organisation's risks have been managed effectively and that the organisation's goals and objectives will be achieved efficiently and economically.

Assurance Framework

This is the primary tool used by a board to ensure that it is properly informed on the risks of not meeting its objectives or delivering appropriate outcomes and that it has adequate assurances on the design and operation of the systems in place to mitigate those risks.

Assurance Services

An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organisation. Examples may include financial, performance, compliance, system security and due diligence engagements.

Audit Committee

The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.

Board

The highest level of governing body charged with responsibility to direct and oversee the activities and management of the organisation. Typically, this includes an independent group of directors (eg a board of directors, a supervisory board or a board of governors or trustees). If such a group does not exist, the 'board' is the head of the company or agency. 'Board' may refer to an audit committee to which the governing body has delegated its authority.

Charter

The internal audit charter is a formal document that defines the internal audit activity's purpose, authority and responsibility. The internal audit charter establishes the internal audit activity's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

Chief Audit Executive

Chief audit executive describes a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the Definition of Internal Auditing, the Code of Ethics and the International Standards. The chief audit executive or others reporting to the chief audit executive will have appropriate professional certifications and qualifications. The specific job title of the chief audit executive may vary across organisations.

Code of Ethics

The Code of Ethics of The Institute of Internal Auditors (IIA) are Principles relevant to the profession and practice of internal auditing and Rules of Conduct that describe behaviour expected of internal auditors. The Code of Ethics applies to both parties and entities that provide internal audit services. The purpose of the Code of Ethics is to promote an ethical culture in the global profession of internal auditing. Compliance Adherence to policies, plans, procedures, laws, regulations, contracts, or other requirements.

Conflict of Interest

Any relationship that is, or appears to be, not in the best interest of the organisation. A conflict of interest would prejudice an individual's ability to perform his or her duties and responsibilities objectively.

Consulting Services

Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.

Control

Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved. **32 Public Sector Internal Audit Standards**

Control Environment

The attitude and actions of the board and management regarding the importance of control within the organisation. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements: Integrity and ethical values. Management's philosophy and operating style. Organisational structure. Assignment of authority and responsibility. Human resource policies and practices. Competence of personnel. Control Processes The policies, procedures and activities that are part of a control framework, designed to ensure that risks are contained within the level of risk that an organisation is willing to accept.

Engagement

A specific internal audit assignment, task, or review activity, such as an internal audit, control self-assessment review, fraud examination, or consultancy. An engagement may include multiple tasks or activities designed to accomplish a specific set of related objectives.

Engagement Objectives

Broad statements developed by internal auditors that define intended engagement accomplishments.

Engagement Opinion

The ratings, conclusions or other descriptions of results of an individual internal audit engagement based upon the procedures performed, relating only to those aspects within the objectives and scope of the engagement.

Engagement Work Programme

A document that lists the procedures to be followed during an engagement, designed to achieve the engagement plan.

External Service Provider

A person or firm outside of the organisation that has special knowledge, skill and experience in a particular discipline.

Fraud

Any illegal act characterised by deceit, concealment or violation of trust. These acts are not dependent upon the threat of violence or physical force. Frauds are perpetrated by parties and organisations to obtain money, property or services; to avoid payment or loss of services; or to secure personal or business advantage.

Governance

The combination of processes and structures implemented by the board to inform, direct, manage and monitor the activities of the organisation toward the achievement of its objectives.

Governance Statement

The mechanism by which an organisation publicly reports on its governance arrangements each year.

Impairment

Impairment to organisational independence and individual objectivity may include personal conflict of interest, scope limitations, restrictions on access to records, personnel and properties and resource limitations (funding).

Independence

The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.

Information Technology Controls

Controls that support business management and governance as well as provide general and technical controls over information technology infrastructures such as applications, information, infrastructure and people.

Information Technology Governance

Consists of the leadership, organisational structures and processes that ensure that the enterprise's information technology supports the organisation's strategies and objectives.

Internal Audit Activity

A department, division, team of consultants, or other practitioner(s) that provides independent, objective assurance and consulting services designed to add value and improve an organisation's operations. The internal audit activity helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

International Professional Practices Framework (IPPF)

The conceptual framework that organises the authoritative guidance promulgated by the IIA. Authoritative Guidance is comprised of two categories (1) mandatory and (2) endorsed and strongly recommended. Only the mandatory elements apply for the purposes of the Public Sector Internal Audit Standards. The Public Sector Internal Audit Standards take the place of the International Standards where applicable.

Must

The Standards use the word must to specify an unconditional requirement.

Objectivity

An unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others.

Overall Opinion

The overall ratings, conclusions or other descriptions of results provided by the chief audit executive addressing, at a broad level, governance, risk management and control processes of the organisation. An overall opinion is based on the results of a number of individual engagements and other activities for a specific time interval.

Risk

The effect of uncertainty on objectives. An effect is a deviation from the expected and may be positive or negative. Risk is often expressed in terms of a combination of the consequences of an event and the associated likelihood of occurrence.

Risk Appetite

The level of risk that an organisation is willing to accept.

Risk Management

A process to identify, assess, manage and control potential events or situations to provide reasonable assurance regarding the achievement of the organisation's objectives.

Senior Management Team

The highest level of officers with responsibility to direct and oversee the activities and management of the organisation. Typically, this includes a group of directors in the Public Sector formed of at least the Chief Executive, the Monitoring Officer and the s.151 Officer and other operational Directors and is dependent on the structure of the Council.

Should

The Standards use the word should where conformance is expected unless, when applying professional judgment, circumstances justify deviation.

Significance

The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

Standard

A professional pronouncement promulgated by the Internal Audit Standards Board that delineates the requirements for performing a broad range of internal audit activities and for evaluating internal audit performance.

Technology-based Audit Techniques

Any automated audit tool, such as generalised audit software, test data generators, computerised audit programmes, specialised audit utilities and computer-assisted audit techniques (CAATs)

Plan Area	Corporate Plan and/or Corporate Risk Ref:	Year last audited	Previous Assurance level	2023-24 Planned Days	Quarter Prioritised for 2023-24	2024-25 Planned Days	2025-26 Planned Days	2026-27 planned days
Financial Governance:								
Capital	CR1	2021-22	Substantial				10	
Treasury Management	CR9	2020-21	Substantial			10		
Car Parking & Enforcement	CP1	2019-20	Reasonable	10	1		10	
Creditors and CIS		2017-18	Substantial				10	
External Funding Protocol	CP1, CP4 & CR 1	2017-18	Reasonable				10	
Main Accounting System	CP4 & CR1	2016-17	Reasonable				10	
Income, Cash Collection & Bank Rec.	CP4	2022-23	22-23 WIP					10
Budgetary Control	CP4, CR1 & CR2	2021-22	Substantial				10	
VAT		2022-23	22-23 WIP					10
Insurance and Inventories of Portable Assets		2016-17	Substantial			10		
General Fund Housing Systems:								
Homelessness	CR4	2018-19	Substantial/Limited	10	1			
Housing Allocations and Housing Needs	CP3 & CR4	2022-23	Reasonable					10
Private Sector Housing – HMO Licensing & Pte. Sector Service Requests	CP3	2022-23	Reasonable					10
Right to Buy		2022-23	Reasonable					10
Social Housing Systems:								
Responsive Repairs & Maintenance		2022-23	22-23 WIP				10	
Decent Homes		New Area	To be Assessed			10		
Void Property Management		2019-20	Various	10	3			
Garage Deposits / Management		New Area	To be Assessed			10		
Tenant Health & Safety Compliance		2021-22	Reasonable				10	
Rent Accounting, Collection & Recovery		2019-20	Substantial			10		
Leasehold Services		2022-23	22-23 WIP					10
Rechargeable Works		New Area	To be Assessed				10	
Contract Letting, Monitoring & Management		2018-19	Limited	12	2			
Sheltered Housing & Supported Housing		2022-23	Substantial					10
Tenancy Fraud		2017-18	Limited			15		
Resident Involvement		New Area	To be Assessed	10	3			
Tenancy & Estate Management and Inspections		2021-22	N/A				10	
Anti Social Behaviour (run alongside Community Safety)		2012-13	Reasonable	5	2	10		
New Build Capital Programme		New Area	To be Assessed					
Energy Efficiency and Carbon Reduction & Fuel Poverty Programmes		New Area	To be Assessed	10	4			
HRA Business Plan	CP3	2010-11	Limited			10		
Human Resources:								
Recruitment & Leavers		2021-22	Substantial				10	
Apprenticeships		2018-19	Substantial/Reasonable			10		
Absence Management, Annual Leave and Flexi Leave		2022-23	Limited/Reasonable					10
Payroll		2022-23	Substantial	6	2	3	3	3
Employee Benefits in kind		2019-20	To be Assessed			3		
Employee Allowances and Expenses		2017-18	To be Assessed				3	
Information Governance:								
Data Protection, FOI and Information Management - Assurance Audit and Consultancy work on compliance monitoring	CP4 & CR10	2022-23	22-23 WIP					12
Technology/Cyber Risks:								
Cloud Computing/Digital		2021-22	Reasonable				10	
Corporate Governance:								
Members' Code of Conduct, Register of Interests, Gifts and Hospitality, and Standards Arrangement	CP4 & CR18	2019-20	Substantial	10	4			
Officers' Code of Conduct and Gifts and Hospitality	CP4 & CR18	2017-18	Substantial			10		
Local Code of Corporate Governance	CP4	2017-18	Reasonable	10	3			
Complaints Monitoring	CP4	2022-23	Substantial					10
Scheme of Officer Delegations	CP4	2017-18	Substantial					10
Corporate/Governance Committee		Annually	N/A	32	1 to 4	32	32	32
Project Management	CP4	2017-18	Reasonable				10	
Performance Management & Data Quality:								
Performance Management	CP4 & CR17	2016-17	Reasonable/Limited			15		
Fraud Risk:								
Anti-Fraud & Corruption - Data Analysis		2019-20	N/A	10	2			10
Risk Management:								
Risk Management	Informs all Corporate Risks	2018-19	Reasonable	10	3			
Other:								
Liaison with the External Auditors	N/A	Annually	N/A	1	1 to 4	1	1	1

Plan Area	Corporate Plan and/or Corporate Risk Ref:	Year last audited	Previous Assurance level	2023-24 Planned Days	Quarter Prioritised for 2023-24	2024-25 Planned Days	2025-26 Planned Days	2026-27 planned days
Previous Year Work in Progress b/fwd	N/A	Annually	N/A	5	1	5	5	5
Follow-up	N/A	Annually	N/A	15	1 to 4	15	15	15
Procurement & Contract Management:								
CSO Compliance	CP4	2021-22	Reasonable				10	
Service Contract Monitoring	CP4, CR27 & CR31	2017-18	Reasonable				10	
Receipt and Opening of Tenders	CP4	2020-21	Substantial			10		
Procurement	CP4	2019-20	Reasonable/Limited	10	3			
Asset Management:								
Commercial Let Properties and Concessions	CP4	2019-20	Reasonable	10	1			
Commercial Properties - Compliance	CR14 & CR30	New Area	To be Assessed			14		
ICT								
ICT – Change Controls / Updates		2016/17 (2021)	Substantial	13	3			
ICT - Cyber Security		New Area	To be Assessed	13	1			
ICT - Data Management		2017/18	Substantial			15		
ICT – Network Security		2018/19	Substantial				14	
ICT – Procurement and Disposal		2017/18 (2021)	Reasonable			15		
ICT – Physical and Environment		2019/20	Substantial	13	4			
ICT - Software Licensing		2020/21	Reasonable / Limited					15
ICT - PCI-DSS		2018/19	Reasonable / Limited				15	
ICT - Disaster Recovery		2020/21	Reasonable					15
Service Level Audits:								
Employee Health & Safety	CR20	2022-23	22-23 WIP					10
Cemeteries		2020-21	Reasonable			10		
Safeguarding Children and Vulnerable Groups/DBS Checks	CP3 & CR28	2022-23	22-23 WIP					10
Community Safety	CP2	2019-20	Substantial	10	3			
Coastal Management		2013-14	Substantial			10		
Climate Change		2022-23	N/A	5	4	5	10	5
CCTV	CP2	2021-22	Substantial				10	
Environmental Crime - Dog Warden Service, Street Scene and Litter Enforcement (incl. graffiti and flytipping)	CP2	2019-20	Substantial	10	3			
Electoral Registration & Election Management	CP3 & CR14	2019-20	Substantial	10	4			10
Port Health & Public Protection – Food Safety	CP2 & CP3	2022-23	Substantial					10
Port Health & Public Protection - Port Health (Assurance Review)	CP3 & CR5/6	New Area	To be Assessed	10	2			
Planning Enforcement	CR12	2020-21	Reasonable			10		
Environmental Health - Environmental Protection Service Requests (including Public Health Burials)	CP3	2019-20	Substantial	10	1			
Environmental Health - Contaminated Land, Air and Water Quality	CP3	2021-22	Substantial				10	
Business Continuity and Emergency Planning	CR7, CR19 & CR25	2020-21	Reasonable			10		
Playgrounds	CP3	2020-21	Reasonable			10		
Legal Services	Covered by compliance with LEXCEL principles							
Equality and Diversity	CP3 & CR13	2019-20	Reasonable	10	4			
Events Management		Pre 2004-05	To be Assessed	8	1		10	
Grounds Maintenance	CP2 & CP4	2021-22	Limited				10	
Disabled Facilities & Other Grants	CP3	2020-21	Substantial			10		
Licensing	CP3	2021-22	Substantial				10	
Museum and VIC	CP1	2019-20	Reasonable					10
Members' Allowances and Expenses		2020-21	Substantial			10		
Planning Applications, Income and s106 Agreements	CR12	2022-23	Reasonable/Limited					12
Local Plan, Corporate Plan and MTFP	CR12	New Area	To be Assessed					11
Self Build Programme		New Area	To be Assessed					
Building Control		2018-19	Reasonable	10	4			10
Phones, Mobiles and Utilities - Expenditure and Controls		2021-22	Limited/Reasonable				10	
Printing, photocopying and postage		2019-20	Substantial					
Sports and Leisure Centres	CP1 & CP3	2015-16	Reasonable					
Entertainment & Catering		New Area	To be Assessed					10
Whitecliffs Countryside Partnership	CP2	2018-19	Reasonable			10		
Waste Management and Street Cleansing	CP2 & CR13	2018-19	Reasonable/Limited	10	3			12

Plan Area	Corporate Plan and/or Corporate Risk Ref:	Year last audited	Previous Assurance level	2023-24 Planned Days	Quarter Prioritised for 2023-24	2024-25 Planned Days	2025-26 Planned Days	2026-27 planned days
Garden Waste and Recycling Income	CP2	2021-22	Limited				10	
Total Planned Days:				318		318	318	318

Dover Audits falling outside of the 4 year cycle:

Creditors and CIS		2017-18	Substantial				10	
Scheme of Officer Delegations	CP4	2017-18	Substantial					10
External Funding Protocol	CP1, CP4 & CR 1	2017-18	Reasonable				10	
Main Accounting System	CP4 & CR1	2016-17	Reasonable				10	
Decent Homes		New Area	To be Assessed			10		
Garage Deposits / Management		New Area	To be Assessed					
Rent Accounting, Collection & Recovery		2019-20	Substantial			10		
Rechargeable Works		New Area	To be Assessed				10	
Contract Letting / Procurement Process/ Specifications		New Area	To be Assessed			10		
Tenancy Fraud		2017-18	Limited			15		
Insurance and Inventories of Portable Assets		2016-17	Substantial			10		
New Build Capital Programme		New Area	To be Assessed					
HRA Business Plan	CP3	2010-11	Limited			10		
Apprenticeships		2018-19	Substantial/Reasonable			10		
Officers' Code of Conduct and Gifts and Hospitality	CP4 & CR18	2017-18	Substantial			10		
Project Management	CP4	2017-18	Reasonable				10	
Performance Management	CP4 & CR17	2016-17	Reasonable/Limited			15		
Service Contract Monitoring	CP4, CR27 & CR31	2017-18	Reasonable				10	
Commercial Properties - Compliance	CR14 & CR30	New Area	To be Assessed			14		
ICT - Data Management		2017/18	Substantial			15		
ICT – Network Security		2018/19	Substantial				14	
ICT – Procurement and Disposal		2017/18 (2021)	Reasonable			15		
ICT - PCI-DSS		2018/19	Reasonable / Limited				15	
Coastal Management		2013-14	Substantial			10		
Events Management		Pre 2004-05	To be Assessed				10	
Local Plan, Corporate Plan and MTFP	CR12	New Area	To be Assessed					11
Self Build Programme		New Area	To be Assessed					
Entertainment & Catering		New Area	To be Assessed					10
Whitecliffs Countryside Partnership	CP2	2018-19	Reasonable			10		
TOTALS						164	89	21

274 days outside 4 year cycle

EKS/CIVICA PLAN:

Plan Area	Year last audited	Risk / corp plan / service	Previous assurance level	Follow Up	2023-24 Planned Days	2024-25 Planned Days	2025-26 Planned Days	2026-27 Planned Days
EK Services - Revenues & Benefits (CIVICA)								
Housing Benefits – Payment	2021/22	Service	Substantial	To review			15	
Housing Benefits – Overpayments	2020/21	Service	Substantial	Substantia		15		
Housing Benefits – Admin & Assessment	2017/18	Service	Substantial	Substantia	15			
Housing Benefit - Appeals	2019/20	Service	Substantial	Substantia		15		
Housing Benefit - DHP	2022/23	Service	Substantial	-				15
Housing Benefit - Subsidy	2020/21	Service	Substantial	Substantia			15	
Housing Benefit Testing	2021/22	Service	N/A	N/A	20	20	20	15
Council Tax	2021/22	Service	Substantial	Substantia			15	
Council Tax Reduction Scheme	2017/18	Service	Substantial	Substantia	15			
Customer Services/Gateway	2016/17	Service	Substantial	Substantia	15			
Business Rates	2022/23	Service	Substantial	-				15
Business Rates Reliefs / Credits	2019/20	Service	Substantial	Substantia		15		
Debtors and Rechargeable Works	2018/19	Service	Substantial	Substantia				15
Key Performance Indicators	2022/23	Service	Substantial	Substantia				5

Plan Area	Corporate Plan and/or Corporate Risk Ref:	Year last audited	Previous Assurance level	2023-24 Planned Days	Quarter Prioritised for 2023-24	2024-25 Planned Days	2025-26 Planned Days	2026-27 planned days
Sub-Total EK Services Planned Days					65	65	65	65
EK Services Corporate								
Meetings/ Audit Plan					4	4	4	4
WIP at Year End Carried Forward / Follow Up					5	5	5	5
Sub-Total EK Services Corporate					9	9	9	9
Total						74	74	74
Plan Area	Year last audited	Risk / corp plan / service	Previous assurance level	Follow Up	2023-24 Planned Days	2024-25 Planned Days	2025-26 Planned Days	2026-27 Planned Days
Reviews outside of four year cycle								
Housing Benefit Admin & Assessment	2017/18	Service	Substantial	Substantial	15			
Housing Benefit Appeals	2019/20	Service	Substantial	Substantial		15		
Housing Benefits Subsidy	2020/21	Service	Substantial	Substantial			15	
Council Tax Reduction Scheme	2017/18	Service	Substantial	Substantial	15			
Customer Services	2016/17	Service	Substantial	Substantial	15			
Business Rates Reliefs & Credits	2019/20	Service	Substantial	Substantial		15		

Dover DC Audit Progress Report and Sector Update

Year ending 31 March 2023

March 2023



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

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This paper provides the Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes in some instances challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications <https://www.grantthornton.co.uk/en/services/public-sector-services/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at March 2023

Financial Statements Audit

2019/20

We issued the audit opinion and certified the closure of the audit on 8 December 2022.

2020/21

We are making progress on the financial statement audit. Due to some delays in the availability of key working papers we have extended our resourcing of the audit until the beginning of April. If the audit has not been finalised at that point, we will have to pause the audit as we focus on NHS.

The Code of Practice on Local Authority Accounting in the United Kingdom requires infrastructure to be reported in the Balance Sheet at historic cost less accumulated depreciation and impairment and that where there is 'enhancement' to the assets, that the replaced components are derecognised. Where authorities are not fully compliant with these requirements, there may be a risk of material misstatement.

Many authorities do not possess the records to be able to fully comply with the requirements. Following extensive consultation and discussions with interested parties, government has issued a Statutory Instrument to simplify accounting for infrastructure assets until the 2024/25 financial year. We will ensure that the 2020/21 statement of accounts reflects this

2021/22 and 2022/23

We are liaising with officers to discuss a plan to catch up on the financial statements audits for these years.

Value for Money

The new Code of Audit Practice (the "Code") came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code was the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies auditors are required to issue the Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay. As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. The extended deadline for the issue of the Auditor's Annual Report is now no more than three months after the date of the opinion on the financial statements.

We presented an Interim Auditor's annual Report for 2020/21 to the Governance Committee to its meeting of 1 December 2022.

We intend to undertake the VFM work in May 2023 and prepare a joint VFM report for both years in July 2023.

Progress (cont.)

Other areas

Certification of claims and returns

We have certified the Authority's 2020/21 annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP).

The certification work for the 2021/22 claim is in progress.

Meetings

We continue to meet weekly with Finance Officers to progress the 2020/21 financial statements audit.

Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Your officers attended our Accounts Workshop in January and February 2023, where we highlighted financial reporting requirements for local authority accounts and gave insight into elements of the audit approach.

Further details of the publications that may be of interest to the Authority are set out in our Sector Update section of this report

Audit Deliverables

2020/21 Deliverables	Planned Date	Status
Audit Plan	July 2022	Completed
Audit Findings Report The Audit Findings Report will be reported to the June Governance Committee subject to progress in March 2023.	June 2023	Not yet due
Auditors Report This includes the opinion on your financial statements.	June 2023	Not yet due
Auditor's Annual Report This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements.	December 2022	completed

Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

A teal rectangular button with the text "Public Sector" in white, sans-serif font, centered within the button.

Public Sector

A dark purple rectangular button with the text "Local government" in white, sans-serif font, centered within the button.

Local
government

Audit Market Developments

Financial Reporting Council Report On The Quality Of Local Audit

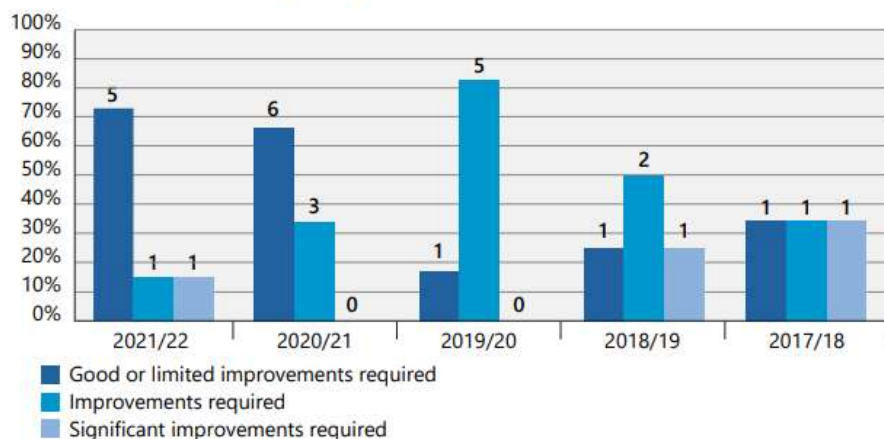
In late October 2022 the Financial Reporting Council (FRC) published its inspection findings into the quality of major local body audits in England, which includes large health and local government bodies.

The Quality Assurance Department (QAD) of the Institute of Chartered Accountants in England and Wales (ICAEW) inspects a sample of local audits that do not meet the definition of a 'major' local audit and the FRC's report also includes a summary of their findings.

The FRC reported that 71% of Grant Thornton audits inspected (7 in total) were assessed as either good or limited improvements required.

This is a pleasing result and reflects on our significant investment in audit quality over recent years. The positive direction of travel over the past five years is illustrated below:

Our assessment of the quality of financial statement audits reviewed



The FRC also inspected our work on VfM arrangements at four bodies.

It is pleasing to note that all of these inspections were assessed as requiring no more than limited improvements (which is the same as the previous year).

As far as the ICAEW are concerned, overall, the audit work reviewed was found to be of a good standard.

Seven of the eight files reviewed (88%) were either 'good' or 'generally acceptable', but one file 'required improvement'.

The ICAEW identified one of our files as requiring 'Improvement' – but it should be noted that this was a 2019-20 file and therefore the learnings from prior years' review could not have been taken into account, an issue recognised by the ICAEW in their report to us.

The ICAEW found that our VfM work was good on each of the files reviewed, and they did not identify any issues with this aspect of the audit teams' work.

Whilst are pleased with our continuing improvement journey, we continue to invest in audit quality to ensure that the required standards are met.

The full report can be found [here](#).



Financial Reporting Council



Audit Market Developments (continued)

Local Government External Audit Procurement

Public Sector Audit Appointments Ltd (PSAA) has recently announced the outcome of its national procurement of audit services across the Local Government sector.

This exercise covers the audits from 2023/24 to 2027/28 and covers the 470 local government, police and fire bodies (99% of eligible local bodies) that opted into the national scheme.

We are delighted to have been reappointed as the largest supplier of local government audit. The public sector has played a significant role within the firm for over 30 years and we remain committed to the success of the sector.

Our UK Public Sector Assurance (PSA) team employs 440 people, including 29 Key Audit Partners and specialists in financial reporting, audit quality, and value for money.

The team is dedicated to public audit work in local government and the NHS, with contracts with PSAA, Audit Scotland and over 100 health bodies. The Public Sector Assurance team is a regular commentator on issues facing the sector and oversees the firm's thought leadership, such as its series of publications on grants and public interest reports.

Mark Stocks, lead Partner for PSA at Grant Thornton, said 'This is a very welcome outcome and reflects our previous delivery as well as our ongoing commitment to invest in the public sector.'

Further information can be found [here](#)



Exploring the reasons for delayed publication of audited local authority accounts in England – Grant Thornton

Recent performance against target publication dates for audited local authority accounts in England has been poor. There are some reasons for optimism that there will be an improvement in the timeliness of publication of audited accounts as foundations are being laid for the future.

In this report we explore the requirements for publication of draft and audited accounts and look at some of the reasons for the decline in performance against these requirements over time. Only 12% of audited accounts for 2021/22 were published by the target date of 30 November 2022. There is no single cause for the delays in completing local authority audits, and unfortunately there is no quick solution in a complicated system involving multiple parties. We consider a variety of factors contributing to delays, note the measures which have already been taken to support the local audit system and make recommendations for further improvement.

There are some reasons for cautious optimism that the system will begin to recover and there will be a gradual return to better compliance with publication targets. However, we consider that these are outweighed by a number of risk factors and that the September deadline for audited accounts set by DHLUC is not achievable in the short term and also not achievable until there is further significant change in local audit and local government.

We note the following matters that are yet to be tackled:

- clarity over the purpose of local audit
- the complexity of local government financial statements
- agreement on the focus of financial statements audit work
- an improvement in the quality of financial statements and working papers

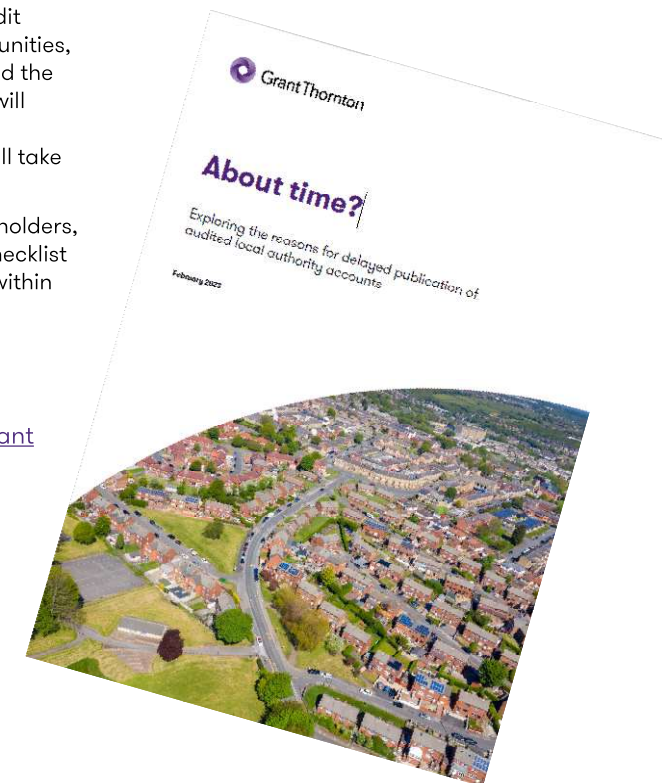
- an agreed approach to dealing with the backlog of local government audits
- Government intervention where there are significant failures in financial reporting processes

All key stakeholders including local audited bodies, the audit firms, the Department for Levelling Up Housing and Communities, PSAA, the NAO, the FRC and its successor ARGA, CIPFA and the Institute of Chartered Accountants in England and Wales will need to continue their efforts to support a coherent and sustainable system of local audit, acknowledging that it will take time to get things back on track.

We make recommendations in our report for various stakeholders, including Audit Committees and auditors, and include a checklist for consideration by management and Audit Committees within an Appendix to the report.

Read the full report here:

[Report: key challenges in local audit accounting | Grant Thornton](#)



Grant Thornton – Nearly 60 councils at risk of ‘running out of money’ next year

Grant Thornton has warned that the soaring cost of living combined with a decade of austerity could see up to a sixth of English councils fully deplete their reserves in 2023-24 without substantial spending cuts.

Research found that, as a result of higher inflation, councils are expected to have a cumulative budget deficit of £7.3bn by 2025-26 – an increase of £4.6bn since forecasts made at the beginning of this year.

Grant Thornton said that although reserves were bolstered by more than £5bn in 2020-21 due to higher government funding, these balances will “continue to unwind through the long tail of Covid-19” with close to 60 councils forecast to use all earmarked and unallocated reserves next year.

Without additional income, authorities would need to make savings of over £125 per person by 2025-26, equal to the average yearly spend on homelessness, sports and leisure, parks and open spaces, libraries and waste services.

Phillip Woolley, Head of Public Services Consulting at Grant Thornton, said: “Local government has faced unprecedented demands and pressures over the last decade and without action from both central government and councils, in the face of these inflationary pressures, the list of authorities in need of exceptional support looks set to grow quickly.

“Our research shows the additional Covid-19 funding, while critical to support immediate challenges, has not addressed underlying systemic issues or the precariousness of councils’ financial sustainability in the face of economic instability.

“Local authorities are also now facing the risk of interest rate rises, increasing debt financing costs and the real risk of reduced funding from central government, in response to the current economic turmoil facing the country. Without committed intervention from all sides, there is a risk that the sector levels down instead of up.”

Grant Thornton estimated unitary authorities would have the largest budget gap (£1.8bn) by 2025-26, but district councils would have the largest gap compared to net spending at 10.2%.

The firm added that austerity and changing policy demands have left councils struggling to innovate in their services and prevented investment in finance and procurement, diminishing the sector’s ability to tackle medium-term challenges.

Grant Thornton said additional government funding alone will not lead to improvements, and that councils should focus on improving governance and developing financial stability plans.

Joanne Pitt, local government policy manager at CIPFA, said: “With no spending review and no fair funding review, CIPFA shares Grant Thornton’s concerns about the financial sustainability of some in the sector.

“While there are actions local authorities can take to strengthen their own financial resilience, they are facing significant inflationary pressures and rising demand which makes this hugely challenging for the sector.”

Grant Thornton – Lessons learned- procurement and contract management

In December 2022 Grant Thornton published a national report on the key themes from 53 Annual Auditor Reports for 2020-21 and from other recent high profile public reports.

Local government spends more than any one individual central government department on goods and services, including the Department of Health and Social Care.

Procurement and contract management is working well at many local authorities. Where it has gone wrong, significant risks have arisen in relation to the use of public money, service delivery, and the reputation of the councils concerned. We considered five themes and made 15 recommendations for local authorities to reflect on.

The five themes are:

1 Strategic Planning

- Strategic alignment
- Sharing the strategy
- Understanding the implications of using alternative service delivery models

2 Internal control

- Procedures – fully comprehensive and fully documented
- Re-procurement when contracts end
- Tone at the top

3 Time, technical expertise and people

- Each aspect of resourcing can be problematic
- Each aspect of resourcing can be problematic
- Timescales should not be rushed

- Strong technical skills are needed to sense check supplier proposals and avoid the need for later changes
- The Central Procurement Unit (CPU) can provide oversight and cohesion
- CPU and service line staff need to understand one another and co-operate.

4 Commercial awareness

- Understanding price
- Anticipating trends
- Sharing knowledge in a timely manner

5 Contract management

- Maintaining contract, waiver and breaches registers
- Setting clear roles and responsibilities
- Using indicators that map back to strategy
- Multi-year arrangements

Summary

- Regular training, both for members and officers, remains important.
- Effective leadership and communication, relationships built on openness and trust, market awareness, and a sense of common purpose can be just as important as mastering the technical and regulatory requirements.
- Underpinning our findings is the need for individuals involved in procurement activity to ensure they adhere to the Nolan Principles of Public Life.



<https://www.grantthornton.co.uk/insights/local-government-procurement-and-contract-management-lessons-learned/>

Audit Committees: Practical Guidance For Local Authorities And Police – CIPFA

In October CIPFA published this guide, stating “This fully revised and updated edition takes into account recent legislative changes and professional developments and supports the 2022 CIPFA Position Statement. It includes additional guidance and resources to support audit committee members, and those working with and supporting the committee’s development.”

CIPFA go on to state “Audit committees are a key component of governance. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. They play an important role in supporting leadership teams, elected representatives, police and crime commissioners and chief constables.

This edition updates CIPFA’s 2018 publication to complement the 2022 edition of the CIPFA Position Statement on audit committees.

The suite of publications has separate guidance resources for audit committee members in authorities, members of police audit committees, and a supplement for those responsible for guiding the committee.

New aspects include legislation changes in Wales and new expectations in England following the Redmond Review. All authorities and police bodies are encouraged to use the publication to review and develop their arrangements in accordance with the Position Statement.

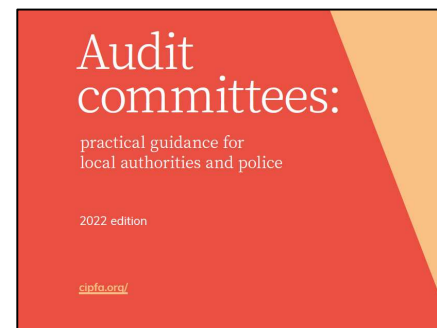
The appendices include suggested terms of reference, a knowledge and skills framework and effectiveness improvement tools.”

The guide covers a number of key areas for Audit Committees, including:

- Purpose
- Core functions:
 - Governance, Risk and Control
 - Accountability and Public Reporting
 - Assurance and Audit arrangements
 - Ensuring focus
- Independence and accountability
- Membership and effectiveness

The guide can be purchased via the CIPFA website:

[Audit Committee Guidance: 2022 update | CIPFA](#)



Challenge

Has the Governance Committee considered its arrangements against this updated guidance?

Audit and Risk Assurance Committee effectiveness tool – NAO

The National Audit Office (NAO) has published this tool which supports Audit Committees in assessing their effectiveness.

The NAO comment “Audit and Risk Assurance Committees (ARACs) play a crucial role in supporting the effective governance of central government departments, their agencies and arm’s-length bodies.

ARACs are operating in a highly challenging context. Government organisations are managing many short- and long-term risks and are required to be resilient to a number of pressures. This has created an environment where ARACs need to be dynamic and responsive to the changing risk profiles and demands of their organisations. ARACs can see this as an opportunity to work out how they can most proactively work with the Board and accounting officer.

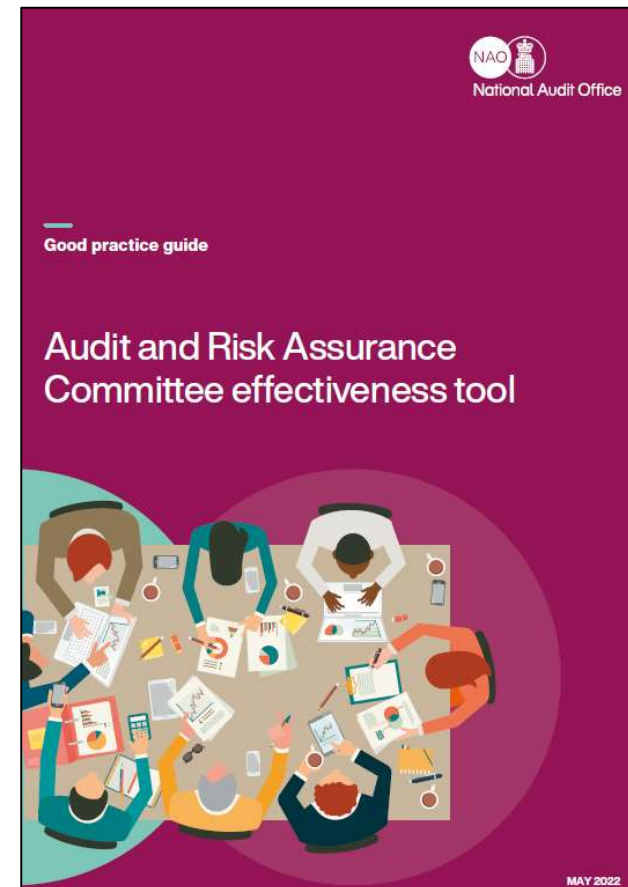
Against this background, the NAO’s effectiveness tool provides a way for ARACs to assess their effectiveness against more than just the basic requirements. It provides aspects of good practice to give ARACs greater confidence and the opportunity to meet the requirements of their role.

The NAO’s effectiveness tool is a comprehensive way for ARACs to assess their effectiveness on a regular basis.”

The tool covers:

- Membership, independence, objectivity and understanding
- Skills and experience
- Roles and responsibilities
- Scope
- Communication and reporting

Although the tool is designed for central government Audit Committees it is also relevant to local government.



The guide can be found here:

[Audit and Risk Assurance Committee effectiveness tool - National Audit Office \(NAO\) Report](#)

Response to local audit consultation – Department for Levelling Up, Housing and Communities (“DLUHC”)

The Department for Levelling Up, Housing and Communities (“DLUHC”) has published its response to the local audit consultation. This follows the “Redmond Review”, which reported in September 2020.

The response confirms plans to establish a new regulator, the Audit Reporting and Governance Authority (ARGA), as the system leader for local audit within a new, simplified local audit framework.

Ahead of ARGA’s establishment, a shadow system leader arrangement will start at the Financial Reporting Council (FRC) from September 2022.

The consultation response also announces:

- Plans to make audit committees compulsory for all councils, with each audit committee required to include at least one independent member. This will create greater transparency and consistency across local bodies.
- ARGA will take over statutory responsibility for preparing and issuing the Code of Audit Practice (from the National Audit Office).
- A post-implementation review of the new Value for Money arrangements. The Code is a key part of the local audit system, and it is important to ensure that it helps to facilitate effective local audit. To allow time for the new arrangements to bed in the response proposes this is completed within three years.

The full response can be found here:

[Government response to local audit framework: technical consultation - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/government-response-to-local-audit-framework-technical-consultation)



The Value of Internal Audit – CIPFA

One of the key elements of good governance is an independent and objective internal audit service. Some organisations engage fully and reap significant benefits from the assurance, insight and expertise they bring whilst others pay lip-service to them and see their work as an administrative burden.

CIPFA's recent report, [Internal Audit: Untapped Potential](#), lifts the lid on internal audit in public services. For some chief financial officers and chief executives, this report confirms the value and contribution of internal audit teams with 87% of respondents recognising the contribution internal audit makes to their organisation. However, some leadership teams saw internal audit as providing a basic service at minimal cost.

Getting the most out of the function requires honest conversations and long-term planning. Maintaining appropriate skills and knowledge within the function is necessary to ensure high quality internal audit in public services are retained.

Culture and governance

The Audit Committee should monitor the delivery of internal audit and their output will be a key part of the annual work-plan. However, internal audit is not a substitute for risk management and should enhance the overall assurances received by management. Executives and Officers should engage with internal audit recommendations to ensure the organisation gains maximum value from reviews.

Capacity

Reducing internal audit days can lead to a lack of 'corporate grip' and not identifying issues at an early stage. This report raises concerns over the capacity of internal audit across the public sector. The profession needs to be valued and invested in to make it more attractive to new blood and for bodies to be able to attract the best candidates to their service.

Expectations

To maximise the impact of internal audit, a clear and aligned strategic audit plan and annual audit plan should be in place. This should be agreed with all stakeholders.

Future plans

Internal audit needs to adapt to the changing landscape, including risks such as climate change, digital and technological developments, cyber-security and ongoing financial and service pressures within their planning processes. For financial resilience and medium- and long-term financial strategies internal audit can provide vital independent assurance to decision makers to allow them to take on more risk and be more ambitious. Leadership teams need to be clear on what assurances they will require going forward.

For more information, [Rob Whiteman](#) share his views on this report.





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