

Annual Internal Audit Report for EK Services 2015-16

1. Introduction/Summary

The main points to note from this report are that the agreed programme of audits has been completed with some projects being finalised as work in progress at 31st March 2016. ***The majority of reviews have given a substantial or reasonable assurance and there are no major areas of concern that would give rise to a qualified opinion.***

The financial management of the Internal Audit cost centre held by Dover District Council has performed well and has delivered a modest saving against budget. The saving accrued to EK Services is £511 and it has been agreed that this will be used to purchase additional audit days as required in 2016-17.

2. Review of the Internal Control Environment

2.1 Risks and Assurances

During 2015-16, 26 recommendations were made in the agreed final audit reports for EK Services. These are analysed as being High, Medium or Low risk in the following table:

Risk Criticality	No. of Recommendations	Percentage
High	11	42%
Medium	13	50%
Low	2	8%
TOTAL	26	100%

Naturally, more emphasis is placed on recommendations for improvement regarding high risks. Any high priority recommendations where management has not made progress in implementing the agreed system improvement are brought to management and Councillors' attention through Internal Audit's quarterly update reports. During 2015-16 the EKAP has raised 26 recommendations, and whilst 92% were in the High or Medium Risk categories, none are so significant that they need to be escalated at this time.

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

The summary of Assurance Levels issued on the 13 pieces of work commissioned for EK Services over the course of the year is as follows:

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

Assurance	No.	Percentage of Completed Reviews
Substantial	2	40%
Reasonable	3	60%
Limited	0	0%
No	0	0%
Work in Progress at Year-End	6	-
Not Applicable	2	-

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

Taken together 100% of the reviews account for substantial or reasonable assurance. There were no reviews assessed as having a limited or no assurance.

For each recommendation, an implementation date is agreed with the Manager responsible for implementing it. Understandably, the follow up review is then timed to allow the service manager sufficient time to make progress in implementing the agreed actions against the agreed timescales. The results of any follow up reviews yet to be undertaken will therefore be reported to the quarterly committee at the appropriate time:

2.2 Progress Reports

In agreeing the final Internal Audit Report, management accepts responsibility to take action to resolve all the risks highlighted in that final report. The EKAP carries out a follow up progress review at an appropriate time after finalising an agreed report to test whether agreed action has in fact taken place and whether it has been effective in reducing risk.

As part of the follow up action, the recommendations under review are either:

- “closed” as they are successfully implemented, or
- “closed” as the recommendation is yet to be implemented but is on target, or
- (for medium or low risks only) “closed” as management has decided to tolerate the risk, or the circumstances have since changed.

At the conclusion of the follow up review the overall assurance level is re-assessed. As Internal Audit are tasked to perform one progress report per original audit and bring those findings back, it is at this juncture that any outstanding high-risks are escalated to the Governance and Audit Committee via the quarterly update report.

Six follow up reports were carried out for EK Services during the year. The results for the follow up activity for 2015-16 will continue to be reported at the appropriate time. The results in the following table show the original opinion and the revised opinion after follow up to measure the impact that the EKAP review process has made on the system of internal control.

Total Follow Ups undertaken 6	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
Original Opinion	0	2	2	2
Revised Opinion	0	0	4	2

There are no fundamental issues of note arising from the audits undertaken in 2015-16. Reviews previously assessed as providing a Limited Assurance that have been followed up are shown in the table below.

Area Under Review	Original Assurance (Date to Ctte)	Progress Report
ICT Software Procurement	Limited	Reasonable
ICT Change Control	Limited	Reasonable

2.3 Special Investigations and Fraud Related Work

The prevention and detection of fraud and corruption is ultimately the responsibility of management however, the EKAP is aware of its own responsibility in this area and is alert to the risk of fraud and corruption. Consequently the EKAP structures its work in such a way as to maximise the probability of detecting any instances of fraud. The EKAP will immediately report to the relevant officer any detected fraud or corruption identified during the course of its work; or any areas where such risks exist.

The EKAP is, from time to time, required to carry out special investigations, including suspected fraud and irregularity investigations and other special projects. During the year 2015-16 there have been no fraud investigations conducted by the EKAP on behalf of EK Services.

2.4 Completion of Strategic Audit Plan

The analysis in Annex A shows the individual reviews that were completed during the year. As at 31st March 2016 delivery was slightly behind plan and EKAP had delivered 142.88 days against 150.21 required (95.12%). The 7.33 days carried over will be adjusted in 2016-17 as part of the rolling three-year plan process.

Year	Days Required	Plus B/Fwd	Adjusted Requirement from EKAP	Days Delivered	Percentage Completed	Days Against Target
2011-12	169	0	0	143.90	85.15%	-25.10
2012-13	160	25.10	185.10	156.99	84.81%	-3.01
2013-14	160	28.11	188.11	156.96	83.44%	-3.04
2014-15	160	31.15	191.15	200.94	105.12%	+40.94
2015-16	160	-9.79	150.21	142.88	95.12%	-17.12
Total	809			801.67	99%	-7.33

3.0 Significant issues arising in 2015-16

From the work undertaken during 2015-16, there were no instances of unsatisfactory responses to key control issues raised in internal audit reports by the end of the year. There are occasions when audit recommendations are not accepted for operational reasons such as a manager's opinion that costs outweigh the risk, but none of these are significant and require reporting or escalation at this time.

4.0 Overall Conclusion

The work of Internal Audit and this report contribute to the overall internal control environment in operation within EK Services, and also assists in providing an audit trail to the statements that must be published annually with the financial accounts for each partner council. It is a requirement of s.151 of the Local Government Act 1974 for the Council to maintain an 'effective' internal audit function, when forming my opinion on the Council's overall system of control, I need to have regard to the amount of work which we have undertaken upon which I am basing my opinion.

Based on the work of the EKAP on behalf of EK Services during 2015-16, the overall opinion is that there are no major areas of concern, which would give rise to a qualified audit statement regarding the systems of internal control concerning either the main financial systems or overall systems of corporate governance. The EKAP assesses the overall system of internal control in operation throughout 2015-16 as providing reasonable assurance. No system of control can provide absolute assurance, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance that there is an ongoing process for identifying, evaluating and managing the key risks.

**Performance against the Agreed 2015-16
East Kent Services Audit Plan**

Review	Original Planned Days	Revised Planned Days	Actual Days	Status and Assurance Level
Housing Benefits Appeals	15	5	4.80	Completed - Substantial
Housing Benefits Discretionary Housing Payments	15	8	7.90	Completed - Substantial
Business Rate Reliefs	15	15	9.26	Work in progress
Business Rate Credits	15	15	13.65	Work in progress
Debtors	15	15	11.94	Work in progress
ICT – PCI - DSS	12	16	17.14	Draft Report
ICT – Management & Finance	12	12	6.59	Work in progress
ICT – Disaster Recovery	12	12	8.66	Work in progress
ICT – Policy, Security, Recovery	0	0	2.39	Completed - Reasonable
Corporate/Committee/follow-up	9	12	15.59	Ongoing
DDC / TDC HB reviews	40	40	43.48	Completed
Finalisation of 2014-15 audits:				
Days over delivered in 2014-15	-9.79	0	1.48	Allocated
Total	150.21	150.21	142.88	95%
Additional days purchased with EKAP saving from 2014-15			14.63	Allocated to Policy, Security, Recovery Review