



AGENDA

AUDIT COMMITTEE MEETING

Date: Wednesday, 24 November 2021

Time: 7.00 pm

Venue: Council Chamber, Swale House, East Street, Sittingbourne, ME10 3HT

Membership:

Councillors Derek Carnell, Simon Clark (Chairman), Steve Davey, Simon Fowle, James Hall (Vice-Chairman), Ann Hampshire, Mike Henderson, Denise Knights and Peter Macdonald.

Quorum = 3

Pages

Information for the Public

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Meeting Link: To be added.

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The Chairman will inform the meeting that:

(a) in the event of the alarm sounding, everybody must leave the building via the nearest safe available exit and gather at the Assembly points at the far side of the Car Park. Nobody must leave the assembly point until everybody can be accounted for and nobody must return to the building until the Chairman has informed them that it is safe to do so; and

(b) the lifts must not be used in the event of an evacuation.

Any officers present at the meeting will aid with the evacuation.

It is important that the Chairman is informed of any person attending who is disabled or unable to use the stairs, so that suitable arrangements may be made in the event of an emergency.

2. Apologies for Absence and Confirmation of Substitutes

3. Minutes

To approve the [Minutes](#) of the Meeting held on 26 October 2021 (Minute Nos. 398 - 402) as a correct record.

4. Declarations of Interest

Councillors should not act or take decisions in order to gain financial or

other material benefits for themselves or their spouse, civil partner or person with whom they are living with as a spouse or civil partner. They must declare and resolve any interests and relationships.

The Chairman will ask Members if they have any interests to declare in respect of items on this agenda, under the following headings:

(a) Disclosable Pecuniary Interests (DPI) under the Localism Act 2011. The nature as well as the existence of any such interest must be declared. After declaring a DPI, the Member must leave the meeting and not take part in the discussion or vote. This applies even if there is provision for public speaking.

(b) Disclosable Non Pecuniary Interests (DNPI) under the Code of Conduct adopted by the Council in May 2012. The nature as well as the existence of any such interest must be declared. After declaring a DNPI interest, the Member may stay, speak and vote on the matter.

Advice to Members: If any Councillor has any doubt about the existence or nature of any DPI or DNPI which he/she may have in any item on this agenda, he/she should seek advice from the Monitoring Officer, the Head of Legal or from other Solicitors in Legal Services as early as possible, and in advance of the Meeting.

Part A Reports for Recommendation to Council

- | | | |
|----|---|---------|
| 5. | Mid-Year Treasury Management Review for 2021/22 | 5 - 18 |
| 6. | Re-appointment of External Auditor - Option to opt into national scheme | 19 - 34 |

Part B Report for the Audit Committee to decide

- | | | |
|----|--------------------------------|---------|
| 7. | Mid-Year Internal Audit Update | 35 - 46 |
|----|--------------------------------|---------|

Issued on Monday, 15 November 2021

The reports included in Part I of this agenda can be made available in **alternative formats**. For further information about this service, or to arrange for special facilities to be provided at the meeting, **please contact DEMOCRATIC SERVICES on 01795 417330**. To find out more about the work of the Audit Committee, please visit www.swale.gov.uk

**Chief Executive, Swale Borough Council,
Swale House, East Street, Sittingbourne, Kent, ME10 3HT**

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Agenda Item 5

Audit Committee	Agenda Item:
Meeting Date	24 November 2021
Report Title	Treasury Management Half Year Report 2021/22
Cabinet Member	Cllr Roger Truelove, Leader and Cabinet Member for Finance
SMT Lead	Lisa Fillery, Director of Resources
Head of Service	Phil Wilson, Head of Finance and Procurement
Lead Officer	Phil Wilson, Head of Finance and Procurement & Olga Cole, Management Accountant
Key Decision	No
Classification	Open
Recommendations	<ol style="list-style-type: none">1. To note the performance information in this report.2. To approve the prudential and treasury management indicators within the report.

1. Purpose of Report and Executive Summary

- 1.1 The purpose of this report is to review the mid-year outturn position on treasury management transactions for 2021/22, including compliance with treasury limits and Prudential and Treasury Performance Indicators. This report will be going to Council on 12 January 2022.
- 1.2 The Treasury Management Strategy is underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management in the Public Services, which requires the Council to approve treasury management half-year and annual reports.
- 1.3 The Council's treasury management strategy for 2021/22 was approved at a meeting on 24 February 2021. The Council has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk is therefore central to the Council's treasury management strategy.

2. Background

Market Environment

- 2.1 Economic background: The economic recovery from coronavirus pandemic continued to dominate the first half of the financial year
- 2.2 The Bank of England (BoE) held Bank Rate at 0.1% throughout the period. In its September 2021 policy announcement, the BoE noted it now expected the UK economy to grow at a slower pace than was predicted in August, as the pace of the global recovery had shown signs of slowing and there were

concerns inflationary pressures may be more persistent. Within the announcement, Bank expectations for GDP growth for the third (calendar) quarter were revised down to 2.1% (from 2.9%), in part reflecting tighter supply conditions. The path of CPI inflation is now expected to rise slightly above 4% in the last three months of 2021, due to higher energy prices and core goods inflation.

- 2.3 An increase in gas prices in the UK and EU, supply shortages and a dearth of HGV and lorry drivers with companies willing to pay more to secure their services, has caused problems for a range of industries and, in some instance, lead to higher prices.
- 2.4 Government initiatives continued to support the economy over the quarter but came to an end on 30 September 2021, with businesses required to either take back the 1.6 million workers on the furlough scheme or make them redundant.

Borrowing

- 2.5 On 1 April 2021, the Council had three loans from other local authorities, totalling £15m. During the first half of the financial year, the Council repaid one loan. On 30 September 2021, the Council's external borrowing stood at £10 million. Further details of can be found in Appendix I.

Investments

- 2.6 The counterparties agreed by Cabinet and Council earlier this year, when the 2021/22 Treasury Strategy was approved are:

Counterparty	Cash Limits
The UK Government (Debt Management Account Deposit Facility) and Treasury Bills	Unlimited
Local Authorities and other government entities	£3m
Major UK banks / building societies. (Barclays, HSBC, Lloyds Banking Group, RBS Group, Santander UK, Nationwide, Standard Chartered) unsecured deposits	£3m
Svenska Handelsbanken unsecured deposits	£3m
Leeds Building Society unsecured deposits	£1.5m
Close Brothers unsecured deposits	£1.5m
Money Market Funds	£3m each
Strategic Pooled Funds e.g. Absolute return, Equity income, Corporate Bond Funds	£3m each
CCLA Property Fund	£3m
Supranational Bonds	£3m in aggregate

Counterparty	Cash Limits
Corporate Bonds	£3m in aggregate
Covered Bonds	£3m in aggregate with £1m limit per bank
Non treasury investments	To be agreed on a case by case basis

- 2.7 The Council holds significant investment funds, representing income received in advance of expenditure plus balance and reserves held. During the six months to 30 September 2021 the Council held average daily cash balance of £33.8 million.
- 2.8 The Council's budgeted investment income for the six months to 30 September 2021 was £84,385 and the actual income received was £78,747.54, of which £56,061.95 was from the Council's long-term investment in the Church, Charities and Local Authorities (CCLA) Mutual Investment Property Fund.
- 2.9 The results for the six months to 30 September 2021 show that the Council achieved 0.48% average return above the average 7 day London Interbank Bid Rate (LIBID) and 0.3% average return rate above the average Bank of England Base Rate.
- 2.10 The Council has £3m invested in an externally managed property fund which is the CCLA property fund which generated an average total return of 3.72%, comprising a £56,061.95 income return. Since this fund has no defined maturity date, but is available for withdrawal after a notice period, its performance and continued suitability in meeting the Council's investment objectives are regularly reviewed. In light of its performance and the Council's latest cash flow forecasts, investment in this fund has been maintained.

Compliance with Prudential Indicators

- 2.11 The Council can confirm that it has complied with its Prudential Indicators for 2021/22 which were set in February 2021 as part of the Council's Treasury Management Strategy Statement. The Council is required to report on the highly technical Prudential Indicators. There are no issues of concern to highlight with members. The indicators are based on approved commitments and the current budget.
- 2.12 Prudential and Treasury Management Indicators are set out in Appendix II.

3. Proposals

- 3.1 No changes are proposed at this stage.

4. Alternative Options

- 4.1 The Director of Resources will consider changes to the counterparty criteria with reference to the Council's agreed policy with regard to risk.

5. Consultation Undertaken

- 5.1 Consultation has been undertaken with Arlingclose.

6. Implications

Issue	Implications
Corporate Plan	Supports delivery of the Council's objectives.
Financial, Resource and Property	As detailed in the report.
Legal, Statutory and Procurement	CIPFA produce a framework for managing treasury activities, called a 'Code'. Councils are legally required to have regard to this Code and members of CIPFA are expected to comply with its requirements. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the DLUHC Guidance
Crime and Disorder	Following CIPFA's Treasury Management Code of Practice is important to avoid involvement in potential fraud or money laundering.
Environment and Climate/ Ecological Emergency	The Council does not own any shares or corporate bonds so there are no ethical investment consideration to be met.
Health and Wellbeing	Not relevant to this report
Safeguarding of Children, Young People and Vulnerable Adults	Not relevant to this report
Risk Management and Health and Safety	Risk is controlled through adherence to specific guidance included in CIPFA's Treasury Management Code of Practice. The principle of security of funds over-rides investment performance.
Equality and Diversity	Not relevant to this report
Privacy and Data Protection	Not relevant to this report

7. Appendices

- 7.1 The following documents are to be published with this report and form part of the report.

- Appendix I: Investments and Borrowing as at 30 September 2021
- Appendix II: Prudential and Treasury Management Indicators

8. Background Papers

None

Investments and Borrowings as at 30 September 2021

Counterparty	Long-Term Rating	Balance Invested & Borrowed at 30 September 2021 £'000
<u>Fixed Term Deposits</u>		
Debt Management Office	AA-	6,800
<u>Money Market Funds</u>		
Invesco Money Market Fund	AAmmf	3,000
Deutsche Money Market Fund	AAmmf	3,000
Goldman Sachs Money Market Fund	AAmmf	3,000
Aberdeen Money Market Fund	AAmmf	3,000
Black Rock Money Market Fund	AAmmf	3,000
JP Morgan Money Market Fund	AAmmf	3,000
Morgan Stanley Money Market Fund	AAmmf	3,000
SSGA Money Market Fund	AAmmf	3,000
CCLA Property Fund		3,000
Total Fixed Term Deposits, Money Market and Property Funds		33,800
TOTAL INVESTMENTS	Maturity Date	£'000
Derbyshire County Council	07/04/2022	-5,000
London Borough of Islington	28/02/2022	-5,000
TOTAL BORROWING		-10,000

The Ratings above are from Fitch credit rating agency. The Long-Term Rating is the benchmark measure of probability of default. These ratings are shown for illustrative purposes only, as the Council uses the lowest rating across three agencies on which to base its decisions.

AAmmf: Fund has very strong ability to meet the dual objective of providing liquidity and preserving capital

AA-: High quality, low default risk

Investments and Borrowings as at 30 September 2021

Investment Activity in 2021/22

Investments	Balance on 01/04/2021	Investments Made	Investments Repaid	Balance on 30/09/2021	Average Rate
	£'000	£'000	£'000	£'000	%
Short Term Investments and Cash and Cash Equivalents	20,115	112,672	(101,987)	30,800	0.13
Long Term Investments	3,000	0	0	3,000	3.74
TOTAL INVESTMENTS	23,115	112,672	(101,987)	33,800	

Borrowing Activity in 2021/22

Borrowing	Balance on 01/04/2021	Borrowing Made	Borrowing Repaid	Balance on 30/09/2021	Average Rate
	£'000	£'000	£'000	£'000	%
External Borrowing	15,000	0	(5,000)	10,000	0.43
Total Borrowing	15,000	0	(5,000)	10,000	

Non-Treasury Investments

The definition of investments covers all the financial assets of the Council, as well as other non-financial assets which the Council holds primarily for financial return. The Council holds £3.599m of a long-standing portfolio of 13 investment properties within the borough. These investments are expected to generate £0.2m of investment income for the Council after taking account of direct costs, representing a rate of return of 4.5%.

Prudential and Treasury Management Indicators

1. Background

There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in local authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators.

2. Gross Debt and the Capital Financing Requirement (CFR)

This is a key indicator of prudence. In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional increases to the capital financing requirement for the current and next two financial years.

Capital Financing Requirement	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
	£'000	£'000	£'000	£'000
Capital Financing Requirements	48,373	61,789	71,969	70,418
External Borrowing	(15,000)	(35,000)	(50,000)	(50,000)
Cumulative External Borrowing Requirements	33,373	26,789	21,969	20,418

External Borrowing: as at 30 September 2021 the Council had £10 million of external borrowing – please see Appendix I for further details.

3. Capital Expenditure

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax.

Capital Expenditure and Financing	2020/21 Actual	2021/22 Revised Estimate	2022/23 Original Estimate	2023/24 Original Estimate
	£'000	£'000	£'000	£'000
Total Expenditure	9,603	27,023	13,613	2,113
Revenue contributions	875	2,873	50	50
Capital receipts	24	1,634	0	0
Grants and other contributions	2,292	6,750	2,063	2,063
Internal/ External borrowing	6,412	15,766	11,500	0
Total Financing	9,603	27,023	13,613	2,113

Prudential and Treasury Management Indicators

4. Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability, highlighting the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. The definition of financing costs is set out in the Prudential Code. The ratio is based on costs net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2020/21 Actual %	2021/22 Estimate %	2022/23 Estimate %	2023/24 Estimate %
Total	3.17	5.11	5.32	5.43

5. Actual External Debt

This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

Actual External Debt as at 30/09/2021	£'000
Borrowing	10,000
Other Long-term Liabilities	0
Total	10,000

6. Authorised Limit and Operational Boundary for External Debt

The Authorised Limit sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) for the Council. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e. long- and short-term borrowing, overdrawn bank balances and long-term liabilities). This Prudential Indicator separately identifies borrowing from other long-term liabilities such as finance leases. It is consistent with the Council's existing commitments, its proposals for capital expenditure and financing, and its approved treasury management strategy and practices.

The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

Prudential and Treasury Management Indicators

Authorised Limit for External Debt	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000
Borrowing	70,000	70,000	70,000
Other Long-term Liabilities	2,000	2,000	2,000
Total	72,000	72,000	72,000

The Operational Boundary links directly to the Council's estimates of the CFR and estimates of other cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst-case scenario but without the additional headroom included within the Authorised Limit.

Operational Boundary	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000
Borrowing	55,000	55,000	55,000
Other Long-term Liabilities	500	500	500
Total Debt	55,500	55,500	55,500

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

The Head of Finance and Procurement confirms that there were no breaches to the Authorised Limit and the Operational Boundary during the period to 30 September 2021.

Prudential and Treasury Management Indicators

7. Interest Rate Exposure

These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.

Upper Limit for Interest Rate Exposure	Actual level at 30/09/21	2021/22 Approved Limit	Complied?
Interest on fixed rate borrowing	100%	100%	✓
Interest on fixed rate investments	-20%	-100%	✓
Interest on variable rate borrowing	0%	100%	✓
Interest on variable rate investments	-80%	-100%	✓

8. Maturity Structure of Borrowing

This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were.

Maturity structure of borrowing	Existing level at 30/09/21 %	Lower Limit for 2021/22 %	Upper Limit for 2021/22 %	Complied
Under 12 months	100	0	100	✓
12 months and within 24 months	0	0	100	✓
24 months and within 5 years	0	0	100	✓
5 years and within 10 years	0	0	100	✓
10 years and above	0	0	100	✓

9. Credit Risk

The Council considers security, liquidity and yield, in that order, when making investment decisions.

Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Council's assessment of counterparty credit risk.

Prudential and Treasury Management Indicators

The Council also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:

- published credit ratings of the financial institution (minimum A- or equivalent) and its sovereign (minimum AA+ or equivalent for non-UK sovereigns);
- sovereign support mechanisms;
- credit default swaps (where quoted);
- share prices (where available);
- economic fundamentals, such as a country's net debt as a percentage of its GDP;
- corporate developments, news, articles, markets sentiment and momentum; and
- subjective overlay.

The only indicators with prescriptive values remain to be credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

The Head of Finance and Procurement confirms that there were no breaches to counterparty limits or credit ratings at the time of placing investments.

10. Principal Sums Invested for Periods Longer than over 364 days

The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

Total Principal Sums Invested Over 364 Days	2021/22 £'000
Upper Limit Estimate	10,000
Actual	3,000
Complied?	✓

Prudential and Treasury Management Indicators

11. Investment Benchmarking for the six months to 30 September 2021

Average Actual Return on Investments	Original Estimate Return on Investments	Average Bank Base Rate	Average 7 day LIBID Rate
0.40%	0.30%	0.10%	(0.08%)

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Audit Committee Meeting	
Meeting Date	24 November 2021
Report Title	Reappointment of External Auditor – option to opt into national scheme
Cabinet Member	Cllr Roger Truelove, Leader Cabinet Member for Finance Cllr Simon Clark Chairman Audit Committee
SMT Lead	Lisa Fillery, Director of Resources
Head of Service	Phil Wilson, Head of Finance and Procurement
Lead Officer	Phil Wilson, Head of Finance and Procurement
Key Decision	Yes
Classification	Open
Recommendations	1. Recommend to Full Council that the invitation from Public Sector Audit Appointments to opt in to the national scheme to reappointment external audit is accepted.

1. Purpose of Report and Executive Summary

- 1.1 This report sets out proposals for appointing the external auditor to the Council for the accounts for the five-year period from 2023/24. If the Council wishes to take advantage of the national auditor appointment arrangements, it is required under the local audit regulations to make the decision at full Council. The opt-in period starts on 22 September 2021 and closes on 11 March 2022. To opt into the national scheme from 2023/24, the Council needs to return completed opt-in documents to Public Sector Audit Appointments (PSAA) by 11 March 2022.

2. Background

- 2.1 In 2017, following changes to the process for appointing external auditors for local authorities, this Council opted into the ‘appointing person’ national auditor appointment arrangements established by PSAA. This was approved by Council at its meeting on 25 January 2017. The current auditor appointment arrangements cover the period from 2018/19 up to and including the audit of the 2022/23 accounts, with Grant Thornton being the Council’s appointed external auditors.
- 2.2 During Autumn 2021 all local government bodies need to make important decisions about their external audit arrangements from 2023/24. They have options to arrange their own procurement and make the appointment themselves or in conjunction with other bodies, or they can join and take advantage of the national collective scheme administered by PSAA who will be undertaking a procurement for the next appointing period, covering audits for 2023/24 to 2027/28. These options are reviewed in more detail below.

- 2.3 The Council has received an invitation from PSAA to opt in for the second appointing period, for 2023/24 to 2027/28, along with all other eligible authorities. Based on the level of opt-ins it will enter into contracts with appropriately qualified audit firms and appoint a suitable firm to be the Council's auditor. Details relating to PSAA's invitation are provided in Appendix 1 to this report.

The Appointed Auditor

- 2.4 The auditor appointed at the end of the procurement process will undertake the statutory audit of accounts and Best Value assessment of the Council in each financial year, in accordance with all relevant codes of practice and guidance. The appointed auditor is also responsible for investigating questions raised by electors and has powers and responsibilities in relation to Public Interest Reports and statutory recommendations.
- 2.5 The auditor must act independently of the council and the main purpose of the procurement legislation is to ensure that the appointed auditor is sufficiently qualified and independent.
- 2.6 The auditor must be registered to undertake local audits by the Financial Reporting Council (FRC) employ authorised Key Audit Partners to oversee the work. As the report below sets out there is a currently a shortage of registered firms and Key Audit Partners.
- 2.7 Auditors are currently regulated by the FRC, which will be replaced by a new body with wider powers, the Audit, Reporting and Governance Authority (ARGA) during the course of the next audit contract.
- 2.8 Councils therefore have very limited influence over the nature of the audit services they are procuring, the nature and quality of which are determined or overseen by third parties.
- 2.9 Under the Local Government Audit & Accountability Act 2014 ("the Act"), the Council is required to appoint an auditor to audit its accounts for each financial year. The Council has three options;

Option	Commentary
<p>1. To appoint its own auditor, which requires it to follow the procedure set out in the Act.</p>	<p>The Council would need to establish an independent auditor panel to make a stand-alone appointment. The auditor panel would need to be set up by the Council itself, and the members of the panel must be wholly or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, excluding current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing to which audit firm to award a contract for the Council's external audit.</p> <p>The Council would also need to resource the tender and ongoing management of the external auditor contract, overseen by the Auditor Panel.</p> <p>This option is likely to result in a more costly service as the Council would be without the bulk buying power of the sector led national scheme option.</p>
<p>2. To act jointly with other authorities to procure an auditor following the procedures in the Act.</p>	<p>As with option 1 this will need to be constituted of wholly or a majority of independent appointees. Further legal advice would be required on the exact constitution of such a panel having regard to the obligations of each Council/Authority under the Act and the Council/Authority would need to liaise with other local authorities to assess the appetite for such an arrangement.</p> <p>This approach would spread the cost of the initial procurement exercise, but the differing nature of each authority's audit would likely necessitate some individual management of the external audit contract. It also requires willing partners.</p>
<p>3. To opt in to the national auditor appointment scheme administered by a body designated by the Secretary of State as the 'appointing person'. The body currently designated for this role is Public Sector Audit Appointments Limited (PSAA).</p>	<p>This option would be to opt in to a sector-led body that will negotiate contracts and make the appointment on behalf of all councils who participate, removing the need for an independent Auditor Panel.</p> <p>By joining the scheme, the Council would be acting with other councils to optimise the opportunity to influence the market that a national procurement provides and limit the administrative costs to the Council.</p>

3. Proposals

- 3.1 Based on the experience of the existing audit appointment arrangements and the current state of the local audit market, it is recommended that the Council opts in to the national auditor appointment scheme. The reasons to support the recommendation are as follows:
- without the national appointment, the Council would need to set up a separate independent auditor panel, which is likely to be difficult to resource, costly, and time-consuming;
 - the audit costs arising from a broader collaborative procurement should be lower than a more local approach as national large-scale contracts can drive keener prices from the audit firms and spread costs incurred in bidding; and
 - PSAA can ensure the appointed auditor meets and keeps to quality standards and can manage any conflicts of interest.
- 3.2 Audit fees have increased over the past few years in response to the increased compliance and regulatory regime and so all options are expected to result in an increased cost of local audit fees.
- 3.3 Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in must be made by a meeting of the Council (meeting as a whole), except where the authority is a corporation sole.
- 3.4 The Council then needs to respond formally to PSAA's invitation in the form specified by PSAA by the close of the opt-in period (11 March 2022).
- 3.5 PSAA will commence the formal procurement process in early February 2022. It expects to award contracts in August 2022 and will then consult with authorities on the appointment of auditors so that it can make appointments by the statutory deadline of 31 December 2022.

4. Alternative Options

- 4.1 Other options have been considered above.

5. Consultation Undertaken or Proposed

- 5.1 Consultation has taken place with other Kent councils, the Chair of the Audit Committee and the Leader/Cabinet Member for Finance & Procurement.

6. Implications

Issue	Implications
Corporate Plan	Meets the statutory duty to appoint external auditors
Financial, Resource and Property	<p>There is a risk that current external audit fee levels could increase when the current contracts end. It is clear that the scope of audit has increased, requiring more audit work. There are also concerns about capacity and sustainability in the local audit market.</p> <p>Opting into a national scheme provides maximum opportunity to ensure fees are as realistic as possible, while ensuring the quality of audit is maintained, by entering into a large-scale collective procurement arrangement.</p> <p>If the national scheme is not used some additional resource may be needed to establish an auditor panel and conduct a local procurement. Until a procurement exercise is completed it is not possible to state what, if any, additional resource may be required for audit fees from 2023/24.</p>
Legal, Statutory and Procurement	<p>Section 7 of the Local Audit and Accountability Act 2014 requires a relevant Council/Authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year.</p> <p>Section 8 governs the procedure for appointment including that the Council/Authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant Council is a local Council operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the Council/Authority under those arrangements.</p> <p>Section 12 makes provision for the failure to appoint a local auditor. The Council/Authority must immediately inform the Secretary of State, who may direct the Council/Authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the Council.</p> <p>Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a sector-led body to become the appointing person. In July 2016 the Secretary of State specified PSAA as the appointing person.</p>
Crime and Disorder	Not applicable

Issue	Implications
Environment and Climate/Ecological Emergency	Not applicable
Health and Wellbeing	Not applicable
Safeguarding of Children, Young People and Vulnerable Adults	Not applicable
Risk Management and Health and Safety	<p>The principal risks are that the Council:</p> <ul style="list-style-type: none"> • fails to appoint an auditor in accordance with the requirements and timing specified in local audit legislation; or • does not achieve value for money in the appointment process. <p>These risks are considered best mitigated by opting into the sector-led approach through PSAA.</p>
Equality and Diversity	Not applicable
Privacy and Data Protection	External auditors have access to all information and data held by the council, transfer of information is actioned in secure manner.

7. Appendices

7.1 The following documents are to be published with this report and form part of the report:

- Appendix I: Letter of invitation from PSAA
- Appendix II : Supplementary information on the local audit market

22 September 2021

To: Ms Reed, Chief Executive
Swale Borough Council

Copied to: Mr Wilson, S151 Officer
Councillor Clark, Chair of Audit Committee or equivalent

Dear Ms Reed,

Invitation to opt into the national scheme for auditor appointments from April 2023

I want to ensure that you are aware the external auditor for the audit of your accounts for 2023/24 has to be appointed before the end of December 2022. That may seem a long way away but, as your organisation has a choice about how to make that appointment, your decision-making process needs to begin soon.

We are pleased that the Secretary of State has confirmed PSAA in the role of the appointing person for eligible principal bodies for the period commencing April 2023. Joining PSAA's national scheme for auditor appointments is one of the choices available to your organisation.

In June 2021 we issued a draft prospectus and invited your views and comments on our early thinking on the development of the national scheme for the next period. Feedback from the sector has been extremely helpful and has enabled us to refine our proposals which are now set out in the [scheme prospectus](#) and our [procurement strategy](#). Both documents can be downloaded from our website which also contains a range of useful information that you may find helpful.

The national scheme timetable for appointing auditors from 2023/24 means we now need to issue a formal invitation to you to opt into these arrangements. In order to meet the requirements of the relevant regulations, we also attach a form of acceptance of our invitation which you must use if your organisation decides to join the national scheme. We have specified the five consecutive financial years beginning 1 April 2023 as the compulsory appointing period for the purposes of the regulations which govern the national scheme.

Given the very challenging local audit market, we believe that eligible bodies will be best served by opting to join the scheme and have attached a short summary of why we believe that is the best solution both for individual bodies and the sector as a whole.

I would like to highlight three matters to you:

1. if you opt to join the national scheme, we need to receive your formal acceptance of this invitation by Friday 11 March 2022;

2. the relevant regulations require that, except for a body that is a corporation sole (e.g. a police and crime commissioner), the decision to accept our invitation and to opt in must be made by the members of the authority meeting as a whole e.g. Full Council or equivalent. We appreciate this will need to be built into your decision-making timetable. We have deliberately set a generous timescale for bodies to make opt in decisions (24 weeks compared to the statutory minimum of 8 weeks) to ensure that all eligible bodies have sufficient time to comply with this requirement; and
3. if you decide not to accept the invitation to opt in by the closing date, you may subsequently make a request to opt in, but only after 1 April 2023. We are required to consider such requests and agree to them unless there are reasonable grounds for their refusal. PSAA must consider a request as the appointing person in accordance with the Regulations. The Regulations allow us to recover our reasonable costs for making arrangements to appoint a local auditor in these circumstances, for example if we need to embark on a further procurement or enter into further discussions with our contracted firms.

If you have any other questions not covered by our information, do not hesitate to contact us by email at ap2@psaa.co.uk. We also publish answers to [frequently asked questions](#) on our website.

If you would like to discuss a particular issue with us, please send an email also to ap2@psaa.co.uk, and we will respond to you.

Yours sincerely

Tony Crawley
Chief Executive

Encl: Summary of the national scheme

Why accepting the national scheme opt-in invitation is the best solution

Public Sector Audit Appointments Limited (PSAA)

We are a not-for-profit, independent company limited by guarantee incorporated by the Local Government Association in August 2014.

We have the support of the LGA, which in 2014 worked to secure the option for principal local government and police bodies to appoint auditors through a dedicated sector-led national body.

We have the support of Government; MHCLG's Spring statement confirmed our appointment because of our "strong technical expertise and the proactive work they have done to help to identify improvements that can be made to the process".

We are an active member of the new Local Audit Liaison Committee, chaired by MHCLG and attended by key local audit stakeholders, enabling us to feed in body and audit perspectives to decisions about changes to the local audit framework, and the need to address timeliness through actions across the system.

We conduct research to raise awareness of local audit issues, and work with MHCLG and other stakeholders to enable changes arising from Sir Tony Redmond's review, such as more flexible fee setting and a timelier basis to set scale fees.

We have established an advisory panel, which meets three times per year. Its membership is drawn from relevant representative groups of local government and police bodies, to act as a sounding board for our scheme and to enable us to hear your views on the design and operation of the scheme.

The national scheme for appointing local auditors

In July 2016, the Secretary of State specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015. Acting in accordance with this role PSAA is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme. 98% of eligible bodies made the choice to opt-in for the five-year period commencing in April 2018.

We will appoint an auditor for all opted-in bodies for each of the five financial years beginning from 1 April 2023.

We aim for all opted-in bodies to receive an audit service of the required quality at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local audit. The focus of our quality assessment will include resourcing capacity and capability including sector knowledge, and client relationship management and communication.

What the appointing person scheme from 2023 will offer

We believe that a sector-led, collaborative, national scheme stands out as the best option for all eligible bodies, offering the best value for money and assuring the independence of the auditor appointment.

The national scheme from 2023 will build on the range of benefits already available for members:

- transparent and independent auditor appointment via a third party;
- the best opportunity to secure the appointment of a qualified, registered auditor;
- appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives, if the parties believe that it will enhance efficiency;
- on-going management of any independence issues which may arise;
- access to a specialist PSAA team with significant experience of working within the context of the relevant regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees;
- a value for money offer based on minimising PSAA costs and distribution of any surpluses to scheme members - in 2019 we returned a total £3.5million to relevant bodies and more recently we announced a further distribution of £5.6m in August 2021;
- collective efficiency savings for the sector through undertaking one major procurement as opposed to a multiplicity of smaller procurements;
- avoids the necessity for local bodies to establish an auditor panel and undertake an auditor procurement, enabling time and resources to be deployed on other pressing priorities;
- updates from PSAA to Section 151 officers and Audit Committee Chairs on a range of local audit related matters to inform and support effective auditor-audited body relationships; and
- concerted efforts to work with other stakeholders to develop a more sustainable local audit market.

We are committed to keep developing our scheme, taking into account feedback from scheme members, suppliers and other stakeholders, and learning from the collective post-2018 experience. This work is ongoing, and we have taken a number of initiatives to improve the operation of the scheme for the benefit of all parties.

Importantly we have listened to your feedback to our recent consultation, and our response is reflected in [the scheme prospectus](#).

Opting in

The closing date for opting in is 11 March 2022. We have allowed more than the minimum eight-week notice period required, because the formal approval process for most eligible bodies is a decision made by the members of the authority meeting as a whole [Full Council or equivalent], except police and crime commissioners who are able to make their own decision.

We will confirm receipt of all opt-in notices. A full list of eligible bodies that opt in will be published on our website. Once we have received an opt-in notice, we will write to you to request information on any joint working arrangements relevant to your auditor appointment, and any potential independence matters which may need to be taken into consideration when appointing your auditor.

Local Government Reorganisation

We are aware that reorganisations in the local government areas of Cumbria, Somerset, and North Yorkshire were announced in July 2021. Subject to parliamentary approval shadow elections will take place in May 2022 for the new Councils to become established from 1 April 2023. Newly established local government bodies have the right to opt into PSAA's scheme under Regulation 10 of the Appointing Person Regulations 2015. These Regulations also set out that a local government body that ceases to exist is automatically removed from the scheme.

If for any reason there is any uncertainty that reorganisations will take place or meet the current timetable, we would suggest that the current eligible bodies confirm their acceptance to opt in to avoid the requirement to have to make local arrangements should the reorganisation be delayed.

Next Steps

We expect to formally commence the procurement of audit services in early February 2022. At that time our procurement documentation will be available for opted-in bodies to view through our e-tendering platform.

Our recent webinars to support our consultation proved to be popular, and we will be running a series of webinars covering specific areas of our work and our progress to prepare for the second appointing period. Details can be found on [our website](#) and in [the scheme prospectus](#).

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Additional Information on the Local Audit Market and the Appointment Scheme**1. Pressures in the current local audit market and delays in issuing opinion**

- 1.1 Much has changed in the local audit market since audit contracts were last awarded in 2017. At that time the audit market was relatively stable, there had been few changes in audit requirements, and local audit fees had been reducing over a long period. 98% of those bodies eligible opted into the national scheme and attracted very competitive bids from audit firms. The resulting audit contracts took effect from 1 April 2018.
- 1.2 During 2018 a series of financial crises and failures in the private sector year led to questioning about the role of auditors and the focus and value of their work. Four independent reviews were commissioned by Government:
- Sir John Kingman's review of the Financial Reporting Council (FRC), the audit regulator;
 - the Competition and Markets Authority review of the audit market;
 - Sir Donald Brydon's review of the quality and effectiveness of audit; and
 - Sir Tony Redmond's review of local authority financial reporting and external audit.
- 1.3 The recommendations are now under consideration by Government, with the clear implication that significant reforms will follow. A new audit regulator, the Audit, Reporting and Governance Authority (ARGA) is to be established, and arrangements for system leadership in local audit are to be introduced. Further changes will follow as other recommendations are implemented.
- 1.4 The Kingman review has led to an urgent drive for the FRC to deliver rapid, measurable improvements in audit quality. This has created a major pressure for audit firms to ensure full compliance with regulatory requirements and expectations in every audit they undertake. By the time firms were conducting 2018/19 local audits during 2019, the measures they were putting in place to respond to a more focused regulator were clearly visible. To deliver the necessary improvements in audit quality, firms were requiring their audit teams to undertake additional work to gain deeper levels of assurance. However, additional work requires more time, posing a threat to the firms' ability to complete all their audits by the target date for publication of audited accounts. Delayed opinions are not the only consequence of the FRC's drive to improve audit quality. Additional audit work must also be paid for. As a result, many more fee variation claims have been needed than in prior years.

Additional Information on the Local Audit Market and the Appointment Scheme

- 1.5 This situation has been accentuated by growing auditor recruitment and retention challenges, the complexity of local government financial statements and increasing levels of technical challenges as bodies explore innovative ways of developing new or enhanced income streams to help fund services for local people. These challenges have increased in subsequent audit years, with Covid-19 creating further significant pressure for finance and audit teams.
- 1.6 None of these problems is unique to local government audit. Similar challenges have played out in other sectors, where increased fees and disappointing responses to tender invitations have been experienced during the past two years.

2. The next audit procurement

- 2.1 The prices submitted by bidders through the procurement will be the key determinant of the value of audit fees paid by opted-in bodies. PSAA will:
- seek to encourage realistic fee levels and to benefit from the economies of scale associated with procuring on behalf of a significant number of bodies;
 - continue to pool scheme costs and charge fees to opted-in bodies in accordance with the published fee scale as amended following consultations with scheme members and other interested parties (pooling means that everyone within the scheme will benefit from the prices secured via a competitive procurement process – a key tenet of the national collective scheme);
 - continue to minimise its own costs, around 4% of scheme costs, and as a not-for-profit company will return any surplus funds to scheme members.
- 2.2 PSAA will seek to encourage market sustainability in its procurement. Firms will be able to bid for a variety of differently sized contracts so that they can match their available resources and risk appetite to the contract for which they bid. They will be required to meet appropriate quality standards and to reflect realistic market prices in their tenders, informed by the scale fees and the supporting information provided about each audit. Where regulatory changes are in train which affect the amount of audit work suppliers must undertake, firms will be informed as to which developments should be priced into their bids.
- 2.3 The scope of a local audit is fixed. It is determined by the Code of Audit Practice (currently published by the National Audit Office)¹, the format of the financial statements (specified by CIPFA/LASAAC) and the application of auditing standards regulated by the FRC. These factors apply to all local audits irrespective of whether an eligible body decides to opt into PSAA's national scheme or chooses to make its own separate arrangements. The requirements are mandatory; they shape the work auditors undertake and have a bearing on the actual fees required.

¹ MHCLG's Spring statement proposes that overarching responsibility for Code will in due course transfer to the system leader, namely ARGAs, the new regulator being established to replace the FRC.

Additional Information on the Local Audit Market and the Appointment Scheme

- 2.4 There are currently nine audit providers eligible to audit local authorities and other relevant bodies under local audit legislation. This means that a local procurement exercise would seek tenders from the same firms as the national procurement exercise, subject to the need to manage any local independence issues. Local firms cannot be invited to bid. Local procurements must deliver the same audit scope and requirements as a national procurement, reflecting the auditor's statutory responsibilities.

3. The national auditor appointment scheme

- 3.1 PSAA is specified as the 'appointing person' for principal local government under the provisions of the Local Government Audit & Accountability Act 2014 Act and the Local Audit (Appointing Person) Regulations 2015. PSAA let five-year audit services contracts in 2017 for the first appointing period, covering audits of the accounts from 2018/19 to 2022/23. It is now undertaking the work needed to invite eligible bodies to opt in for the next appointing period, from the 2023/24 audit onwards, and to complete a procurement for audit services. PSAA is a not-for-profit organisation whose costs are around 4% of the scheme with any surplus distributed back to scheme members.

In summary the national opt-in scheme provides the following:

- the appointment of a suitably qualified audit firm to conduct audits for each of the five financial years commencing 1 April 2023;
- appointing the same auditor to other opted-in bodies that are involved in formal collaboration or joint working initiatives to the extent this is possible with other constraints;
- managing the procurement process to ensure both quality and price criteria are satisfied. PSAA has sought views from the sector to help inform its detailed procurement strategy;
- ensuring suitable independence of the auditors from the bodies they audit and managing any potential conflicts as they arise during the appointment period;
- minimising the scheme management costs and returning any surpluses to scheme members;
- consulting with authorities on auditor appointments, giving the Council the opportunity to influence which auditor is appointed;
- consulting with authorities on the scale of audit fees and ensuring these reflect scale, complexity, and audit risk; and
- ongoing contract and performance management of the contracts once these have been let.

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Audit Committee Meeting	
Meeting Date	24 November 2021
Report Title	Interim Internal Audit & Assurance Report 2021/22
Cabinet Member	Cllr Roger Truelove, Cabinet Member for Finance, and Council Leader
SMT Lead	Lisa Fillery, Director of Resources
Head of Service	Rich Clarke, Head of Audit Partnership
Lead Officer	Rich Clarke, Head of Audit Partnership
Key Decision	No
Classification	Open
Recommendations	1. Note work so far towards completing the 2021/22 Audit & Assurance plan and updates on the Mid Kent Audit Partnership.

1 Purpose of Report and Executive Summary

- 1.1 Summarising the work towards completing the 2021/22 Audit & Assurance Plan agreed by this Committee in March 2021. Also gives updates on changes within the Mid Kent Audit Partnership, including the imminent departure of the Head of Audit Partnership.

2 Background

- 2.1 This Committee approved the 2021/22 Audit & Assurance plan earlier this year. This report summarises progress towards delivering the plan up to mid-October 2021, and sets out the path towards completing the plan over the next 6 months. It also provides updates on staffing within the service including the forthcoming departure of the Head of Audit Partnership.
- 2.2 The report confirms the current view of the Head of Audit Partnership that the service holds sufficient resource to accumulate enough evidence to support a year end opinion. The Head of Audit Partnership will update Senior Management and Members promptly should any concerns arise.

3 Proposals

- 3.1 We present the report for Member information and for noting.

4 Consultation Undertaken or Proposed

- 4.1 The format and information presented in the report builds on Committee feedback to previous audit summary reports.

5 Implications

Issue	Implications
Corporate Plan	The report is for noting only, providing to Members an update on progress. It seeks no new decisions and makes no new proposals. Remaining work will be completed within agreed budgets and within agreed staffing levels.
Financial, Resource and Property	
Legal, Statutory and Procurement	
Crime and Disorder	
Environment and Climate/ Ecological Emergency	
Health and Wellbeing	
Safeguarding of Children, Young People and Vulnerable Adults	
Risk Management and Health and Safety	
Equality and Diversity	
Privacy and Data Protection	

6 Appendices

- 6.1 The following documents are to be published with this report and form part of the report:
- Appendix I: Internal Audit Interim Report 2021/22

7 Background Papers

Various referenced background papers and guidance documents are included as hyperlinks within appendix 1.

MID KENT AUDIT

Interim Internal Audit & Assurance Report

November 2021
Swale Borough Council



MID KENT AUDIT

Introduction

1. The Institute of Internal Audit gives the mission of internal audit: to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.
2. The mission and its associated [code of ethics](#) and [Standards](#) govern over 200,000 professionals in businesses and organisations around the world. Within UK Local Government, authority for internal audit stems from the [Accounts and Audit Regulations 2015](#). The Regulations state services must follow the [Public Sector Internal Audit Standards](#) – an adapted and more demanding version of the global standards. Those Standards set demands for our reporting:

2060 Reporting to Senior Management and the Board

The chief audit executive must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan and on its conformance with the *Code of Ethics* and the *Standards*. Reporting must also include significant risk and control issues, including fraud risks, governance issues and other matters that require the attention of senior management and/or the board.

Interpretation:

The frequency and content of reporting are determined collaboratively by the chief audit executive, senior management and the board. The frequency and content of reporting depends on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management and/or the board.

The chief audit executive's reporting and communication to senior management and the board must include information about:

- The audit charter.
- Independence of the internal audit activity.
- The audit plan and progress against the plan.
- Resource requirements.
- Results of audit activities.
- Conformance with the *Code of Ethics* and the *Standards*, and action plans to address any significant conformance issues.
- Management's response to risk that, in the chief audit executive's judgment, may be unacceptable to the organisation.

Audit Charter

3. This Committee approved our *Audit Charter* in September 2020 and it remains in place through the audit year.

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Independence of internal audit

4. Mid Kent Audit works as a shared service between Ashford, Maidstone, Swale and Tunbridge Wells Borough Councils. A Shared Service Board including representatives from each council supervises our work based on our collaboration agreement.
5. Within Swale BC during 2021/22 we have continued to enjoy complete and unfettered access to officers and records to complete our work. On no occasion have officers or Members sought or gained undue influence over our scope or findings.
6. I confirm we have worked with full independence as defined in our Audit Charter and Standard 1100.

Management response to risk

7. We include the results of our work in the year so far later in this report. In our work we often raise recommendations for management action. During the year so far management have agreed to act on all recommendations we have raised. We report on progress towards implementation in the section titled *Agreed Actions Follow Up Results*.
8. There are no risks we have identified in our work that we believe management have unreasonably accepted.

Resource Need

9. We reported in our plan presented to this Committee in March 2021 an assessment on the resources available to the audit partnership for completing work at the Council. That review decided:

...we believe we have enough resource to deliver the 2021/22 plan
10. Since March 2021 we have experienced much change within the audit team. Shortly after Members agreed the plan, both of our most recent successful qualified trainees left for more senior roles elsewhere. While we're always pleased to support development, their loss left a notable gap in the team that we hoped to fill with recruits over the summer.
11. For that recruitment exercise, we were successful in having offers of employment accepted for all three audit roles advertised, unfortunately two candidates withdrew during the pre-employment checks having received better offers elsewhere.

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12. The result is the team continues to have vacancies at Auditor, Audit Apprentice and Risk & Governance Officer level. We hope to re-advertise these roles shortly. Until then we are preparing a market tender to seek contractor support in completing 2021/22 audit and assurance plans. We hope to award the contracts before the end of 2021, for work to take place in the New Year.
13. There has also been significant change within the management team. Russell Heppleston, Deputy Head of Audit, left the partnership after 16 years for a new role with the National Audit Office. To see out the year, Ali Blake of the Mid Kent Audit team has stepped up as Interim Deputy Head of Audit. Ali will focus on leading our risk and governance work, including implementation of JCAD, our new risk management software.
14. Joining us as interim audit manager, with particular responsibility for Ashford and Swale, is Julie Hetherington. Julie joins us after twelve years as an Audit Manager at London Borough of Lewisham and will be a great asset to the partnership.
15. Finally, after nearly eight years in the role as Head of Audit Partnership, Rich Clarke will leave for a new role at LB Lewisham in the New Year. Work is already underway to recruit Rich's successor.
16. Despite all this change we continue to make good progress through the Audit Plan agreed earlier this year. We continue to believe we have enough resources available to us to deliver the 2021/22 audit plan and provide a robust opinion at year end. However, this will be a matter of judgement for the next Head of Audit Partnership. We will, following guidance issued by CIPFA, report quickly to Senior Management and Members if we have any concerns that forecast will change.

Audit Plan Progress: Closing 2020/21

17. In July, there was one audit engagement approaching completion that did not finish in time for Committee deadlines. I set out below our summary findings for this remaining engagement. As expected, there were no significant concerns that would alter the opinion or demand separate reporting.

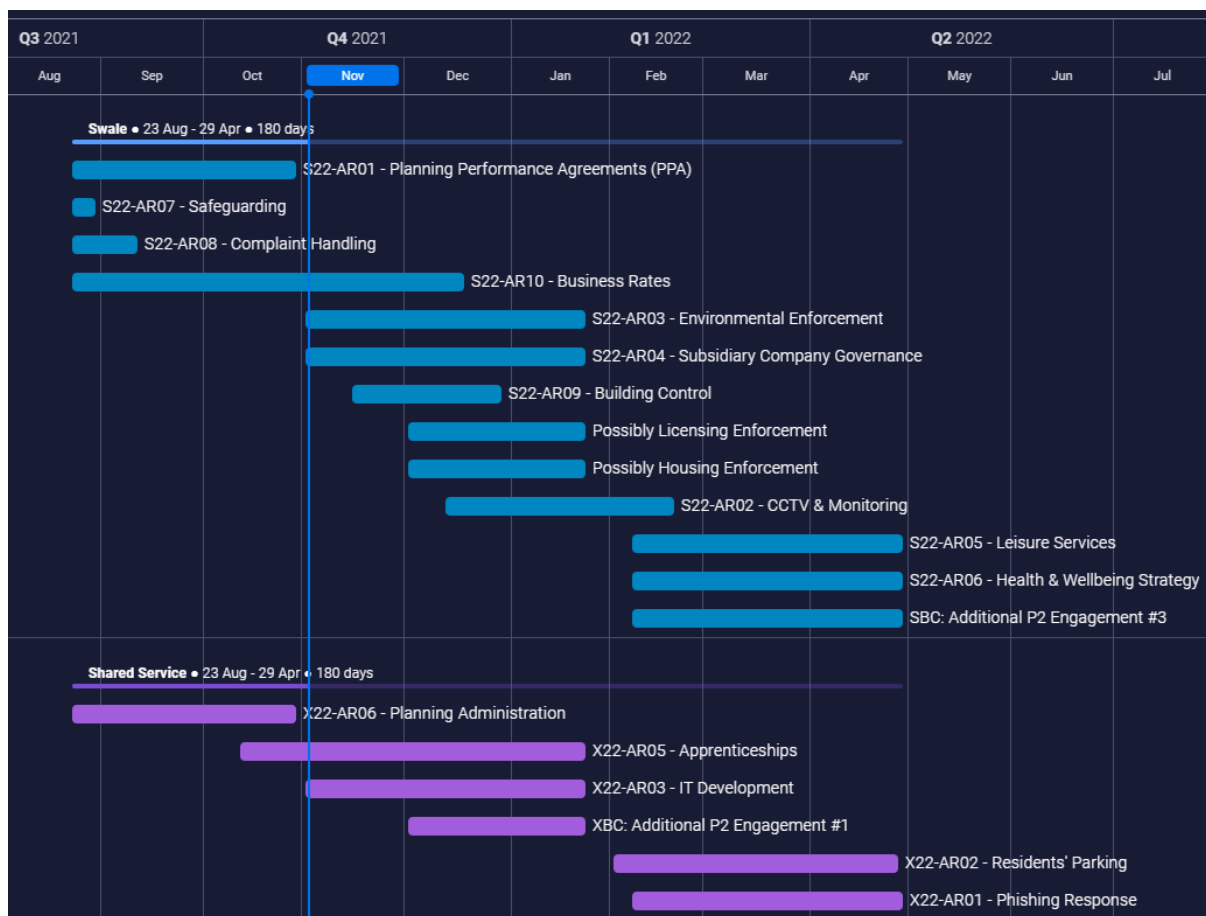
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Bailiff Service (September 2021)

18. Our opinion based on our audit work is the Enforcement Team has **SOUND** controls in place to manage its risks and support achievement of its objectives.
19. Mid Kent Enforcement have good controls in place to ensure staffing levels remain appropriate while their case load has fluctuated as a result of the pandemic. Staff are qualified and adequately trained to undertake their roles. There are various payment methods available to encourage debt repayment, with automated systems in place where possible to ensure accurate recording. Recovery notices are issued and payment arrangements are available when appropriate.
 - **Finding Summary:** 2 x Low priority.

Audit Plan Progress: Beginning 2021/22

20. The chart below shows current and expected progress through the engagements described in the 2021/22 Audit Plan:



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21. So far we have published two full final reports, with two additional engagements currently at draft stage. I set out below summaries of the published final reports.

Safeguarding (October 2021)

22. Our opinion based on our audit work is the Council has **SOUND** controls in place to manage its risks and support achievement of its objectives.
23. The Council has a small but dedicated and experienced team who log, monitor and refer safeguarding concerns to relevant agencies. The pandemic saw an increase in safeguarding concerns being identified, and this increase in cases has maintained at a higher level than since before the pandemic. We found there are sound processes in place to ensure safeguarding concerns are identified, raised and dealt with timeously.
24. However, our testing found some areas requiring improvement. The safeguarding training completion rates throughout the council is poor, especially at a senior level, but we are satisfied that the key Safeguarding Officers have undertaken the relevant training. Additional controls are also in place to monitor the number of concerns raised by services in the council, which is an indicator for a potential decline in officer awareness of safeguarding issues.

- **Finding Summary:** 5 x Medium priority, 4 x Low priority.

Complaint Handling (November 2021)

25. The Council has **SOUND** arrangements in place for Corporate Complaint handling, which are effective and appropriate to manage the key risks and support achievement of its objective.
26. We found the Council's Complaint arrangements are supported by a suitable and up to date policy, with arrangements clearly set out on its website. The complaints process is supported by guidance and procedure documents for staff assessable on the intranet.
27. Our testing resulted in largely positive results; all complaints received had been correctly allocated to Complaint Administrators, information to monitor complaint response times was verified and we note favorable performance which exceeds the target response time and comprehensive reporting is made to the Senior Leadership Team.

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28. We have raised some low priority findings aimed predominately at strengthening and tightening what we have found to be well designed arrangements. Our findings include linking the Council's Privacy Notice to its Complaints Policy to underline a commitment to the safe handling of information received and processed as a complaint, and issuing a reminder to Complaint Administrators covering attachment of complaint responses on the corporate system (MCS) and standardised wording to complaint response correspondence.

- **Finding Summary:** 4 x Low priority.

Other work and overall progress

29. Our work on overseeing, updating, and reporting on risk has continued during the year in line with the Risk Management Framework. As well as the routine cycle of work we have now bought and began to build a risk management software package called JCAD. Implementation of this software will allow us to further settle and develop risk management across the Council. Audit Committee will receive a detailed report on the risk management framework in March 2022.

30. We have also completed a major investigation into the circumstances surrounding mistaken publication of planning notices on 19 August this year. We reported this investigation result to Members at Overview & Scrutiny Committee on 21 October.

31. The table below also summarises (up to mid-October) current days on audit plan progress, with forecast position later in the year.

Plan Area	Plan Days	Actual to mid-Oct-21	Forecast to Apr-22
Risk Based Audits	317	114	321
Governance	83	24	70
Consultancy	40	9	18
Total	440	147	409

32. We will keep these forecasts and plans under review, especially watching the result of contracting and recruitment plans.

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Agreed Actions Follow Up Results

33. Our approach to agreed actions is that we follow up each as it falls due in line with the plan agreed with management when we finish our reporting. We report progress on implementation to Senior Management Team each quarter. This includes noting any matters of continuing concern and where we have revisited an assurance rating (typically after addressing key actions). In total, we summarise in the table below the current position on following up agreed actions:

	Total	High Priority	Medium Priority	Low Priority
Actions brought into 2021/22	21	4	9	8
New actions agreed in 2021/22	44	5	16	23
Total Actions Agreed	65	9	25	31
Fulfilled by 31 October 2021	34	4	11	19
Actions cfwd past 31 October 2021	31	5	14	12
Not Yet Due	14	1	6	7
Delayed but no extra risk	17	4	8	5
Delayed with risk exposure	0	0	0	0

Audit Quality and Improvement

Code of Ethics

34. This Code applies specifically to internal auditors, though individuals within the team must comply with similar Codes for their own professional bodies. The Standards also direct auditors in the public sector to consider the Committee on Standards in Public Life's [Seven Principles of Public Life](#) (the "Nolan Principles").
35. We have included the Code within our Audit Manual and training for some years. We also have policies and guidance in place on certain specifics, such as managing and reporting conflicts of interest.
36. We can report to Members we remain in conformance with the Code.

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Acknowledgements

37. We achieve these results through the hard work and dedication of our team and the resilience that comes from working a shared service across four authorities.
38. As a management team in Mid Kent Audit, we wish to send our public thanks to the team for their work through the year so far.
39. We would also like to thank Managers, Officers and Members for their continued support as we complete our audit work during the year.

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