

**MID KENT AUDIT**

# **Annual Internal Audit Report and Opinion 2018/19**

**July 2019**

**Swale Borough Council**



# MID KENT AUDIT

## Introduction

1. The IIA 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 annual reporting:

### 2450 Overall Opinions

When an overall opinion is issued, it must take into account the strategies, objectives and risks of the organisation and the expectations of senior management, the board and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant and useful information.

#### Interpretation:

The communication will include:

- the scope including the time period to which the opinion pertains
- scope limitations
- consideration of all related projects including the reliance on other assurance providers
- a summary of the information that supports the opinion
- the risk or control framework or other criteria used as a basis for the overall opinion, and
- the overall opinion, judgment or conclusion reached.

The reasons for an unfavourable overall opinion must be stated.

### Public sector requirement

The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

## Independence of internal audit

3. 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.
4. Within Swale BC during 2018/19 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.
5. I confirm we have worked with full independence as defined in our Audit Charter and Standard 1100.

# MID KENT AUDIT

## Head of Internal Audit Opinion

### Scope and time period

6. I provide this opinion to Swale Borough Council (the Council) to include in its Annual Governance Statement, as published alongside its financial statements for the year ended 31 March 2019.

### Scope limits

7. The role of internal audit need not cover only assurance and may extend towards consultancy, advice and strategic support. We have agreed with the Committee the overall scope of our work in our *Internal Audit Charter* and the specific scope of our work this year in our approved *Internal Audit & Assurance Plan 2018/19*.
8. However our audit plan cannot address all risks across the Council and represents our best use of inevitably limited capacity. In approving the plan, the Committee recognised this limit. Beyond this general disclaimer, I have no specific limits of our scope to report to the Committee.

### Consideration of work completed and reliance on others

9. I have drawn my opinion from the work completed during the year. I first set out the work in the plan approved by Members on 14 March 2018 and later developed it in line with emerging risks and priorities. I set out in this report the extent and findings from our work in greater detail.
10. In completing my work I have placed no specific reliance on external sources.

### Information supporting the opinion

11. The rest of this report summarises the work completed in delivering the internal audit plan through 2018/19.
12. My opinion draws on the work carried out by Mid Kent Audit during the year on the effectiveness of managing those risks identified by the Council and covered by the audit programme or associated assurance. Not all risks fall within our work programme. For risks not directly examined I am satisfied an assurance approach exists to provide reasonable assurance on effective management.

# MID KENT AUDIT

## Risk and control

13. The Council is responsible for ensuring it undertakes its business within the law and proper practices. The Council must also ensure it safeguards and properly accounts for its resources, using them economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to seek continuous improvement in exercising its roles.
14. The Council has described key parts of its internal control and risk management within the [Local Code of Governance](#) and [Risk Management Framework](#).
15. Organisations design internal controls to manage to an acceptable level rather than remove the risk of failing to achieve objectives. So, internal controls can only provide reasonable and not complete assurance of effectiveness. Designing internal controls is a continuing exercise designed to identify and set priorities around the risks to the Council achieving its objectives. The work of designing internal controls also evaluates the likelihood of those risks coming about and managing the impact should they do so.
16. In completing our work we have considered the control environment and objectives in place at the Council.

## Conformance with standards

17. Mid Kent Audit has conducted its work following the Standards and good practice as represented in our internal quality assurance. This includes working to an agreed audit manual with satisfactory supervision and review.
18. Our annual review confirms the service remains in full conformance with the Standards, as advised by our external quality assessment from the Institute of Internal Audit in 2015. We are next due an external quality assessment during the year 2019/20.
19. We describe later in this report our efforts towards continuing improvement and the results of our Quality and Improvement work.

# MID KENT AUDIT

## Overall conclusion

### *Internal Control*

20. I am satisfied that during the year ended 31 March 2019 the Council managed its internal controls to offer sound assurance on control effectiveness.

### *Governance*

21. I am satisfied that Council's corporate governance arrangements for the year ended 31 March 2019 comply in all material respects with guidance on proper practices<sup>1</sup>.

### *Risk Management*

22. I am satisfied the risk management arrangements at the Council for the year ended 31 March 2019 are effective and provide sound assurance, but note forthcoming revisions to the strategic risk register and recent updates to operational risk approach.

### *Other Matters*

23. I have no other matters to report as part of my opinion.



Rich Clarke CPFA ACFS  
Head of Audit Partnership

12 July 2019

---

<sup>1</sup> "Proper practices" are defined by CIPFA/SOLACE and set out in [Delivering Good Governance in Local Government Framework](#) (2016).

# MID KENT AUDIT

## Internal Control

24. Internal control is how the Council ensures achievement of its objectives with effectiveness and efficiency; achieving reliable financial reporting and compliance with laws, regulations and policies. It covers financial and non-financial controls.
25. We gain audit evidence to support the Head of Audit opinion on internal control principally through completing the reviews set out within our agreed audit plan.

## Swale Audit Plan Work 2018/19

26. This Committee approved our *Annual Audit & Assurance Plan 2018/19* on 14 March 2018. The plan set out an intended number of days devoted to each of various tasks. We began work on the plan during April 2018 and will close later this month. Although we have some matters to finish, I am satisfied we have advanced our work enough to enable delivery of a robust opinion. We will provide updates on any work awaiting completion in our interim reporting.
27. The table below shows progress in total number of days delivered against the plan (with a forecast of final position).

Category	2018/19 Plan Days	Outturn at Jun-19	Balance
2018/19 Assurance Projects	345	280	-65
Non-Project Assurance Work	85	110	+25
Unallocated Contingency	40	57	+17
<b>Total</b>	<b>470</b>	<b>447</b>	<b>-23</b>
Concluding 2017/18 projects	n/a	41	n/a

28. We forecast final delivery of around 447 audit days. This is 95% of planned days. We detail the specifics, and results, of this progress further in this report.

# MID KENT AUDIT

## Results of Audit Work

29. The tables below summarise audit project findings up to the date of this report. Where there are material matters finished before the committee meeting we will provide a verbal update. (\* = Days split between partners, SBC only shown).

### Completed Assurance Projects

	Title	Plan Days	Actual Days	Report Issue	Rating	Notes
<b>2017/18 Assurance Projects Completed After 1 April 2018</b>						
	Food Safety	n/a*	n/a*	Apr-18	Sound	Reported to Members in Jul-18
	Parking Income	n/a*	n/a*	Apr-18	Sound	Reported to Members in Jul-18
	Public Conveniences	n/a	n/a	May-18	Sound	Reported to Members in Jul-18
	Pre-Application Planning Advice	n/a	n/a	Jun-18	Sound	Reported to Members in Jul-18
	Legal Services	n/a*	n/a*	Jun-18	Sound	Reported to Members in Jul-18
	HR Policy Compliance	n/a*	n/a*	Jul-18	Sound	Reported to Members in Nov-18
	Stray Dogs	n/a	n/a	Jul-18	Sound	Reported to Members in Nov-18
	Transformation Programme	n/a	n/a	Oct-18	Sound	Reported to Members in Nov-18
<b>Planned 2018/19 Assurance Projects Completed so far</b>						
I	CIPFA Financial Resilience Index	5*	4*	Sep-18	N/A	Reported to Members in Nov-18
II	Temporary Accommodation	15	15	Oct-18	Sound	Reported to Members in Nov-18
III	Council Tax Reduction Scheme	12	12	Oct-18	Sound	Reported to Members in Nov-18
IV	Waste Income	15	15	Oct-18	Sound	Reported to Members in Nov-18
V	Insurance	15	15	Oct-18	Strong	Reported to Members in Nov-18
VI	Members' Allowances	16	18	Dec-18	Strong	
VII	Treasury Management	15	17	Jan-19	Strong	

# MID KENT AUDIT

	Title	Plan Days	Actual Days	Report Issue	Rating	Notes
VIII	Conservation Planning	15	15	Feb-19	Sound	
IX	Absence Management	11*	11*	Apr-19	Sound	
X	Asset Management	15	15	Jul-19	Sound	
XI	Revenues & Benefits Compliance Team	6*	8*	Jul-19	Sound	
XII	General Data Protection Regulations	5*	5*	Jul-19	N/A	
	Licensing Compliance	25	40	Jul-19	tbc	Draft report issued
	Sittingbourne Town Centre	14	17	Jul-19	tbc	Draft report issued
	Cyber Security	6*	6*	Jul-19	tbc	Draft report issued

## Assurance Projects Removed from 2018/19 Plan

Title	Days Spent	Rationale and alternative assurance sources
Commissioning & Procurement	4	Delayed due to staff absences and planned reorganisation in approach.
Electoral Registration	2	Delayed due to additional election workload in 2019.
Health & Safety	0	Rescheduled to 2019/20 to allow for developments in approach.
Income Management	1	Rescheduled to 2019/20 to reflect changes in service priority.
IT Technical Support	1*	Rescheduled to 2019/20 to allow service to focus on laptop upgrade project.
Homelessness Reduction Act	0*	Replaced by individual reviews in 2019/20
Universal Credit	0	Rescheduled to 2019/20 to reflect similar delays in overall project rollout nationally.
Website Management	0	Delayed due to rescheduling of website refresh project.
Recruitment	2*	Rescheduled to 2019/20 owing to audit resource issues.



# MID KENT AUDIT

## I: Financial Resilience Index (September 2018)

30. CIPFA closed its consultation on a proposed Resilience Index (the “Index”) on 24 August 2018. The stated aim of the index, according to CIPFA is:

*“...to be an authoritative measure of council’s financial resilience, drawing on publicly available information, intended to provide an early warning system where it is needed so that action can be taken at a local level in a timely manner.”*

31. CIPFA published a reasonably detailed explanation of its intended method alongside the consultation on its overall proposal. The core of the method is to take accounts data focusing on RSG reliance, reserve levels and auditor opinions and combine them into a single weighted score. CIPFA will then adjust the scores to set the median at 100. Authorities with a score of greater than 100 show signs associated with greater financial resilience than their peers.
32. Based on the method set out in the consultation, we found all four authorities in the partnership comfortably into or beyond the mid-range with index scores between 98 and 125. However, there is notable range among districts. The top of the index is 190, far above the median level, with scores falling down to 55. Across Kent we found a range between 87 and 166.
33. In December 2018 CIPFA announced they plan to move away from a single index and instead publish to authorities a range of financial resilience indicators. CIPFA will publish the first set of indicators following conclusion of the 2018/19 financial statement audit opinions.

## II: Temporary Accommodation (October 2018)

34. Our testing confirms the Council meets its statutory responsibility to provide and allocate temporary accommodation to eligible people, but has scope to improve how it documents decisions. The Service currently reports a recurring overspend against budget. We found the financial reporting and monitoring controls in place work well. However, these controls struggle to materially reduce overspends owing to the growing scale of demand. The Council recognises this risk appropriately in its corporate planning.

# MID KENT AUDIT

Critical (Priority 1)	0
High (Priority 2)	0
Medium (Priority 3)	1
Low (Priority 4)	2
Advisory	0

35. The Council has now taken all agreed actions from this review.

### III: Council Tax Reduction Scheme (September 2018)

36. Our review found that the Council Tax Reduction Scheme is reviewed and approved annually following a consultation process. Procedure notes are updated and issued to staff following any changes, and system parameters are in place to ensure the rules of the Scheme are consistently applied. Minor improvements to the process of checking and testing the system parameters are needed to ensure all changes are updated.

37. The controls in place over the processing and payment of council tax support are adequately designed. Our testing confirmed that new claims and changes of circumstances are processed in accordance with procedures and payments are promptly and accurately paid direct to the council tax account.

Priority 1 (Critical)	Priority 2 (High)	Priority 3 (Med)	Priority 4 (Low)	Advisory
0	0	1	3	0

38. The Council has now taken all agreed actions from this review

### IV: Waste Income (October 2018)

39. Our review found that bulky waste and garden waste requests are processed by Customer Services and collections are carried out by the Contractor. Testing confirmed that collections are booked and paid for in advance and garden waste bins are promptly delivered on registration. We found cancellations are not currently up to date and there is a risk that collections could be carried when the garden waste service has not been renewed.

40. The controls in place over the receipt and banking of bulky waste and garden waste income are adequately designed. However there is a gap in controls where there are no arrangements in place to reconcile the income due to the income banked to ensure all income due to the Council is received.

# MID KENT AUDIT

Priority 1 (Critical)	Priority 2 (High)	Priority 3 (Med)	Priority 4 (Low)	Advisory
0	0	0	2	0

41. There is one low priority action remaining. We will follow up on that action this summer and include the outcome in our interim report to Members.

## V: Insurance (October 2018)

42. We established that the insurance contract with Zurich Municipal was awarded as a result of a tendering exercise with the final decision being approved by Cabinet. Insurance policies are renewed annually and premium payments reconciled against the Finance Insurance Officer's expectations. The insurance policies covered all significant risks and insured assets were regularly revalued for insurance purposes. Insurance premiums were recorded on a schedule and these payments were correctly authorised. Premiums for 2017/18 were allocated to service budgets. The Council is proactive in reducing the risk of insurance claims and claim settlements were monitored by the Finance Insurance Officer. New claims were received with supporting documentation and relevant documentation was provided to Zurich to assist in investigating claims. A spreadsheet was updated detailing claim information and where possible, the Finance Insurance Officer detailed what action Council departments could take to mitigate future claims. Meetings were held twice a year with the insurer to discuss issues and policy renewals, with the option to communicate in-between meetings as needed. Any settled claims were accompanied by a report confirming the payments made.

Priority 1 (Critical)	Priority 2 (High)	Priority 3 (Medium)	Priority 4 (Low)	Advisory
0	0	0	1	0

43. The authority has already acted to implement the recommendation.

## VI: Members' Allowances (December 2018)

44. The Members Allowance Scheme (the Scheme) is set out at part 6 of the Council's Constitution. The procedures in place are well designed to verify and make payments of basic and special responsibility allowances, and travel and subsistence expenses in accordance with the Scheme. Our testing confirmed correct operation of the procedures in practice, with no material errors identified.
45. We identified no actions for improvement during this review.

# MID KENT AUDIT

## VII: Treasury Management (January 2019)

46. The Council's Treasury Management function continues to operate in compliance with the CIPFA Code of Practice following the outsourcing of the service to KCC. The arrangements are working well in practice and there is regular communication between the two organisations. There are appropriate controls in place to monitor the Council's Treasury Management activity and identify any potential breaches. Our testing confirmed transactions are accurately processed and appropriately authorised, in accordance with the Council's Treasury Management Strategy.
47. We identified no actions for improvement during this review.

## VIII: Conservation Planning (February 2019)

48. The draft Heritage Strategy produced by consultants, was rejected by Informal Cabinet in October 2018, due to excessive resource implications, and was being revised by the Conservation and Design Service at the time of audit.
49. Sample testing of planning applications referred to the Conservation and Design Service for comment confirmed that the advice from this Service was properly documented and incorporated in final Delegated Reports on the applications. Although, weekly surgery sessions were in place and weekly caseload monitoring was evidenced, consultation requests were not always being responded to within the 21 day consultation period.
50. Areas for improvement include the timely revision and approval of the draft Heritage Strategy and the production of written criteria for the allocation of applications to the Conservation and Design surgery process.

Priority 1 (Critical)	Priority 2 (High)	Priority 3 (Medium)	Priority 4 (Low)	Advisory
0	0	0	3	0

51. There are two low priority actions remaining. We will follow up on those actions this summer and include the outcome in our interim report to Members.

# MID KENT AUDIT

## IX: Absence Management (April 2019)

52. Our testing found good controls and support available to help both Maidstone and Swale councils track sickness absence and mitigate its impact. We identified good levels of understanding and conformance among managers on both process and purpose. The Shared HR Service regularly reports sickness absence levels to senior management and we found evidence of suitable support and action in response. We highlighted a few minor improvements needed, but our most significant finding concerns training. The Sickness Toolkit Training is good quality and comprehensive but has low take-up rates. We encourage the councils to consider how to improve engagement with training on absence management.

Critical (Priority 1)	0
High (Priority 2)	0
Medium (Priority 3)	6
Low (Priority 4)	3
Advisory	1

53. The actions fall due at the end of September. We will follow up later in the year and detail progress to Members in our interim report.

## X: Asset Management (July 2019)

54. Our review found the Council has a comprehensive Property Asset Strategy in place which addresses the strategic management of assets across its property portfolio. The Acquisitions and Disposals policies provide a sound framework for the Council's asset management arrangements. An Asset Management Group is in place to ensure the Council makes best use of its property assets which is widely represented across the authority.
55. Through our work we make a couple of recommendations aimed at enhancing the Council's existing arrangements. These include reviewing the Acquisitions Policy and ensuring the authenticity of property assessment reports.

Priority 1 (Critical)	Priority 2 (High)	Priority 3 (Medium)	Priority 4 (Low)	Advisory
0	0	1	1	0

56. The one remaining action is for the Council to prepare an updated property asset strategy. This will go to Members for approval early next year.

# MID KENT AUDIT

## XI: Revenues & Benefits Compliance Team (July 2019)

Our review found the Council's approach to receiving and dealing with data matches is sound. Procedure notes are in place to support the team, who have clearly defined roles and responsibilities. Our testing confirmed the service generally follows correct procedure and accurately removes and recovers discounts from relevant accounts.

57. We have identified some actions that will improve existing arrangements. These include introducing quality assurance checks on work completed and clear service performance reporting.

Critical (Priority 1)	0
High (Priority 2)	0
Medium (Priority 3)	3
Low (Priority 4)	0
Advisory	1

58. The actions fall due at the end of September. We will follow up later in the year and detail progress to Members in our interim report.

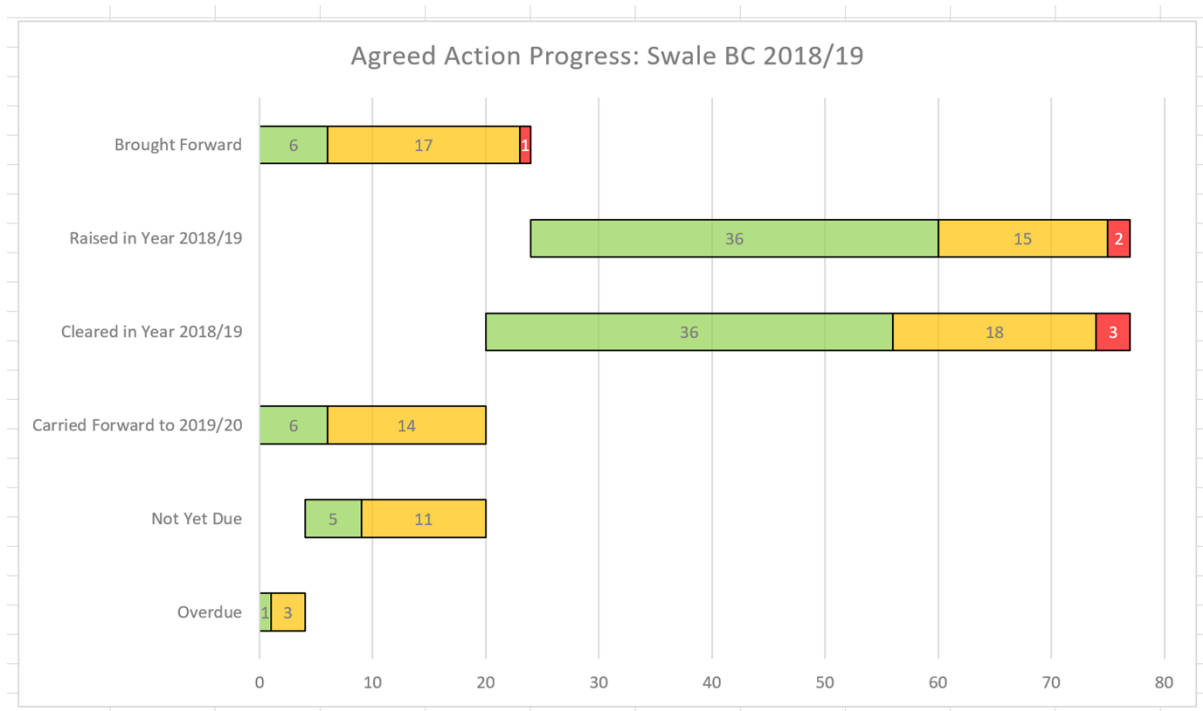
## XII: General Data Protection Regulations (July 2019)

59. Our review found that whilst the Council is complying in many areas tested, there are multiple areas that require action to ensure full compliance with GDPR. The Council has demonstrated it collects and processes data fairly and lawfully, in line with ICO requirements. However, the Council is also obliged to be transparent when collecting data and whilst the corporate privacy notice complies with ICO requirements, there are no service level notices currently in place.
60. The Council has justified why it retains personal data, in line with best practice guidance, although the service are reviewing current retention periods. Testing found non-compliance with the retention policy, which is not centrally enforced but the service have a sound plan to ensure future compliance. Along with their Mid Kent partners, the Council has yet to take a decision on how long to retain e-mails for.

# MID KENT AUDIT

## Following Up Actions

61. Our approach to agreed actions is that we follow up each quarter, examining those that fell due in the previous three months. We take due dates from the action plan agreed with management when we finish our reporting. We report progress on implementation to Senior Management Team each quarter. Our report includes matters of continuing concern and where we have revisited an assurance rating (typically after action to address key findings).
62. We summarise the current position below. The chart shows low priority actions (at the foot of each bar) in green, medium priority in amber (in the middle) and high priority in red (at the top of the bars).



63. Overall we are content with officers' progress on acting to address findings we raise in our reviews.
64. The three medium priority deferred actions relate to managing risks within the shared Debt Recovery Service. We have agreed to revisit these actions later in the year.

# MID KENT AUDIT

## Corporate Governance

65. Corporate governance is the rules, practices and processes that direct and control the Council.
66. We gain audit evidence to support the Head of Audit Opinion through completion of relevant reviews in the audit plan, as well as specific roles on key project and management groups. We also consider matters brought to our attention by Members or staff through whistleblowing and the Council's counter fraud and corruption arrangements.
67. We attend the Council's Information Governance Group. We also help in upholding good governance by providing advice and training to both officers and Members.

## Counter Fraud & Corruption

68. We consider counter fraud and corruption risks in all of our audit engagements when considering the effectiveness of control. We also undertake distinct work to assess and support the Council's arrangements.

### *Investigations*

69. During 2018/19 we have completed one investigation. We provided a summary of this matter to Members in our interim report in November 2018. We also continue to help managers at the Council with disciplinary and other investigations.

### *Whistleblowing and money laundering*

70. The Council's whistleblowing policy names internal audit as one route for Members and officers to safely raise concerns on inappropriate or even criminal behaviour.
71. We have had no matters raised with us for investigation as whistleblowing complaints.
72. We have also had no matters raised with us noting concerns that may indicate a breach of money laundering regulations.



# MID KENT AUDIT

## *National Fraud Initiative*

73. We continue to coordinate the Council's response to the National Fraud Initiative (NFI). NFI is a statutory data matching project and we must send in various forms of data to the Cabinet Office who manage the exercise.
74. The Cabinet Office released the 2018-19 matches in January 2019 as reported to this Committee in June 2019. Most of the matches (59%) fall to the MKS Revenues & Benefits Compliance team to look into. Up to June 2019, the team have examined 94% of all matches and have identified 16 errors with a total value of over £4,000.
75. The remaining matches cover datasets such as creditors, procurement, payroll and housing waiting list. Up to June 2019 we have not yet begun examining the matches awaiting settling our testing strategy. The NFI has replaced recommended matches with a fraud risk score, which we will use to guide our investigations.

## **Risk Management**

76. We reported to the previous meeting of this Committee a summary of risk management work at the Council through the year. This included a then current look at the Council's strategic risks. Later this month we will lead a workshop with the Council's Strategic Management team to look again at these strategic risks alongside the Council's new strategic priorities.
77. We also separately looked at operational risk at the Council. This included bringing forward a refreshed operational risk approach considered and approved by Strategic Management Team in February.

## **Other Audit and Advice Work**

78. We also continue to undertake a broad range of special and scheduled consultancy and advice work for the Council.
79. We remain engaged and flexible in seeking to meet the assurance needs of the Council. We are happy to discuss opportunities large and small where the Council can usefully employ the experience and expertise of the audit team.

# MID KENT AUDIT

## Audit Quality & Improvement

### Standards and ethical compliance

80. Government sets out the professional standards we must work to in the Public Sector Internal Audit Standards (the “Standards”). These Standards are a strengthened version of the Institute of Internal Audit’s global internal audit standards, which apply across public, private and voluntary sectors in more than 170 countries around the world.
81. The Standards include a specific demand for reporting to Senior Management and Audit Committee on our conformance with the Code of Ethics as well as the Standards themselves.
82. We include a short summary of the duties placed on us by the Code as an appendix to this report. We have included the Code within our Audit Manual and training for some years. We can report to Members we remain in conformance with the Code.
83. We underwent an external independent assessment in 2015 that reported the service in full conformance with the Standards. During 2019/20 we must undergo a fresh assessment. We include more details in the next section.
84. In 2019 we undertook a self-assessment against the Standards and confirm to Members we remain in full conformance. We include a summary of that assessment on the next few pages, based around the headline Principles which underpin the Standards:

#### Demonstrating Integrity

#### Fully Conforms

- **2018/19 Assessment Notes:** We have the Code of Ethics embedded in our audit manual. During 2018/19 we updated guidance on independence and conflicts of interest, including refreshed training. We also updated file guidance on confidentiality when handling sensitive Council information.
- **2019/20 Development Goals:** Develop guidance further on declaring interests across the Partnership.

# MID KENT AUDIT

## Competence & Due Care

### Fully Conforms

- **2018/19 Assessment Notes:** We work to a full procedures manual supported by template steps guiding auditors through various work programmes. We also have robust internal review arrangements, including having all work programmes and reports signed off by Managers. Within the team we have more than 100 years collective audit experience and every member of the team either holds or is working towards a professional qualification.
- **2019/20 Development Goals:** Expand range of work programme guidance within our software to include our investigative work.

## Objective & Independent

### Fully Conforms

- **2018/19 Assessment Notes:** Our cross authority partnership strengthens the objectivity and independence of our work. We also have strength in our Audit Charter – approved by Members – setting out clearly how we achieve objectivity and independence in our work.
- **2019/20 Development Goals:** Make more of links across London & South East through audit groups and framework agreements with firms to provide a greater range of options for providing independent and specialist support.

## Strategic Alignment

### Fully Conforms

- **2018/19 Assessment Notes:** We prepared our audit plan following an analysis of the Council's objectives and strategic risks. Within each audit engagement we orient our work against the objectives of the service and risk to their achievement. We also continue to support the Council in a broader consultative and governance advice role.
- **2019/20 Development Goals:** Make greater use of Pentana's capabilities to draw up work programmes based closely on risks. Improve our reporting to focus more clearly on risk, especially the implications of our findings on risks faced.

# MID KENT AUDIT

## Positioning & Resourcing

### Fully Conforms

- **2018/19 Assessment Notes:** We have a direct link and good relationship with senior officers and Members. Our budget overall is steady, with our restructure in early 2019 also ensuring we can maintain appropriate resource levels for the medium term. We also have access, through framework arrangements, with reliable contractor support.
- **2019/20 Development Goals:** Review the recently published (April 2019) CIPFA Statement on the Role of the Head of Internal Audit to ensure we continue to work to best practice.

## Quality & Improvement

### Fully Conforms

- **2018/19 Assessment Notes:** The team continue to progress towards professional qualifications, with the entire team now having achieved or on track. Our Pentana software enables greater standardisation of method and ability to incorporate guidance to support individual engagements. We have group membership of the IIA and CIPFA to enable access to latest guidance and thinking in the profession.
- **2019/20 Development Goals:** Work with external assessor in EQA to further identify best practice. Support audit apprentices through professional Level 7 qualifications.

## Communicates Effectively

### Fully Conforms

- **2018/19 Assessment Notes:** Our report formats consistently draw praise for their clarity and focus on key issues. We also use a wide range of reporting techniques, including graphics and infographics, where they support our findings. During the year we have also refreshed our report approach to allow a greater focus on risk and the implications of our audit findings.
- **2019/20 Development Goals:** Continue with report writing training and support across the audit team with focus on investigative and follow up reporting.

# MID KENT AUDIT

## Risk Based Assurance

Fully Conforms

- **2018/19 Assessment Notes:** Our audit approach in using Pentana is driven by risk assessments to ensure a tight scope and focus on key threats facing a service or process. We also use priority ratings and assurance ratings to give appropriate gravity to our findings and results.
- **2019/20 Development Goals:** Continue building risk library across Pentana to inform similar work in partner authorities. This will include a clearer 'golden thread' between the objectives of a service and the improvements resulting from addressing audit findings.

## Insightful, Proactive & Future Focus

Fully Conforms

- **2018/19 Assessment Notes:** We have a flexible, adaptive plan leaving space for advice, consultancy and emerging issues. We also seek to make practical recommendations for improvement aimed directly at service improvement rather than compliance for the sake of compliance.
- **2019/20 Development Goals:** We are using Pentana to bring even greater flexibility to our planning with in-year risk assessment. The software also enables us to analyse findings in new ways, leading to thematic or trend reporting of issues arising wherever in the audit partnership.

## Promotes Improvements

Fully Conforms

- **2018/19 Assessment Notes:** Our practical recommendations support improvement in each engagement, but we also have a wider role offering advice and support for Members and senior management. This includes briefings and training programmes on governance.
- **2019/20 Development Goals:** Noting in particular significant changes at Member level, we are developing a library of training and support for Audit Committees.

# MID KENT AUDIT

## External Quality Assessment

85. Our 2019/20 Audit Plan included full wording from Standard 1312. That Standard demands all internal audit services seek an external quality assessment at least every five years. In that plan we set out some headline principles to guide our assessment.
- A properly qualified and experienced external assessor.
  - A paid review rather than reciprocal or peer arrangement.
  - To consider best practice as well as simple conformance.
  - One assessment across the whole partnership.
  - Published terms of reference before fieldwork begins.
  - Publish the final report in full to Members, including response to any action plan for improvements.
86. Members from all four authorities in the partnership supported these principles. We will therefore go forward to appoint a suitably qualified assessor this autumn, aiming to complete the review late in the year. We hope to report to Members in spring 2020.
87. We welcome further discussions from Members, especially Audit Committee Chairs, who wish to engage with the Assessment. Such engagement could be reviewing bids, being part of interview panels to speak with the Assessors or contributing to surveys. Please discuss further with the Head of Audit Partnership on how Members can best support the assessment and ensure it gives proper weight to your views on the objectives and quality of the audit service.

## Training and Qualifications

88. We continue to offer strong support to the audit team in continuing development and upholding professional competence. In 2018/19 this involved providing individual training budgets and supporting people to follow avenues for development suitable for their career position and ambitions.
89. A key but far from sole part of this approach is supporting professional qualifications. During 2018/19 we supported several of the team through professional studies and remain pleased with their progress and success. We would like to highlight:
- **Ben Davis**, Auditor, completed the full professional qualification of the Chartered Institute of Public Finance and Accounting (CIPFA). In doing so, Ben became the first full graduate of our trainee programme begun in 2015.

# MID KENT AUDIT

- **Andy Billingham**, Auditor, and **Louise Taylor**, Trainee Auditor, both completed the second of three stages in the Certificate of Internal Audit (CIA) qualification awarded by the IIA. We hope to see both complete the full qualification in 2019/20.
90. For the year ahead we are now working to a new structure which has enabled us to create two *Audit Apprentice* roles. These apprentices will follow the full Level 7 Apprenticeship approved by the Government, leading to postgraduate qualifications and everything needed (on paper, at least) to take up a role as Head of Internal Audit. These apprentice schemes will run until 2022.
  91. We have also continued to work closely with neighbouring authorities. Most notably in a continuing secondment for our Deputy Head of Audit Partnership, **Russell Heppleston**, as Head of Audit for Dartford and Sevenoaks Councils. We have renewed this secondment through 2019/20 during which period the authorities will decide on the future shape of their audit service.
  92. Russell's secondment, and the absence on maternity leave of another manager, have created opportunities within the team for people to gain experience in more senior roles. Currently, **Jen Warrillow** is acting manager with responsibility for Maidstone BC and **Mark Goodwin** at Ashford. Ben Davis and Andy Billingham, whose qualification achievements we mention above, are both in Senior Auditor roles.
  93. Through regional and national roles, the Head of Audit Partnership continues to represent the service in gaining opportunities for professional development. This includes developing training with the London Audit Group aimed at supporting aspiring Audit Managers, as well as speaking engagements at national events such as CIPFA Audit Conference.

## Performance Indicators

94. Aside from the progress against our audit plan we also report against some specific performance measures designed to oversee the quality of service we deliver to partner authorities. We have monthly update meetings with management to discuss service performance and audit results.
95. Note that all figures are for performance across the Partnership. Given how closely we work together as one team, as well as the fact we examine services shared across authorities, it is not practical to present authority by authority data. We have changed the set of measures we present to more closely focus on the priorities identified by Members and officers in our 2017/18 Mid Term Review of the service.

# MID KENT AUDIT

Measure	17/18 Final	18/19 Q1/2	18/19 Q3/4	18/19 Final
Overall Plan Progress - <i>The percentage of planned audit days delivered</i>	91%	42%	52%	94%
Training Take Up - <i>Number of training days per full time equivalent employee (we aim for 15 to 20)</i>	12.3	10.0	10.4	20.4
Audit Feedback - <i>The percentage of respondents 'satisfied' with their audit engagement</i>	97%	100%	100%	100%
Prompt Reporting - <i>Median number of days between fieldwork end and final report issue (we try and keep this under 40)</i>	45	53	37	43

96. While overall performance in the service is good, especially on client satisfaction, our focus in 2019/20 will be on productivity and quicker turnaround of audit reports. In the latter we are working with audit clients in particular in supporting them to understand and respond to our draft reports promptly to ensure findings remain current.

## Acknowledgements

97. 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.
98. 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.
99. We would also like to thank Managers, Officers and Members for their continued support as we complete our audit work during the year.



# MID KENT AUDIT

## Annex 1: Assurance & Priority level definitions

### Assurance Ratings 2018/19 (Unchanged from 2014/15)

Full Definition	Short Description
<p><b>Strong</b> – Controls within the service are well designed and operating as intended, exposing the service to no uncontrolled risk. There will also often be elements of good practice or value for money efficiencies which may be instructive to other authorities. Reports with this rating will have few, if any; recommendations and those will generally be priority 4.</p>	<p>Service/system is performing well</p>
<p><b>Sound</b> – Controls within the service are generally well designed and operated but there are some opportunities for improvement, particularly with regard to efficiency or to address less significant uncontrolled operational risks. Reports with this rating will have some priority 3 and 4 recommendations, and occasionally priority 2 recommendations where they do not speak to core elements of the service.</p>	<p>Service/system is operating effectively</p>
<p><b>Weak</b> – Controls within the service have deficiencies in their design and/or operation that leave it exposed to uncontrolled operational risk and/or failure to achieve key service aims. Reports with this rating will have mainly priority 2 and 3 recommendations which will often describe weaknesses with core elements of the service.</p>	<p>Service/system requires support to consistently operate effectively</p>
<p><b>Poor</b> – Controls within the service are deficient to the extent that the service is exposed to actual failure or significant risk and these failures and risks are likely to affect the Council as a whole. Reports with this rating will have priority 1 and/or a range of priority 2 recommendations which, taken together, will or are preventing from achieving its core objectives.</p>	<p>Service/system is not operating effectively</p>

# MID KENT AUDIT

## Recommendation Ratings 2018/19 (unchanged from 2014/15)

**Priority 1 (Critical)** – To address a finding which affects (negatively) the risk rating assigned to a Council strategic risk or seriously impairs its ability to achieve a key priority. Priority 1 recommendations are likely to require immediate remedial action. Priority 1 recommendations also describe actions the authority **must** take without delay.

**Priority 2 (High)** – To address a finding which impacts a strategic risk or key priority, which makes achievement of the Council's aims more challenging but not necessarily cause severe impediment. This would also normally be the priority assigned to recommendations that address a finding that the Council is in (actual or potential) breach of a legal responsibility, unless the consequences of non-compliance are severe. Priority 2 recommendations are likely to require remedial action at the next available opportunity, or as soon as is practical. Priority 2 recommendations also describe actions the authority **must** take.

**Priority 3 (Medium)** – To address a finding where the Council is in (actual or potential) breach of its own policy or a less prominent legal responsibility but does not impact directly on a strategic risk or key priority. There will often be mitigating controls that, at least to some extent, limit impact. Priority 3 recommendations are likely to require remedial action within six months to a year. Priority 3 recommendations describe actions the authority **should** take.

**Priority 4 (Low)** – To address a finding where the Council is in (actual or potential) breach of its own policy but no legal responsibility and where there is trivial, if any, impact on strategic risks or key priorities. There will usually be mitigating controls to limit impact. Priority 4 recommendations are likely to require remedial action within the year. Priority 4 recommendations generally describe actions the authority **could** take.

**Advisory** – We will include in the report notes drawn from our experience across the partner authorities where the service has opportunities to improve. These will be included for the service to consider and not be subject to formal follow up process.

# MID KENT AUDIT

## Annex 2: Internal Audit Code of Ethics

### { CODE of ETHICS... }

#### // PRINCIPLES

Internal auditors are expected to apply and uphold the following principles:

- **Integrity**  
The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.
- **Objectivity**  
Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.
- **Confidentiality**  
Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
- **Competency**  
Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.

#### // RULES OF CONDUCT

##### 1. **Integrity**

Internal Auditors:

- 1.1. Shall perform their work with honesty, diligence, and responsibility.
- 1.2. Shall observe the law and make disclosures expected by the law and the profession.
- 1.3. Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization.
- 1.4. Shall respect and contribute to the legitimate and ethical objectives of the organization.

##### 2. **Objectivity**

Internal Auditors:

- 2.1. Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization.
- 2.2. Shall not accept anything that may impair or be presumed to impair their professional judgment.
- 2.3. Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

##### 3. **Confidentiality**

Internal Auditors:

- 3.1. Shall be prudent in the use and protection of information acquired in the course of their duties.
- 3.2. Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.

##### 4. **Competency**

Internal Auditors:

- 4.1. Shall engage only in those services for which they have the necessary knowledge, skills, and experience.
- 4.2. Shall perform internal audit services in accordance with the *International Standards for the Professional Practice of Internal Auditing*.
- 4.3. Shall continually improve their proficiency and the effectiveness and quality of their services.

