

MID KENT AUDIT

Annual Internal Audit Report and Opinion 2019/20

**September 2020
Swale Borough Council**



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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 2019/20 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 per our Audit Charter and Standard 1100. We have included the current Charter as an Annex to this report.

MID KENT AUDIT

The Impact of Covid-19

6. As soon as the Covid Emergency hit in Mid-March we activated our part of the emergency plan. This essentially recognised audit as a 'back office' service. We suspended our audit plan save for work sought specifically by officers and instead made our team available for redeployment across the four partner authorities. I'm pleased to report the audit team was in high demand: we have supported the authorities with more than 300 days' redeployed work, helping support community hubs and manage grants to local businesses.

Effect on 2019/20 Audit Plan

7. At the Mid-March point we suspended work on the audit plans, they were some way short of completion. We would normally plan a reasonable chunk of work in the final quarter to allow for full-year coverage of key systems. However a disrupted year with vacancies and secondments meant we had more than usual outstanding. We had a plan to complete the remaining work, including confirming a large order with our main contract audit supplier that we had to postpone when they placed their public audit staff on furlough following a collapse in demand across the country.
8. The audit team began to return from late May onwards. At this point we began to think how we could reconfigure the remaining work to produce enough quantity and quality for a robust year end opinion.
9. The plan we developed included some temporary changes to our audit approach, which we felt was a better way of preserving audit coverage rather than dropping individual engagements. However we have elected to remove the following:
 - S20-AR06: Emergency Planning – We were content that the coronavirus pandemic response provides us with assurance on the Council's emergency planning.
 - X20-AR01: Information Management – Cancelled because of the assurance we gained through participation in the Council's information governance groups.
 - X20-AR02: Network Security – We received a report from external specialists in October 2019 and felt repeating the work this spring was too soon. We have this as an area to address in the 2020/21 plan.

MID KENT AUDIT

- X20-AR07: Planning Support – Cancelled as this was a lower risk engagement and also in recognition of the increased burden on the service from its own redeployments.
 - X20-AR09: IT Project Management – Postponed to 2020/21 to ease pressure on Mid Kent ICT. We will revisit this work later in the year with specialist support.
10. We made the changes to our audit plan and approach after discussion and with the support of the Council's s151 Officer. We also shared details with the Chair and Vice Chair of this Committee in an email on 19 June.
 11. The two key temporary changes we have made to our service are:
 - Assurance Ratings – Condensing over 100 hours work into a 15-20 page report is challenge enough, but further summarising in a single word (e.g. "Sound") can lead inevitably to extended discussions between auditors and officers. With officer time at a premium we decided to focus instead on the narrative conclusion as a summary, and our recommendations for improvement. Therefore engagements completed later in the year have "N/A" as an assurance rating, though we still include the full executive summary in this report.
 - Risk Focus – In planning our work we are always responsive to officer needs to help shape the focus of our work to where we can deliver improvement. However, with reduced timescales, we have decided to focus on only the controls that present the highest risk using work programmes with a less tailored, more generic approach. This means the audit, temporarily, becomes more 'tick box' but does allow us to better support the overall opinion. Where there are topics of lower risk highlighted, we may return to them as part of next year's plan.
 12. By working in this way we have been able to conclude the audit plan sufficiently to support the Head of Internal Audit's Opinion.

2020/21 Plan

13. We presented our [2020/21 audit plan](#) to Members on 11 March based on a then-current view of the risks faced by the authority. Clearly since then the risk landscape has changed substantially. We must also reflect our reduced capacity given the extended overhang of 2019/20 plan completion arising from staff redeployment.
14. We present a revised plan for Members elsewhere on this evening's agenda.

MID KENT AUDIT

Head of Internal Audit Opinion

Scope and time period

15. 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 2020.

Scope limits

16. 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 2019/20](#).
17. 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

18. 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 13 March 2019 and later developed it in line with emerging risks and priorities. I particularly ask that Members note the adjustments set out above following on from the Covid-19 pandemic. I set out in this report the extent and findings from our work in greater detail.
19. In completing my work I have placed no specific reliance on external sources.

Information supporting the opinion

20. The rest of this report summarises the work completed in delivering the internal audit plan through 2019/20.
21. 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

22. 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.
23. The Council has described key parts of its internal control and risk management within the Local Code of Governance and Risk Management Framework.
24. 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.
25. In completing our work we have considered the control environment and objectives in place at the Council.

Conformance with standards

26. 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.
27. During 2019/20, as the Standards demand, we undertook an external quality assessment. After a competitive procurement we commissioned an external assessor from the Chartered Institute of Public Finance and Accountancy (CIPFA) to report on our conformance with the Standards and the quality of the service more generally.
28. The assessor concluded that Mid Kent Audit works in full conformance with the Standards. We include the full report as an appendix and summarise its findings later in this report.
29. We also 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

30. I am satisfied that during the year ended 31 March 2020 the Council managed its internal controls to offer sound assurance on control effectiveness.

Governance

31. I am satisfied that Council's corporate governance arrangements for the year ended 31 March 2020 comply in all material respects with guidance on proper practices¹.

Risk Management

32. I am satisfied the risk management arrangements at the Council for the year ended 31 March 2020 are effective and provide sound assurance.

Other Matters

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



Rich Clarke CPFA ACFS
Head of Audit Partnership

11 September 2020

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

MID KENT AUDIT

Internal Control

34. 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.
35. 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 2019/20

36. This Committee approved our [Internal Audit & Assurance Plan 2019/20](#) on 13 March 2019. The plan set out an intended number of days devoted to each of various tasks. We began work on the plan during April 2019 and continued working through to March 2020. After a period of suspension due to the Covid-19 pandemic we resumed work in May and concluded in July 2020.
37. The table below shows progress in total number of days delivered against the original plan, and the revisions we made to account for staff redeployment.

| Category | 2019/20 Original Plan | 2019/20 Revised Plan | 2019/20 Outturn |
|----------------------------|--------------------------|-------------------------|--------------------|
| 2019/20 Engagements | 319 | 283 | 265 |
| Non-Project Assurance Work | 121 | 95 | 89 |
| Unallocated Contingency | 45 | 35 | 42 |
| Total | 485 | 413 | 396 |
| Concluding 2018/19 work | 0 | 0 | 25 |

38. Our final delivery was 396 audit days. This represents, accounting for revisions and changes to approach and risk, approximately 96% completion of the plan.
39. In our original plan we detailed 28 audit potential engagements, 13 High and 15 Medium priority. Our aim was to complete all the High priority engagements and half of the Medium priority engagements. We have actually completed 8/13 High Priority and 9/15 Medium priority (the 18/19 Network security work spanned two years).
40. Taking into account the broader assurance sources described in this report, I am satisfied this provides sufficient evidence to support a robust year end opinion.
41. We detail the specifics, and results, of this progress further in this report.

MID KENT AUDIT

Results of Audit Work

42. The tables below summarise audit engagement findings up to the date of this report. Where there are material matters finished before the committee meeting we will provide a verbal update. (* = Shared service involving the Council).

Completed Assurance Engagements

| | Title | Priority-Rated Agreed Actions | Report Issue | Rating | Notes |
|---|--------------------------------------|----------------------------------|--------------|--------------|---|
| 2018/19 Assurance Engagements Completed After 1 April 2019 | | | | | |
| | Absence Management* | 6 x Med , 3 x Low | Apr-19 | Sound | Reported to Members in July 2019. Not repeated in this report. |
| | Asset Management | 1 x Med , 1 x Low | Jul-19 | Sound | |
| | Revenues & Benefits Compliance Team* | 3 x Med | Jul-19 | Sound | |
| | General Data Protection Regulations* | None | Jul-19 | N/A | |
| | Sittingbourne Town Centre | 2 x Low | Jul-19 | Sound | Reported to Members in January 2020. Not repeated in this report. |
| | Cyber Security* | 3 x Med | Oct-19 | Sound | |
| | Licensing Compliance | 3 x Med , 5 x Low | Dec-19 | Sound | |
| Planned 2019/20 Assurance Engagements Completed | | | | | |
| I | Discretionary Housing Payments | 1 x Med , 1 x Low | Sep-19 | Sound | Reported to Members in January 2020. Included again in this report to give full picture of 2019/20 work. |
| II | Recruitment* | 1 x Med , 1 x Low | Nov-19 | Sound | |
| III | Civil Parking Enforcement* | 2 x Med , 4 x Low | Dec-19 | Sound | |
| IV | Declarations Of Interest | 2 x High , 4 x Med | Jan-20 | [see note] | Split assurance rating. For Members' declarations: Sound . For Officers' declarations: Weak . |
| V | Planning Enforcement | 2 x Med | Feb-20 | Sound | |
| VI | Home Improvement Grants | None | Mar-20 | Sound | |
| VII | Social Media | 3 x Med , 3 x Low | Jun-20 | Sound | |

MID KENT AUDIT

| | Title | Priority-Rated Agreed Actions | Report Issue | Rating | Notes |
|------|-----------------------------------|-------------------------------|--------------|------------|---|
| VIII | ICT Technical Support* | 4 x Low | Jul-20 | N/A | |
| IX | Homelessness | 3 x Low | Sep-20 | N/A | |
| X | Development Management: Majors | 2 x Low | Sep-20 | N/A | |
| XI | Property Income | None | Sep-20 | N/A | |
| | Member Development | [to be confirmed] | Sep-20 | Draft | Final Reports expected by end of September. We will report summary findings to Members in our interim report and give a verbal update at the meeting of any significant issues. |
| | Budget Monitoring | | Sep-20 | Draft | |
| | Health & Safety | | Sep-20 | Draft | |
| | Council Tax Recovery & Write-Offs | | Sep-20 | Draft | |
| | Procurement | | Sep-20 | Draft | |

Assurance Engagements Removed from 2019/20 Plan

| Title | Rationale |
|--|--|
| (1) Emergency Planning, (2) Information Management, (3) Network Security, (4) IT Project Management, (5) Planning Support | As set out in <i>Impact of Covid-19</i> section above. |
| (6) Economic Development, (7) Universal Credit, (8) Cemeteries, (9) Developer Income, (10) IT Asset Management, (11) IT Backup & Recovery, (12) Residents' Parking | Medium Priority projects not taken up in 2019/20. |

MID KENT AUDIT

I: Discretionary Housing Payments (September 2019)

43. Our opinion based on our audit work is that the service has **Sound** controls in place to manage its risks and support achievement of its objectives relating to the processing of Discretionary Housing Payments (DHP).
44. During the 2018-19 financial year a total of 460 DHP claims were processed for Swale Borough Council. A further 158 claims have been processed for the 2019-20 financial year to date (July 2019).
45. We found up to date guidance for staff and information regarding DHP entitlements on the Council's website. Our testing for a sample of cases returned positive results which confirmed that all claimants met the criteria for being awarded a DHP with the relevant supporting documentation retained.
46. Our work identified some areas to address; the DHP application form does not contain a privacy statement as required under the Data Protection Act 2018 and the control to check claims exceeding £1,500 could be strengthened to evidence these approvals.

II: Recruitment (October 2019)

47. Our opinion based on our audit work is that there are **Sound** controls in place to manage risks and support achievement of objectives in relation to Recruitment.
48. Our testing established the service maintains a workforce strategy at each council and joint recruitment and selection policy/procedures, which are regularly reviewed. These key documents provide a framework upon which the recruitment process is based.
49. Recruitment roles are clearly defined and both Council's offer extensive staff rewards, which are continuously reviewed for appropriateness and adequacy.
50. Our testing of the recruitment process established compliance with procedures in all areas apart from training and retention of interview notes. Not all interview panels have an officer who has received recruitment and selection training. It is also unclear if they have instead satisfied the training requirement based on their experience.
51. Evidence of interview notes were not always saved, without these we could not establish if the selection process was completely fair and transparent. We have made recommendations to address these areas.

MID KENT AUDIT

III: Civil Parking Enforcement (December 2019)

52. Our opinion based on our audit work is that the Council has **SOUND** controls in place to manage its risks and support achievement of its objectives. We provide the definitions of our assurance ratings at appendix II.
53. We found the majority of controls mitigating the risks surrounding parking enforcement are well designed and fully operating for both Maidstone and Swale.
54. The service is undertaking all functions as specified by the agency agreement with Kent County Council to provide on-street enforcement and the contract with Apcoa ensures adequate coverage. Our testing also confirmed that parking enforcement activities comply with the Traffic Management Act 2004.
55. There is a known compatibility issue between the cash receipting system at Maidstone and the parking system which increases the risk of enforcement action being taken when PCNs have been paid. The service has implemented reconciliation controls to promptly identify errors between the systems but there are no such controls in place at Swale. We recommend controls are adopted at Swale to ensure all income due is received and accounted for.
56. We have also identified some actions that will improve existing arrangements. These include implementing procedure notes to support processes and reviewing workflow functionality to ensure all correspondence is handled.

IV: Declarations Of Interest (Jan 20)

57. We found that officers of the Council do not complete regular declarations as demanded by the Code of Conduct. In part this stems from a lack of clarity in guidance, but more significantly we found the Council does not have in place any significant controls to check or review officer declarations. We also found no procedures in place to use declaration information to support governance. This absence exposes the Council to risk of unaddressed conflicts.
58. We found there is a sound process in place to administer Member declarations. We found all Members have declared interests as demanded by the Localism Act and the Code of Conduct. Although not all Members returned declarations on time, we found good levels of compliance with duties to declare relevant interests at meetings.

MID KENT AUDIT

V: Planning Enforcement (Feb 20)

59. Any contravention of the limitations on, or conditions belonging to, permitted development rights, under the Town and Country Planning (General Permitted Development) (England) Order 2015, constitutes a breach of planning control against which enforcement action may be taken.
60. The Council provides a sufficient level of information on its planning enforcement process however, our work highlights the need to reflect the correct version of the 'Service Charter for Planning Enforcement' on the Council's website and also review this document.
61. Our testing found that the procedures for managing planning enforcement complaints are of sound design with the enforcement watch-list facilitating oversight of the overall caseload by the Senior Planning Enforcement Investigator. Testing confirmed that the procedures are being followed in practice with minor oversight from some supporting documentation which was corrected during the audit.

VI: Home Improvement Grants (Mar 20)

62. The Service is currently in a strong financial position with substantial reserves available for the award of the Disabled Facilities Grant (DFG). These reserves will help enable the Service to meet an unexpected increase in demand or reduction in central government funding. We examined the financial controls in place and they are robust.
63. Our testing identified the allocation of the Disabled Facilities Grant is well controlled and there is a full audit trail for all decisions made. Roles and responsibilities are also clearly defined and appropriate.
64. We identified two minor issues. One, relating to updating the Council's website, was addressed following the issue of the draft report. The second relates to the Service maintaining version control with all procedure updates.

VII: Social Media (Jun 20)

65. The Council is engaging well with residents and businesses on social media to help raise awareness of services, strategies and campaigns. We found the Communications Team are posting content across channels in accordance with the Council's policy and are monitoring the main accounts analytics well.

MID KENT AUDIT

66. However, we have identified some areas for improvement. The social media policy requires revision and there are several (currently inactive) accounts which the Communications Team are not monitoring. The media consent form also requires a review and update to improve its effectiveness.

VIII: ICT Technical Support (Jul 20)

67. Mid Kent ICT's qualified and trained staff support the organisation by resolving IT related problems promptly. Tickets are prioritised upon receipt, tracked using status classifications and there is a protocol for following up closed tickets to ensure a satisfactory resolution. There are two targets, first response time and resolution time for each category of response. Between the introduction Freshdesk on 20th January and 29th February 2020, 98% of tickets have achieved both targets.
68. There are some controls around training and monitoring open cases which could benefit from minor improvements.

IX: Homelessness (Sep 20)

Currently in draft but executive summary agreed for release

69. We found the Council's Housing service has effective controls in place to manage its key risks. These controls include training, keeping evidence to support s188 decisions, statutory reviews and Personal Housing Plan (PHP) management. The service effectively manages its decision making and producing practical, reasonable and realistic Personal Housing Plans. Our few audit findings have limited risk, but highlight necessary improvements in managing the template letter library.

X: Development Management: Major Applications (Sep 20)

Currently in draft but executive summary agreed for release

70. The Council is responsible for processing applications for major developments in the Swale Borough. Cases are first processed by Mid Kent Planning Support and are then allocated appropriately to Swale officers using well established procedures. There is good monitoring of case loads and progress on applications, with extensions of time being agreed as necessary. Swale officers involved in the process have appropriate training.
71. Applications sometimes require engagement with other departments and/or external parties. Changes could be made to speed up the consultation process and ensure applicants are better informed of progress. Feedback on the whole process is obtained from applicants through an annual agent's forum and other ad-hoc contacts.

MID KENT AUDIT

XI: Property Management (Sep 20)

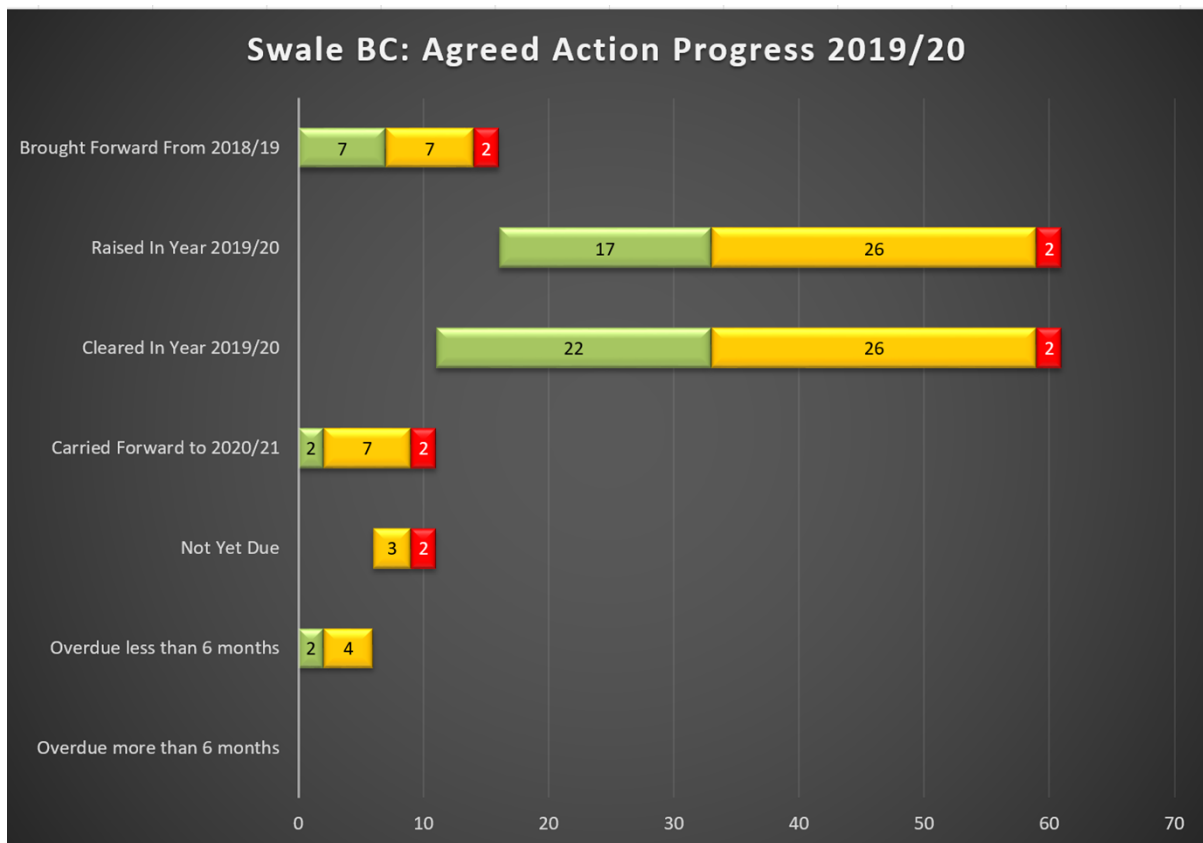
Currently in draft but executive summary agreed for release

72. Income from commercial rents is a key source of funding for the Council generating around £570,000. The Property Services Team manages the Council's property portfolio in line with the Council's Property Asset Strategy to deliver the aims of the Strategy, and also maximise and protect what is a key source of ongoing income to the Council. The Strategy is currently in the process of being reviewed to ensure that it reflects the Council's current priorities.
73. The Property Services team are small, yet considerably experienced and qualified in the management of the asset portfolio. Processes are in place to identify properties which are surplus to requirements and take appropriate action. This ensures that assets are used to generate income in line with corporate expectations.
74. Our testing found that tenancy agreements are in place and rent charges are being raised in accordance with the agreements. Rents are routinely reviewed and increases applied as appropriate for the property and tenancy agreement.
75. The majority of rent accounts tested were found to have no outstanding rent. For those accounts where a debt was evident, officers were found to be aware of the position and balances outstanding. The necessary steps were also being taken in line with the debt recovery policy to attempt to reduce the level of debt.

MID KENT AUDIT

Following Up Actions

76. 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).
77. We summarise the current position below. The chart shows low priority actions (at the left of each bar) in green, medium priority in amber (in the middle) and high priority in red (at the right of the bars).



78. Overall we are content with officers' progress on acting to address findings we raise in our reviews.

MID KENT AUDIT

Corporate Governance

79. Corporate governance is the rules, practices and processes that direct and control the Council.
80. 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.

Counter Fraud & Corruption

81. 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.

Whistleblowing, money laundering and investigations

82. 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.
83. We have had no matters raised with us for investigation as whistleblowing complaints that it is appropriate to report at this time.
84. We have also had no matters raised with us noting concerns that may indicate a breach of money laundering regulations.

Investigations

85. In our interim report we noted we had completed one full investigation and helped with another matter drawn to our attention by management. There were no findings from investigations that we wish to draw to Members attention, save to note the importance of ensuring swift and thorough work to resolve allegations as they arise. To that end, we thank Council officers for helping us to report in good time.
86. We had no other matters brought to us for investigation during the year.
87. We have also contributed advice and support to investigations led by other sections of the Council.

MID KENT AUDIT

National Fraud Initiative

88. 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.
89. During 2019/20 we investigated 158 matches across 4 datasets (Creditors, Payroll, Procurement and Housing Waiting List). We found:
 - No instances of fraud.
 - **10 errors** in the *Waiting List* dataset, resulting in an estimated saving² of **£32,400**.

Risk Management

90. We reported separately to Members in March 2020 on risk management work during 2019/20.

Other Audit and Advice Work

91. We also continue to undertake a broad range of special and scheduled consultancy and advice work for the Council. Examples include our attendance as part of the Wider Management Team. We have also completed specific reviews looking at individual parts of the Council's control environment at the request of officers.
92. We have also led and contributed to a series of Member briefings at the Council on issues of governance interest. We are keen to hear from Members on any other areas of interest which may form future briefing sessions.
93. 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.

² The NFI website estimates the value of removing an applicant from the Housing waiting list to be £3,240.

MID KENT AUDIT

Audit Quality & Improvement

Standards and ethical compliance

94. 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.
95. 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. 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.

External Quality Assessment

96. 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.
97. Members from all four authorities in the partnership supported these principles. In late 2019 we undertook a competitive procurement to appoint an assessor. We consulted Members on the procurements and had non-audit team members included in bid scoring representing Directors at all four partner authorities.
98. We include the report in full as an appendix to the annual report but reproduce here the conclusion by way of overall summary:

MID KENT AUDIT

4. Opinion

It is our opinion that Mid Kent Audit's self-assessment is accurate and as such we conclude that they FULLY CONFORM to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.

| Standard / Area Assessed | Level of Conformance |
|---------------------------------|-----------------------------|
| Mission Statement | Fully Conforms |
| Core principles | Fully Conforms |
| Code of ethics | Fully Conforms |
| Attribute standard 1000 | Fully Conforms |
| Attribute standard 1100 | Fully Conforms |
| Attribute standard 1200 | Fully Conforms |
| Attribute standard 1300 | Fully Conforms |
| Performance standard 2000 | Fully Conforms |
| Performance standard 2100 | Fully Conforms |
| Performance standard 2200 | Fully Conforms |
| Performance standard 2300 | Fully Conforms |
| Performance standard 2400 | Fully Conforms |
| Performance standard 2500 | Fully Conforms |
| Performance standard 2600 | Fully Conforms |

99. We believe this makes us the first audit service to have received *Fully Conforms* assessments from both major relevant professional bodies: the Institute of Internal Audit (in 2015) and CIPFA (2020).

MID KENT AUDIT

Training and Qualifications

100. We continue to offer strong support to the audit team in continuing development and upholding professional competence. In 2019/20 this involved providing individual training budgets and supporting people to follow avenues for development suitable for their career position and ambitions.
101. A key but far from sole part of this approach is supporting professional qualifications. During 2019/20 we supported several of the team through professional studies and remain pleased with their progress and success. We would like to highlight:
 - **Louise Taylor:** Completed her traineeship with Mid Kent Audit by passing the final exams with the Institute of Internal Audit to become a Certified Internal Auditor (CIA). We are pleased to confirm Louise will stay with the Partnership as a qualified auditor.
 - **Andy Billingham:** Completed the final two papers set by the Institute of Internal Audit to become a Certified Internal Auditor. Following his success, Andy becomes the eighth member of our team of eleven to hold a professional qualification.
 - **Mark Goodwin:** Completed his qualification with CIPFA to become an Accredited Counter Fraud Specialist.
 - **Rich Clarke:** Achieved the full Chartered qualification from the Institute of Internal Audit. Rich now holds full chartered status with both bodies who oversee public sector internal audit in the UK (CMIIA and CPFA).
 - **Russell Heppleston:** Completed his qualification with the Institute of Risk Management to become a Certified Member of that institute.
 - **Cath Byford & Katie Bucklow:** Our two apprentices have made good starts on their Level 7 Apprenticeship schemes. These include exams set both by the University (Birmingham City University) and the IIA. Cath has completed the first two University Exams and also stage one of the CIA qualification. Katie, who joined us in August, was successful in her first University Exam earlier this year.

MID KENT AUDIT

102. Also during 2019/20 we have worked closely with neighbouring authorities. Most notably in seconding our Deputy Head of Audit Partnership, **Russell Heppleston**, as Head of Audit for Dartford and Sevenoaks Councils. That secondment ran from August 2018 until January 2020, after which Russell returned to Mid Kent Audit to a revised and expanded Deputy Head of Audit Partnership role.
103. 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.

Acknowledgements

104. 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.
105. 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.
106. 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 2019/20 (Unchanged from 2014/15, save for addition during COVID-19 Emergency)

| Full Definition | Short Description |
|---|--|
| <p>Strong – 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>Sound – 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>Weak – 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>Poor – 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> |
| <p>Note for reports issued during the COVID-19 Emergency</p> <p>During this period we have temporarily moved away from giving a single word assurance rating back to a narrative conclusion balancing the strengths and weaknesses of controls in a service. The aim is to streamline discussion at the point of closing a review and allow the discussion to move swiftly on to implementing the agreed actions.</p> | |

MID KENT AUDIT

Recommendation Ratings 2019/20 (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 Charter

Purpose & Mission

1. The purpose of Swale Borough Council's (the "Council") internal audit service ("Mid Kent Audit") is to provide independent, objective assurance and consulting services designed to add value and improve the Council's performance. The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. Mid Kent Audit helps the Council achieve objectives with a systematic, disciplined approach to evaluating and improving effectiveness of governance, risk management and control.
2. Final approval of the Charter rests with the Audit Committee (the "Committee"). The Head of Audit Partnership will keep the Charter under review and re-present for approval each year after consultation with Senior Management.

Standards for the Professional Practice of Internal Auditing

3. Mid Kent Audit will govern itself by adherence to the compulsory parts of the Institute of Internal Auditors' (IIA) [International Professional Practices Framework \(IPPF\)](#). These include:
 - The Core Principles for the Professional Practice of Internal Auditing.
 - The [Code of Ethics](#).
 - The International Standards for the Professional Practice of Internal Auditing. In the UK by the Internal Audit Standards Advisory Board and the Relevant Internal Audit Standards Setters adapt these into [the Public Sector Internal Audit Standards](#) (the "Standards").
 - The Definition of Internal Auditing set out by the IIA.
4. Mid Kent Audit will also govern itself under the *Local Government Application Note (2019 Edition)*³ set out by the Chartered Institute of

³ The Application Note is a paid-for publication. We can provide copies to Members on request but cannot link in full through the public version of this Charter.

MID KENT AUDIT

Public Finance & Accounting (CIPFA). Auditors who belong to other professional institutes will also adhere to the relevant Code of Ethics.

5. The Head of Audit Partnership will report periodically to Senior Management and the Committee on Mid Kent Audit's conformance to the Code of Ethics and the Standards.

Authority

6. Internal Audit is a statutory service for local authorities as set out in the [Accounts & Audit Regulations 2015](#) (the "Regulations"). Specifically, Regulation 5 demands that authorities:
 - "... undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".
7. The Head of Audit Partnership will report functionally to the Committee and administratively to the Mid Kent Services Director. Within the Council, the Head of Audit Partnership will also liaise chiefly with the Chief Financial Officer as a representative of Senior Management.
8. To assure that Mid Kent Audit has authority to fulfil its duties the Committee will:
 - Approve the Internal Audit Charter.
 - Approve the risk-based internal audit plan (including proposed resources).
 - Receive communications from the Head of Audit Partnership on Mid Kent Audit's performance against its plan and other matters.
 - Through the Chair, be consulted on appointment or removal of the Head of Audit Partnership.
 - Through the Chair, contribute to Head of Audit Partnership appraisals carried out by the Mid Kent Services Director.
 - Make suitable enquiries of management and the Head of Audit Partnership to discover any improper limits to audit scope or resources.
 - Require suitable explanations of planned actions, including through attendance in person, from lead officers following adverse engagement opinions.

MID KENT AUDIT

9. The Head of Audit Partnership will have unrestricted access to, and communicate and interact direct with, the Committee including in private meetings without management present.
10. The Committee and Senior Management sanction Mid Kent Audit to:
 - Have full, free and unrestricted access to all works, records, property and personnel relevant to carrying out any engagement. This is subject to accountability for confidentiality and safeguarding records and information.
 - Assign resources, set frequencies, select subjects, decide scopes of work, apply techniques needed to perform audit objectives and issue reports.
 - Seek and receive any support needed from the Council's personnel, including contractors, to complete engagements.
11. These duties also stem from Regulations. These direct the Council to: “make available such documents and records and supply such information and explanations as are considered necessary by those conducting the internal audit”.

Independence and Objectivity

12. The Head of Audit Partnership will ensure Mid Kent Audit remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities without bias. These include matters of audit selection, scope, procedures, frequency, timing and report content. The Head of Audit Partnership will report if independence or objectivity may be under threat in fact or appearance.
13. Internal auditors will preserve an unbiased approach that allows them to perform engagements objectively. They will believe in their work, make no quality compromises, and not subordinate their audit judgement to others.
14. Internal auditors will have no direct responsibility or authority over any of the subjects audited. So, internal auditors will not set up internal controls, develop procedures, prepare records, or engage in any other action that may hinder their judgement. This includes:

MID KENT AUDIT

- Assessing services for which they had any responsibility within the previous year.
 - Setting up or approving transactions external to Mid Kent Audit.
 - Directing any Council employee not employed by Mid Kent Audit, except those properly assigned to help internal audit.
 - Reviewing parts of the Council staffed by close friends or family members.
15. Where the Head of Audit Partnership has roles that fall outside internal audit, the Council will set up safeguards to limit impacts to independence or objectivity.
16. At the Council, the Head of Audit Partnership has ancillary roles as set out in the *Risk Management Framework*, the *Counter Fraud Policy*, the *Whistleblowing Policy* and *Anti Money Laundering Procedures*. As set out in the audit plan, the Head of Audit Partnership also has on-demand ancillary advisory roles on counter fraud and investigative work.
17. In carrying out their roles auditors will follow the independence and objectivity principles in this Charter. On Risk Management, specifically, auditors will adhere to guidance set out by the IIA in its position paper on *Risk Management and Internal Audit* [published on 11 July 2019](#).
18. Internal auditors will:
- Disclose any limit of independence or objectivity, in fact or appearance, to suitable parties.
 - Display professional objectivity in gathering, evaluating and communicating information about audit engagements.
 - Deliver balanced assessments of all available and relevant facts and circumstances.
 - Take necessary precautions to avoid undue influence by their own interests or by others in forming judgements.
19. The Head of Audit Partnership will confirm to the Committee at least yearly the organisational independence of Mid Kent Audit.

MID KENT AUDIT

20. The Head of Audit Partnership will disclose to the Committee any interference and related implications in fixing the scope of internal audits, performing work or communicating results.

Scope of Internal Audit Work

21. The scope of internal audit work covers the Council's whole control environment. This includes objective examination of evidence to create independent assessments to the Committee, management and others on the adequacy and effectiveness of governance, risk management and control. Internal audit assessments include evaluating whether:
 - The Council properly identifies and manages risks on its strategic and other objectives.
 - The actions of the Council's officers and contractors comply with the Council's policies, procedures and applicable laws, regulations and governance standards.
 - The results of Council work and programs are consistent with agreed goals and objectives.
 - The Council carries out its work and programs effectively and efficiently.
 - Council systems enable compliance with the policies, procedures, laws and regulations that could cause significant impact.
 - Information and the means used to identify, measure, analyse, classify and report such information are reliable and have integrity.
 - The Council gains assets economically, uses them efficiently and protects them adequately.
22. These assessments will lead to a Head of Audit Partnership opinion as described by the Standards. The opinion will report on the adequacy and effectiveness of the Council's internal control, corporate governance and risk management.
23. The Head of Audit Partnership will report periodically to senior management and the Committee about:
 - Mid Kent Audit's purpose, authority and responsibility.
 - Mid Kent Audit's plan, and performance against its plan.

MID KENT AUDIT

- Mid Kent Audit's conformance with the IIA's Code of Ethics and Standards and action plans to address any significant issues.
 - Significant risk exposures and control issues, including fraud risks, governance issues and other matters demanding the attention of, or sought by, the Committee.
 - Results of audit engagement or other work.
 - Audit resource use and need.
 - Any management risk response that may be unacceptable to the Council.
24. The Head of Audit Partnership also coordinates work where possible, and considers relying on the work of other internal and external assurance and consulting service providers as needed. Mid Kent Audit may perform advisory and related client service work. Mid Kent Audit will agree the nature and scope of such work with the client, provided Mid Kent Audit does not assume management responsibility.
25. Mid Kent Audit may identify opportunities for improving the efficiency of governance, risk management and controls during engagements. Where identified, Mid Kent Audit will communicate these opportunities to management.

Responsibility

26. The Head of Audit Partnership has the responsibility to:
- Present, at least yearly, to senior management and the Committee a risk-based internal audit plan for review and approval.
 - Communicate to senior management and the Committee the impact of resource limits on the internal audit plan.
 - Review and adjust the internal audit plan, as necessary, in response to changes in the Council's business, risks, programs, systems and controls.
 - Communicate immediately to senior management and the Committee any significant interim changes to the internal audit plan. A 'significant' change covers one or more of the following:
 - Removal of a 'high priority' audit engagement.

MID KENT AUDIT

- Commitments beyond the approved budget or resource envelope.
 - Other changes that, in the view of the Head of Audit Partnership, may inhibit ability of Mid Kent Audit to deliver a robust opinion as set out by the Standards.
 - Ensure each engagement of the internal audit plan adheres to quality standards. This includes:
 - Setting out suitable objectives and scope.
 - Assigning suitable and adequately supervised auditors
 - Documenting work programs and testing results.
 - Communicating results with applicable conclusions and recommendations to proper parties.
 - Follow up on engagement findings and corrective actions. Report periodically to senior management and the Committee any corrective actions not taken effectively.
 - Ensure application of and adherence to the principles of integrity, objectivity, confidentiality and competency.
 - Ensure that Mid Kent Audit collectively has or gains the knowledge, skills and other competencies needed to fulfil this Charter.
 - Ensure consideration of trends and emerging issues that could impact and communicating these to senior management and the Committee as fitting.
 - Ensure consideration of emerging trends and successful practices in internal auditing.
 - Set up and ensure adherence to policies and procedures designed to guide Mid Kent Audit's work.
 - Ensure adherence to the Council's relevant policies and procedures, unless such policies and procedures conflict with the Charter. Report any such conflicts to senior management and the Committee with a suggested path to resolution.
27. The Council will also consider CIPFA's Statement on the Role of the Head of Internal Audit in Public Sector Organisations ([2019 edition](#)). In particular when setting job roles and overseeing performance of the Head of Audit Partnership.

MID KENT AUDIT

Quality Assurance and Improvement Programme

28. Mid Kent Audit will keep a quality assurance and improvement programme that covers all its work. The programme will include an evaluation of conformance with the Standards and an evaluation of whether internal auditors apply the IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of Mid Kent Audit's work and identify opportunities for improvement.
29. The Head of Audit Partnership will communicate to senior management and the Committee on the quality and improvement plan. This will include results of internal assessments and an external assessment conducted at least once every five years by a qualified, independent assessor.

Charter Approval

This Charter is authorised within Swale Borough Council by:

Nick Vickers: Chief Financial Officer

Councillor Simon Clark: Chairman of the Audit Committee

With the agreement of:

Rich Clarke: Head of Audit Partnership

Steve McGinnes: Mid Kent Services Director

Glossary and Standards Reconciliation

- **The Audit Committee (“Committee”)** is the ‘Board’ as referenced by Standard 1000 and elsewhere in the Standards.
- **The Head of Audit Partnership** is the ‘Chief Audit Executive’ as referenced by Standard 1000 and elsewhere in the Standards.
- **The Senior Management Team (SMT)** are ‘Senior Management’ as referenced by Standard 1000 and elsewhere in the Standards. SMT includes the Council’s Monitoring Officer and s.151 Officer.
- **The Corporate Leadership Team (CLT)** or their delegates are ‘Management’ as referenced by Standard 1000 and elsewhere in the Standards.