

**MID KENT AUDIT**

# **Interim Internal Audit & Assurance Report**

**November 2020**

**Swale Borough Council**



# MID KENT AUDIT

## Introduction

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

### 2060 Reporting to Senior Management and the Board

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

#### *Interpretation:*

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

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

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

## Audit Charter

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

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## Independence of internal audit

4. Mid Kent Audit works as a shared service between Ashford, Maidstone, Swale and Tunbridge Wells Borough Councils. A Shared Service Board including representatives from each council supervises our work based on our collaboration agreement.
5. Within Swale BC during 2020/21 we have continued to enjoy complete and unfettered access to officers and records to complete our work. On no occasion have officers or Members sought or gained undue influence over our scope or findings.
6. I confirm we have worked with full independence as defined in our Audit Charter and Standard 1100.

## Management response to risk

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

## Resource Need

9. We reported in our plan presented to this Committee in March 2020 an assessment on the resources available to the audit partnership for completing work at the Council. That review decided:  
  
*...we believe we have enough resource to deliver the 2020/21 plan*
10. Since that plan we, and everyone else, have seen significant disruption from the Covid-19 pandemic. We set out a changed plan to this Committee in [September](#) which included updated resource need.
11. We are also aware that CIPFA are about to publish guidance on “limitation of scope” opinions. These apply where an audit service reaches year end having been unable to gather enough information to support a definitive opinion. This includes the sensible guidance that Heads of Audit should quickly communicate such a possibility.

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12. Currently, I continue to believe we have enough resources available to us to deliver the 2020/21 audit plan and provide a robust opinion at year end. I set out later in this report the information that supports that view. I will, following the guidance, report quickly to Senior Management and Members if I have any concerns that forecast will change.

## **Audit Plan Progress: Closing 2019/20**

13. In September, there were a few audit engagements approaching completion that did not finish in time for Committee deadlines. I set out below our summary findings for those remaining projects. As expected, none produced significant concerns that would alter the opinion or demand separate reporting.

## **Budget Monitoring (September 2020)**

14. The budget monitoring process at Swale Borough Council works effectively. We found that officers involved understand their roles and responsibilities. We also note regular liaison between the finance team and officers help manage the process. The service provides regular routine reports to both budget holders and Senior Management.
15. We found budget holders praised the accessibility and support provided by the finance team. We noted this support mitigates that some guidance documents have fallen out of date. Our testing of movements between budgets (virements) confirmed accurate management. We also noted clear documentation on the reason and approval for most movements, except for routine movements from reserves.

- **Finding Summary:** 3 x Low priority

## **Council Tax Recovery & Write-Offs (October 2020)**

16. System parameters within the Council Tax system were found to be in line with the approved Council Tax recovery process so that part of the recovery of unpaid Council tax for the majority of debts can be undertaken while taking up only limited officer time. This enables to apply their training and experience on debts where manual intervention is required to ensure collection of any unpaid Council Tax. Good routines were found to be in place thereby ensuring that officers working on recovery are also suitably monitored.
17. Well-practiced routines were found to be in place to monitor payment arrangements and take the necessary action on broken payment arrangements or returned direct debits.

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18. Testing identified that where recovery action has been unsuccessful in recovering outstanding debts, appropriate approval is both sought and gained to write off those debts.
19. Some scope for improvement was identified to establish routines to identify unoccupied properties which have not been registered as empty by the property owner.
  - **Finding Summary:** 1 x Medium priority, 1 x Low priority

## **Member Development (October 2020)**

20. We found that Swale Borough Council has well designed controls in place to ensure that Members on the Planning and Licensing Committees are trained to support effective decision making. There is a constitutional requirement for Members of these committees to have received training prior to voting on decisions and this requirement is being fulfilled. The training program in place is delivered by knowledgeable and experienced Officers who are delivering relevant content to support Members in their decision making.
  - **Finding Summary:** 1 x Low priority

## **Health & Safety (October 2020)**

21. In this audit, our original draft report landed immediately before the service was about to undergo significant staffing changes. There was also then the upheaval in Swale House health and safety arrangements forced on the Council as part of its pandemic response. We therefore agreed to simply report the findings to management and revisit the service in the near future.

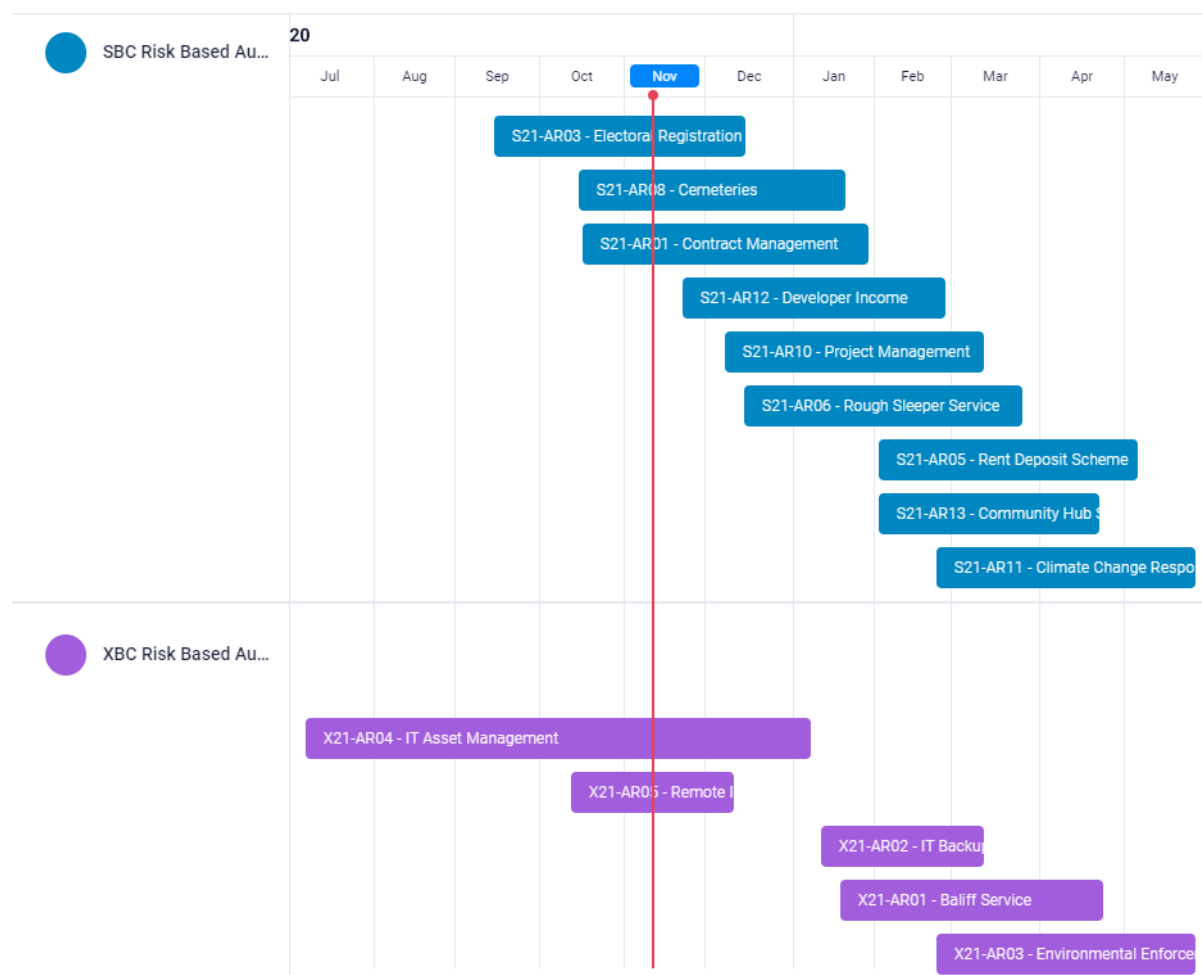
## **Procurement (November 2020, expected)**

22. We have published our draft report but could not complete before the Committee deadline. We will provide a verbal update and summary wording from the final report in our later Member reporting.

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## Audit Plan Progress: Beginning 2020/21

23. We have made a start on the plan approved in September, making progress towards delivering the opinion by year end. The chart below shows expected progress:



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

Plan Area	Plan Days	Actual to Oct-20	Forecast to Apr-21
Risk Based Audits	218	44	212
Governance	84	50	95
Consultancy	48	11	25
<b>Total</b>	<b>350</b>	<b>105</b>	<b>332</b>

25. We will keep these forecasts and plans under review, especially if there need to be any further redeployment demands on the audit team.

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## Agreed Actions Follow Up Results

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

Project	Total	High Priority	Medium Priority	Low Priority
Actions brought into 2020/21	24	2	14	8
New actions agreed in 2020/21	20	0	3	17
<b>Total Actions Agreed</b>	<b>44</b>	<b>2</b>	<b>17</b>	<b>25</b>
Fulfilled by 31 October 2020	20	0	8	12
<b>Actions cfwd past 31 October 2020</b>	<b>24</b>	<b>2</b>	<b>9</b>	<b>13</b>
Not Yet Due	16	2	4	10
Delayed but no extra risk	8	0	5	3
Delayed with risk exposure	0	0	0	0

## Audit Quality and Improvement

### Code of Ethics

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

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## Public Sector Internal Audit Standards & External Quality Assessment

30. In September we reported to Members we had achieved a second successive **fully conforming** conclusion in an External Quality Assessment. The Assessment included a few recommendations for us to consider. The table below summarises our progress:

Recommendation	Current Position
Statement limiting distribution and use of audit reports	We've included a statement (wording agreed with CIPA) on our standard 20/21 reporting template. <b>Complete</b>
Conforms to IPPF Statement	Template amended as above. <b>Complete</b>
Enhance declaration of interest forms for audit staff	New form in draft, will roll out as part of team objective setting discussions in Spring 2021. <b>In progress</b>
Expand use of data analytics	Have identified possible approaches in 20/21 plan and opened discussions with tool suppliers. <b>In progress</b>
Provide greater comparative insight for clients	Have identified joint audits for 20/21 and will look to publish cross-partnership reports on select topics. <b>In progress</b>
Renew collaboration agreement	Have re-started discussions among partners and Director to clarify expectations of any new agreement. <b>In progress</b>

## Assurance Ratings Consultation

31. During our Assessment we had reviewed our *Quality Assurance and Improvement Plan*. A core part of this is that we periodically revisit features of how we work to consider whether they remain effective or could bear improvement.
32. This consideration includes, currently, our assurance rating structure. We have had the current structure in place since 2014/15 and so, after seven years in service, we believe a review of possible alternatives is timely.
33. We will shortly circulate a survey to consult stakeholders – including Members – on alternatives which may help aid your understanding and use of our results in drawing assurance. We are working towards bringing forward a new proposal (or reaffirming the current approach) as part of our 2021/22 audit plan next spring.



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## **Acknowledgements**

34. 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.
35. 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.
36. We would also like to thank Managers, Officers and Members for their continued support as we complete our audit work during the year.