

Meeting Date	26 June 2013
Report Title	Internal Audit Annual Report 2012/13
Portfolio Holder	Cllr Dewar-Whalley – Finance Portfolio
SMT Lead	Mark Radford – Director of Corporate Services
Head of Service	Brian Parsons – Head of Audit Partnership
Lead Officer	Brian Parsons – Head of Audit Partnership
Key Decision	No
Classification	Open

Recommendations	1. That the Audit Committee note the Head of Audit Partnership's opinion that substantial reliance can be placed on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
	2. That the Committee note the results of the work of the Internal Audit Team over the period April 2012 to March 2013, as shown in the report and the appendices and that this is the prime source for the Head of Internal Audit's opinion.
	3. That the Committee agree that the summary of the work and the other matters referred to in this report supports 'the opinion' and that the report can be used to inform the Annual Governance Statement for 2012/13.
	4. That the Committee note the improvements in control that occur as a result of the audit process.
	5. That the Committee consider the effectiveness of the Internal Audit service as part of the consideration of this report, and express an opinion accordingly.

Purpose of Report and Executive Summary

- 1.1 The report is provided in order to allow the Audit Committee to consider the work of the Internal Audit Team over the financial year 2012/13 and the opinion of the Head of Audit Partnership in relation to the Council's control environment, in the context of the Annual Governance Statement.

- 1.2 The Audit Committee must consider whether the outcomes of the Internal Audit work and the other matters referred to in this report provide evidence of a substantial level of internal control within the Authority, which can inform the Annual Governance Statement for 2012/13.
- 1.3 The Audit Committee must decide whether the matters referred to in the report provide evidence of an effective internal audit.

2 Background

The Public Sector Internal Audit Standards

- 2.1 A report on the new Public Sector Internal Audit Standards was provided to the Audit Committee meeting on 5th March 2013. The Standards became effective from 1 April 2013. This report has therefore been written to reflect the requirements which necessitate that:
- The chief audit executive must confirm to the board, at least annually, the organisational independence of the internal audit activity.
 - 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 incorporate:
 - the opinion;
 - a summary of the work that supports the opinion; and
 - a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.
 - Progress against any improvement plans, agreed following external assessment, must be reported in the annual report.

3 Proposal

The Annual Internal Audit Report

Independence

- 3.1 Internal Audit is provided through Mid Kent Audit, which is a shared service partnership between Ashford, Maidstone, Swale and Tunbridge Wells.

- 3.2 Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.
- 3.3 At Swale Borough Council, the Head of Audit Partnership (HAP) has direct and unrestricted access to senior management and the Audit Committee. Reports to Heads of Service are issued in the name of the HAP who is responsible for the final content of the report.
- 3.4 The Head of Audit Partnership reports directly to the Audit Committee, the final content of the report being solely his prerogative. The HAP has free and unfettered access to the Chief Executive and the Chair of the Audit Committee.
- 3.5 Any potential threats to independence are managed at the individual auditors, engagement, functional and organisational levels.
- 3.6 Organisationally the Head of Audit Partnership reports to the Director of Corporate Services who is a member of the Strategic Management Team (SMT). On no occasion has the Director or SMT sought to restrict the scope of audit work or to change any report prepared by the HAP.
- 3.7 It is considered that Internal Audit is organisationally independent and fully meets the necessary standard for independence and objectivity.

The annual internal audit opinion

- 3.8 It is the opinion of the Head of Audit Partnership that substantial reliance can be placed on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. This opinion covers the period from 1 April 2012 to date.
- 3.9 The opinion takes account of all related projects including the reliance on other assurance providers; principally the external auditors Grant Thornton (and previously the assurance provided by the Audit Commission).
- 3.10 The opinion takes account of the risk, control and governance framework.
- 3.11 The evidence to support the opinion is contained within this report. The opinion and this report can be used by the Council to inform its governance statement.
- 3.12 The Annual Governance Statement appears elsewhere on the agenda for this evenings meeting.
- 3.13 The Accounts and Audit Regulations 2011 also require that the Council 'must, at least once a year, conduct a review of the effectiveness of its internal audit'. It is considered that this report provides evidence of the effectiveness of internal audit

and the Committee is therefore asked to treat consideration of this report as 'the review'.

Summary of the work that supports the opinion

- 3.14 The opinion on the control environment is principally formed through the results of Internal Audit work during the financial year.
- 3.15 Twenty-four significant audit projects were completed between April 2012 and March 2013 and are listed at Appendix I.
- 3.16 Twenty-four completed projects represent the delivery of 100% of the audit plan. The team also undertook other work as shown in Appendix IV.
- 3.17 Appendix I shows the 'control assurance' i.e. the audit opinion for each audit. A table showing the definition of the respective control assurance opinions is shown as Appendix VI.
- 3.18 Three of the audit projects did not include a control assurance assessment as it was not appropriate to the project. These projects were the Audit Commission's National Fraud Initiative, Operational Risk Management, and the Whistle-blowing policy review.
- 3.19 The work of the Internal Audit Team has established that for the majority (67%) of the areas examined, satisfactory controls were in place at the time of the original audit.
- 3.20 Where weaknesses have been identified, the appropriate Head of Service has since agreed the action to be taken to rectify those weaknesses.
- 3.21 The external auditors have been able to place reliance on the work of Internal Audit.

The results of external audit work during 2012/13

- 3.22 The main part of the external auditor's work relates to the Council's financial accounts. The auditors will be considering the accounts for 2012/13 shortly. The External Auditor has not raised any issues with Internal Audit that would give concern in relation to the Council's internal controls.
- 3.23 The external auditor's Annual Governance report for 2011/12 (which was reported to the meeting of the Audit and Governance Committee on 19 September 2012), identified only two control issues, that:
- The Council should perform an ICT Disaster Recovery Test on an annual basis
 - The Council's Local Code of Governance should be updated as soon as possible and kept under periodic review.

3.24 The Head of the ICT Partnership has since taken action to implement Disaster Recovery arrangements across the three MKIP sites. The Head of Finance has rewritten the Local Code of Governance.

The Council's risk management arrangements

3.25 The Strategic Risk Report was last reported to the Audit Committee on 18 March 2013.

3.26 The current register shows six risks, being:

- Impact of Welfare Reform
- Regeneration
- Localism
- Financial Uncertainty
- Becoming the Council we need to be
- Safeguarding

3.27 The risk management process requires that the allocated 'risk owners' must complete management action plans, which are subject to review and amendment every six months.

3.28 The risk register is a living document and is kept under review throughout the year and is amended when necessary to reflect changes in the risk environment. Risk reports are considered by Cabinet and Audit Committee Members throughout the year.

3.29 Internal Audit takes the role of facilitators of the risk management process but do not have responsibility for the individual risks or for the corporate risk register.

The effectiveness of internal audit process

3.30 Heads of Service are required to respond to every audit report where recommendations are made, by completing an action plan which sets out the action that will be taken to address the audit recommendations. The response is assessed for adequacy; to ensure that the proposed actions are sufficient and that any weakness will be addressed within a reasonable period.

3.31 Six reports were issued during 2012/13 relating to areas where a 'limited' control assurance was assessed as being in place. The responsible Head of Service subsequently completed an action plan setting out comprehensive and timely actions to address the audit recommendations.

- 3.32 Internal Audit carries out a follow-up to each audit to ensure that the actions have been taken in practice.
- 3.33 Twenty follow-ups took place during 2012/13. These are shown at Appendix V, which also shows the 'direction of travel', i.e. the improvements in control that occur as a result of the internal audit process.
- 3.34 Based on the generally prompt and positive responses received from senior management and the results of follow-up work, it is considered that senior management is effective in resolving control weaknesses.
- 3.35 It is considered that the internal audit process is effective.

Informing the Annual Governance Statement (AGS)

- 3.36 The opinion of the Head of Internal Audit on the internal control environment is particularly relevant to the preparation of the Annual Governance Statement. In that context, it should be noted that there is only one audit report which has sufficient implications to be referred to in the AGS. This relates to a theft/fraud by an employee, who has since been dismissed.

Performance of the internal audit function against its performance measures and targets

- 3.37 During 2012/13 the internal audit function had two principal internal performance targets. The targets were:
- Completion of the annual internal audit plan (90% target)
 - Achievement of customer care targets (85% positive response target)
- 3.38 The initial target for completion of audit projects within the internal audit plan for 2012/13 was 24 projects. In practice the number of projects completed during 2012/13 was 24, which is 100% of the target.
- 3.39 Customer surveys are issued to clients (service managers) following each internal audit to assess satisfaction with the audit service. The responses have been very positive. Positive levels of satisfaction help to confirm that customers/clients value the service that they receive and the positive response therefore provides evidence of 'value for money'.
- 3.40 An annual survey of Chief Executives/Directors and Heads of Service is carried out across the four-way Internal Audit Partnership in order to obtain responses on the quality of the internal audit service. The most recent survey was carried out in June 2013.

- 3.41 The survey of the partner Chief Executives/Directors focuses on satisfaction with the overall service. Of the eleven responses received (which represents all of those in this category), the answers to the question 'Are you satisfied with the service that you receive from Internal Audit', five were 'satisfied' and six were 'very satisfied'.
- 3.42 The survey of Heads of Service produced twenty-one responses over the four-way partnership, of which eight were 'satisfied' with the service and eleven were 'very satisfied' (two responders did not answer the question).
- 3.43 The survey of Heads of Service is quite detailed and includes questions on the quality of the various elements of the audit process. The main purpose of the survey is to identify aspects of the service that can be improved. The detailed responses will therefore be very carefully reviewed over the coming months and action will be taken to introduce improvements where appropriate.

Statement on conformance with the Public Sector Internal Audit Standards (PSIAS) and the results of the quality assurance and improvement programme

- 3.44 As stated earlier, the PSIAS has only been in place since 1 April 2013.
- 3.45 The PSIAS sets out the standards that the Internal Audit team has to comply with in order to meet the statutory requirement. A copy of the PSIAS has been provided to each auditor and each auditor has confirmed that they have 'read, understood and will work to the Public Sector Internal Audit Standards'.
- 3.46 The PSIAS requires that a Quality Assurance and Improvement Programme is in place. This requires both internal and external assessments. The internal assessments include ongoing monitoring of the performance of the internal audit activity, which is already in place, and 'periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices. CIPFA has recently published a 'Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards', which includes a checklist. It is intended to use the checklist to aid periodic self-assessments of conformance with the Standards.
- 3.47 The PSIAS also require that an external assessment must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. It is intended to seek an external assessment later in the year. The proposals for doing so will be reported to a future meeting of the Audit and Governance Committee.
- 3.48 The implementation of the PSIAS on 1 April 2013 means that aspects of the current service arrangement need to be changed in order to ensure full compliance. It is intended that the necessary actions will be taken during the current financial year so that the service will fully comply by 31 March 2014 at the latest. In particular, Internal Audit is required to operate to an approved Charter. It

is intended that a draft Charter will be prepared and brought to the meeting of the Committee in September for approval.

Assurance levels

- 3.49 Internal Audit use 'assurance levels' or assurance statements to provide the overall audit opinion for the service or area that has been reviewed. The use of an assurance level is consistent with the requirement for managers (and Members) to consider the degree to which controls and processes can be relied upon to achieve the objectives of the reviewed activity. There are four assurance levels, as set out at Appendix VI. The consistent use of assurance levels allows a balanced view to be taken of the overall adequacy of control within the Council.
- 3.50 In the financial year 2012/13, a total of twenty one audit reports included an assurance assessment for the area that had been audited (three did not). The initial assurance assessments were categorised as follows:

	2012/13	Previous year
High	1	1
Substantial	13	17
Limited	6	4
Minimal	1	0
Not given	3	4
Total	24	26

- 3.51 The collective assurance level, which can be extracted from the audit work performed during 2012/13, provides considerable evidence to support the statutory Annual Governance Statement, with 67% of the reports having a positive assurance assessment, identifying control assurance as 'substantial' at the time of the audit.

Reporting of Internal Audit work to the Audit Committee

- 3.52 Internal Audit work is reported at six-monthly intervals. An interim report, showing the first six months work of the financial year 2012/13, was provided to the Audit Committee meeting on 19 December 2012. A number of the audit projects shown in the appendices have therefore already been brought to the attention of the Committee.

Other issues - Staffing

- 3.53 The team of operational auditors comprises two staff. Each auditor is expected to complete twelve audit projects during the year.
- 3.54 Under the partnership arrangement, the extent of audit management for the Swale audit service is the equivalent of 0.8 full time employees. The management

resource is used for audit planning, review of audit reports, supervision, strategic management, risk management and reporting to the Audit a Committee and the Strategic Management Team.

- 3.55 The total staffing establishment for Internal Audit at Swale is therefore 2.8 FTE. It is considered that this level of resources is a 'de minimis' level and any reduction in resource would place the Council's statutory duty to provide an effective internal audit in doubt.

4 Alternative Options

- 4.1 There is a requirement that an annual report and opinion is provided to the Audit Committee. However, the Audit Committee could choose not to agree with the opinion of the Head of Audit Partnership.

5 Consultation Undertaken or Proposed

- 5.1 The internal audit process involves consultation with Heads of Service and other staff before, during and after each audit.

6 Implications

Issue	Implications
Corporate Plan	The work of Internal Audit covers a range of services and systems that exist to support corporate plan priorities.
Financial, Resource and Property	A number of audit projects carried out in 2011/12 related to finance, resource or property.
Legal and Statutory	There is a statutory requirement for the Council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control (Accounts and Audit Regulations 2011).
Crime and Disorder	None identified at this stage.
Risk Management and Health and Safety	Internal Audit seeks to test the adequacy of the controls which management has put in place to manage risk.
Equality and Diversity	None identified at this stage.

7 Appendices

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

- Appendix I: Summary list of Audit Assignments 2012/13
- Appendix II: Summary of reports identifying limited or minimal control assurance
- Appendix III: Summary of reports identifying substantial or high control assurance
- Appendix IV: Summary of other audit projects 2012/13
- Appendix V: Summary of Audit Follow-up Assurance Assessments
- Appendix VI: Definitions of Assurance Levels

8 Background Papers

8.1 None.

Summary Report of Audit Assignments:

April 2012 – March 2013: Assurance Assessments

No.	Report/Project	Date of Report	Report Assurance Level	Summary report extract	Follow Up Assurance Assessment
1	Property Maintenance	May 2012	Limited	Appendix II	Substantial
2	Customer Complaints	May 2012	Substantial	Appendix III	Substantial
3	Building Control Partnership	June 2012	Substantial	Appendix III	Substantial
4	Health and Safety	July 2012	Substantial	Appendix III	Substantial
5	Grounds Maintenance	August 2012	Limited	Appendix II	High
6	Receipt & opening of tenders	August 2012	Substantial	Appendix III	High
7	IT security policy & internal procedures investigation	August 2012	Substantial	Appendix III	Not required
8	Whistle-blowing Policy review	September 2012	N/A – policy review	Appendix IV	Not applicable
9	Faversham Pools	September 2012	Substantial	Appendix III	Substantial
10	NFI	September 2012	Not applicable	Appendix IV	Not applicable
11	Private Sector Housing Licensing	September 2012	Substantial	Appendix III	Not required - no recommendations issued
12	Cemeteries	November 2012	Limited	Appendix II	Due July 2013
13	Operational Risk Management	November 2012	Not applicable	Appendix IV	Not applicable
14	Property Management Income	January 2013	Substantial	Appendix III	Due June 2013
15	CCTV	January 2013	Limited	Appendix II	Due July 2013
16	Sports Development investigation	February 2013	Minimal	Appendix II	Not applicable
17	Business Continuity Planning	February 2013	Substantial	Appendix III	Due June 2013

18	Sports Development Internal Controls)	March 2013	Limited	Appendix II	Due August 2013
19	Staying Put	March 2013	Limited	Appendix II	Follow up date to be confirmed
20	Housing Benefits	March 2013	Substantial	Appendix III	Due September 2013
21	NNDR	March 2013	Substantial	Appendix III	Due November 2013
22	Credit cards	March 2013	High	Appendix III	Not required - no recommendations issued
23	Bank Reconciliation	March 2013	Substantial	Appendix III	Follow up date to be confirmed
MBC	Parking Enforcement (SBC and MBC) audit completed by MBC Audit team	July 2012	Substantial	Appendix III	Substantial

**Summary of Internal Audit Evaluation of Control Environment –
Assessed as Limited or Minimal**

Audit Title: Property Maintenance

Service: Property Services

Report Date: May 2012

Audit Objectives:

The audit set out to verify that key management controls are in place to ensure the effective maintenance of the property portfolio through implementation of a sound property management strategy; well managed property maintenance contracts and an effective carbon reduction programme.

Key Findings:

The main issues arising from the audit were:

- Detailed condition surveys had not been completed for the Council's property portfolio during the past three years and a programme of reviews was required to inform the performance measure for property maintenance and to support the Asset Management Strategy and objectives.
- Confirmation was required from the Head of Property and the Asset Management Group of responsibility for approving projects to be funded by the Building Maintenance Reserve, and for the Carbon Management Invest to Save Reserve.
- Weaknesses were identified in the management of annual property service contracts and arrangements for the pre and post-inspection of repairs and maintenance work.
- Confirmation was required of on-going responsibilities for delivery of the Council's Carbon Management Plan objectives.

Level of Assurance Issued: Limited

Management Response Summary:

All recommendations were accepted. The majority of actions were planned to be implemented immediately with the remainder planned for completion before December 2012. The management action plan was considered to be satisfactory.

Follow-up Assessment: Substantial

The only recommendation outstanding at the time of the follow up related to proactive management of reduction of carbon emissions from the Council's estate. During the follow up it was identified that the Head of Property Services will be incorporating this in service planning for 2013/14 and the Council has recently signed up to a Kent wide

strategy – Climate Local Kent, which will consider actions/plans from the existing carbon management plan.

Audit Title: Grounds Maintenance

Service: Contracts & Procurement

Report Date: August 2012

Audit Objectives:

To establish and evaluate the processes and controls in place to effectively manage the Council's Grounds Maintenance Service Contract, including:

- Management and monitoring of the contractor in delivering the expected service
- Performance of the service and contractor
- Budgetary control and contract payments

Key Findings:

The audit established that there were strong financial controls in place surrounding Grounds Maintenance contract payments and budgetary control. However, weaknesses were identified in relation to the contract documents, additional work requests and contract monitoring.

Level of Assurance Issued: Limited

Management Response Summary: All of the recommendations were agreed. Actions due to be implemented included: locating the original contract document and performance bond; introducing a pro-active on-location monitoring programme – including monitoring of health and safety; facilitating regular meetings between the contractor and the client and introducing a protocol for issuing additional work requests to the client.

Some of the recommendations were implemented immediately and the remaining recommendations were due to be implemented by the end January 2013.

The management response was considered to be satisfactory

Follow-up Assessment: High. All key actions were implemented and there were no newly emerging issues that were not being addressed by the contract manager.

Audit Title: Cemeteries
Service: Commissioning & Open Spaces
Report Date: November 2012

Audit Objectives:

- To establish whether burials are completed in accordance with regulatory requirements and agreed procedures
- To establish whether all cemetery income due is received and banked
- To establish whether there are adequate controls over expenditure
- To establish the process of the headstone inspection programme

Key Findings:

The audit identified that there are good procedures in place over burial administration and there is good budgetary control over income and expenditure. However, issues were identified where improvement was needed to ensure the Council is fully compliant with all relevant burial regulations and to ensure the Council's interests are fully protected.

Level of Assurance Issued: Limited

Management Response Summary:

All of the recommendations were agreed. The main actions proposed by the Commissioning & Open Spaces Manager included:

- To consider all service risks in relation to cemetery operations within 2013/14 service planning
- To introduce a protocol with the grounds maintenance contractor to ensure all health and safety hazards are formally recorded and reported to the Council as soon as possible and to meet with the contractor on a regular basis to discuss standing agenda items such as health and safety
- To arrange for the collapsed wall at Sheppey cemetery to be replaced
- To investigate the feasibility and practicality of surveying all unused cemetery land to ensure that all new grave spaces are plotted before being dug
- To update all maps to ensure all recent burials have been recorded
- To change procedures to ensure funeral directors send a copy of the green burial certificate to the Cemeteries team at the time of initial instruction
- To change procedures to ensure all transfer of exclusive rights, to ensure compliance with legislation
- To introduce terms and conditions for all new grave purchases
- To ensure all shallow grave complaints are recorded through the Council's corporate complaint system
- To introduce a contract monitoring programme over grave digging and cemetery operations
- To introduce a procedure to ensure all newly fitted headstones are supported by a headstone permit

- To introduce a monthly reconciliation procedure to ensure all cemetery income due has been received
- To submit a report to Strategic Management Team to agree responsibilities and liabilities in terms of closed churchyards.

The management response was considered to be satisfactory.

Proposed Date for Follow-up: July 2013

Audit Title: CCTV (contract review)

Service: Economy & Communities

Report Date: January 2013

Audit Objectives:

- To identify whether the CCTV service is provided in accordance the partnership agreement
- To consider the adequacy of the contract monitoring arrangements over the partnership agreement
- To assess whether the CCTV service is operating in compliance with the CCTV Code of Practice guidelines and statutory requirements
- To review the adequacy of controls over income and expenditure

Key Findings:

The audit identified a good governance framework being developed for the CCTV Partnership; roles and responsibilities within the Council and the Partnership have been clearly defined; there is a good working relationship between officers at Swale Borough Council and the CCTV Control Centre and there are good controls in place over expenditure.

However, the audit identified that the CCTV partnership had not been risk assessed; there is no formal routine monitoring of the partnership agreement; the CCTV recording system has limited functionality which means it is not possible to evidence when footage is deleted or downloaded from the system; recorded CCTV footage, held on hard drives at Swale House, is not backed-up and the recording equipment is not protected by a back-up power generator or 'uninterruptible' power supply, and procedures for collecting income from CCTV debtors is collected annually in arrears, rather than annually in advance, and the fees charged are not the subject of periodic review.

Level of Assurance Issued: Limited

Management Response Summary:

All of the actions were agreed and the majority of the proposed actions are due to be implemented by the end of June 2013.

The actions proposed by management include completing a full risk assessment of the CCTV service; introducing a formal monitoring programme over the CCTV partnership agreement; completing an audit of all CCTV signage; incorporating the development of Swale's CCTV recording system into the CCTV Partnership's forward plan; completing a review of all CCTV monitoring agreements; reviewing fees charged and chasing up of aged debt; completing a review of the locations of all CCTV cameras and fibre infrastructure and completing a risk assessment on the CCTV equipment located at Swale House.

The management response was considered to be satisfactory

Proposed Date for Follow-up: July 2013

Audit Title: Sports Development Investigation

Currently subject to police investigation – See Exempt Report

Audit Title: Sports Development Investigation – Internal Controls

Service: Economy & Communities

Report Date: March 2013

Audit Objectives:

- To identify opportunities for internal control improvements.

Key Findings:

Currently subject to police investigation – See Exempt report

Audit Title: Staying Put

Service: Housing Services

Report Date: March 2013

Audit Objectives:

- To establish whether the Staying-Put schemes are clearly defined and authorised
- To establish whether all Staying-Put applications are processed in accordance with the agreed scheme and procedures
- To establish whether all income opportunities are being optimised and that there are good controls over the collection, receipt, banking and reconciliation of income received
- To consider whether there is adequate budgetary control over expenditure

Key Findings:

The audit established that the Staying-Put Scheme was clearly defined and widely advertised within the community; that external funding from KCC and Health Authority (Health) had been secured for the next 3 years, with other funding opportunities being researched to optimise funding income; the budgeted income for 2012/13 (funding and fees and charges) had been exceeded; the expenditure budget for the Staying-Put Service at year end was under spent; the level of customer satisfaction in relation to the works completed was high and service performance in terms of job completion is within the targets set, placing Staying-Put within the top quartile when compared to other local home improvement agencies within Kent.

Several issues were identified during the audit where improvements were needed. The main issues related to the categorisation of Staying Put cases, filing and retention of Staying Put documentation, receipting of handypersons money and the reconciliation of Staying Put income.

Level of Assurance Issued: Limited

Management Response Summary: The management response is due end June 2013.

Proposed Date for Follow-up: Follow up date to be confirmed

Summary of Internal Audit Evaluation of Control Environment Assessed as Substantial or High

Audit Title: Customer Complaints (CRM System)

Service: Commissioning & Customer Contact

Report Date: May 2012

Audit Objectives:

- To review and evaluate the policy, strategy and structure in place for the management of complaints and any statutory provisions
 - To review the CRM System to ensure that complaints are properly recorded, promptly actioned and resolved in line with authority guidance and standards
 - To establish monitoring procedures to confirm delivery of accurate, timely and relevant management information
 - To review resolutions procedures in place to support regulatory and local customer satisfaction
- Objectives

Key Findings:

Controls over the complaints process are generally strong. The CRM system provides an efficient and effective monitoring control over customer complaints management. Systems training has been provided to front line staff and customer service standards have been introduced.

Improvements are needed in relation to the more consistent logging and classification of complaints and arrangements for keeping individual customers informed of the progress of their complaint investigation. Improvements were also recommended in the quality of complaints responses and monitoring and reporting procedures to ensure that customers are satisfied with the complaints processes and that adequate information on performance is provided to them.

Level of Assurance Issued: Substantial

Management Response Summary: All recommendations were accepted. The majority were due to be implemented by October 2012 with all actions scheduled for completion by March 2013. The Management response was considered to be satisfactory.

Follow-up Assessment: Substantial

One action remained incomplete, but had significantly progressed at the time of the follow up – the Customer Access Strategy was being reviewed with approval being sought from Cabinet at the March/April 2013 meeting.

Audit Title: Building Control Partnership

Service: Head of Planning Services

Report Date: June 2012

Audit Objectives:

- To identify and evaluate the governance arrangements surrounding the building control partnership
- To consider the financial arrangements surrounding the building control partnership (fee and non-fee earning services)
- To establish whether the building control service provided through the partnership enables the Council to meet its statutory responsibilities
- To establish whether the building control service provided through the partnership enables the Council to meet its non-statutory, fee earning, value for money and customer care performance objectives

Key Findings: The audit identified that there are strong controls in place over the Building Control Partnership. A few minor improvements were identified to ensure that the Council continues to meet its statutory obligations in the future; for example, completing a full risk assessment of the partnership arrangements; ensuring that planned changes to the existing partnership model are subject to legal consultation / advice; performance targets are reviewed to ensure they remain achievable and procedures are introduced to ensure all recoverable costs from the abatement of dangerous structures are pursued.

Level of Assurance Issued: Substantial

Management Response Summary: All of the actions were agreed with the actions due to be implemented by December 2012. The management response was considered to be satisfactory.

Follow-up Assessment: Substantial

Audit Title: Parking Enforcement (Maidstone & Swale)

Service: Parking Services

Report Date: July 2012

Audit Objectives:

- To consider progress of the implementation of coordinated procedures and processes since the formation of the Parking Service partnership;
- To consider the adequacy of the contract delivery and monitoring controls over the parking enforcement contract with APCOA – including performance management;
- To consider the adequacy of controls over the receipt and collection of income through the processing and issue of PCNs – including accounting arrangements; and
- To review the controls over recovery action and non-payment of PCNs;

Key Findings:

The audit identified a weakness in financial controls within the reconciliation of PCN income at Swale.

Recommendations were made to establish procedures to enable the regular balancing of PCN income from the parking system (Imperial) to the general ledger, Agresso.

Additional recommendations were raised:

- To update the implementation plan to ensure the continued progression of shared partnership procedures, including the need to identify and mitigate shared service risks;
- To consider the broader efficiencies that can be delivered through continued development of the Imperial parking enforcement system – including the benefits of implementing the Imperial online payments interface at Maidstone;
- To establish a management check over cancelled tickets, to ensure that the quality and consistency of decisions are maintained and verified.

Level of Assurance Issued: Substantial

Management Response Summary:

All recommendations within the report were agreed, and actions were outlined to address any weaknesses.

Realistic target dates were set, with actions to be fully implemented by January 2013. The management response was considered to be satisfactory.

Follow-up Assessment: Substantial

Audit Title: Health & Safety

Service: Property Services

Report Date: July 2012

Audit Objectives:

- To review the Council's policy regarding health and safety of employees, and the adequacy of arrangements for carrying out the policy.
- To review the responsibilities and activities of the Health and Safety Officer and the Health and Safety Committee to monitor, promote and maintain health and safety arrangements within the Council.
- To review the systems in place to ensure that adequate training and awareness on health & safety is provided to the Council's employees.

Key Findings: The Audit concluded that the arrangements are generally strong. The Health & Safety policy is reviewed annually and there is a well-established Health & Safety Committee which meets regularly.

There are concise procedures in place for staff guidance with strong controls around the administration of the accident reporting system.

There is a strong Health & Safety training ethic with the introduction of an online training programme alongside external professional training companies. The Council's Health & Safety operations were subject to a peer review in September 2011. The review led to a number of recommendations for improvements; progress against the recommendations was considered during the audit and outstanding actions arising from the review were confirmed to have been prioritised and incorporated within the Corporate Health & Safety work plan.

Four recommendations were raised within the audit report. Key recommendations related to improvements in oversight and monitoring of Health and Safety arrangements both across the Council and for contracted-out Council services.

Level of Assurance Issued: Substantial

Management Response Summary: All recommendations were accepted and were due to be implemented by the end of December 2012. The management response was considered to be satisfactory.

Follow-up Assessment: Substantial

Audit Title: Receipt & Opening of Tenders

Service: Commissioning & Customer Contact

Report Date: August 2012

Audit Objectives:

- To establish compliance with Contract Standing Orders and internal procedures for the secure receipt and opening of tenders
- To consider the adequacy of the arrangements which are proposed for the receipt of electronic tender documents

Key Findings: Responsibility for the tendering process lies with the Contracts team. The Contracts team has been in place for 9 months and, in that time, have put in place documented procedures and templates to assist officers in the procurement process.

The report concluded that controls over the arrangements are generally strong.

Recommendations arising from the audit related to the administration of tender receipt records and improved staff awareness of responsibilities for the receipt and secure storage of tenders.

Level of Assurance Issued: Substantial

Management Response Summary: All recommendations were accepted and are due to be implemented by the end of December 2012. The management response was considered to be satisfactory.

Follow-up Assessment: High

Audit Title: Faversham Swimming Pools

Service: Economies & Communities

Report Date: September 2012

Audit Objectives:

- To establish the adequacy of governance arrangements in place between the Council and the Faversham Pools Management Committee (the Trust) and associated properties
- To consider the adequacy of the monitoring arrangements over the SLA and Trust agreement and the Council's internal monitoring and reporting arrangements
- To confirm whether payments made to Faversham Swimming Pool are authorised and in line with agreed terms

Key Findings: The audit identified that there is a good working relationship between the Council and the FSPMC and there are strong financial controls over the payments made to the FSPMC.

Recommendations were made in the report to improve the monitoring arrangements over the service level agreement and to ensure that the new service level agreement, which should be in place from 1 April 2013, clearly sets out responsibility for health and safety, property maintenance and public liability insurance.

Level of Assurance Issued: Substantial

Management Response Summary: All of the recommendations were agreed and all of the actions were due to be implemented by 1 April 2013.

The management response was considered to be satisfactory.

Follow-up Assessment: Substantial

Audit Title: Private Sector Licensing & Housing Inspection

Service: Housing Services

Report Date: September 2012

Audit Objectives:

- To establish and review arrangements for the licensing of private sector landlords;
- To establish the adequacy of inspection and enforcement procedures.

Key Findings: The audit confirmed that the Council is complying with statutory legislation for the licensing of HMO's, as prescribed by the Housing Act 2004, and that there are documented procedures in place which are being complied with. Audit testing confirmed that all known and relevant HMO's have a current and correct licence. All have been inspected and have been part of an active re-inspection programme. There are clear enforcement procedures in place to address non-compliance with HMO conditions and at the time of the audit there were no outstanding enforcement issues.

The service also conducts reactive housing inspections in response to complaints from both tenants and private homeowners and inspection of properties prior to the award of a rent guarantee bond. Audit assessment of service performance targets, including response times, inspections and enforcement action, confirm that targets are being met and relevant health and safety and environmental standards are being maintained.

No recommendations for improvement in controls arose from the audit

Level of Assurance Issued: Substantial

Management Response Summary: A management response was not required as no recommendations arose from the audit.

Follow-up Assessment: Not required

Audit Title: Property Management - Income

Service: Property Services

Report Date: January 2013

Audit Objectives:

- To establish and evaluate the key controls relating to lease and license agreements for the Council's properties.
- To establish and evaluate the controls in place to maximise income from the Council's property portfolio.
- To consider whether suitable controls are in place to ensure the timely collection of all income due

Key Findings:

The audit confirmed compliance with the requirements of the current, Cabinet approved, Property Asset Strategy and the general requirement to maximise financial returns from its property assets. The audit established that, despite a high value of rental income debt which remained outstanding at the time of the audit, appropriate attention was being given by the Chief Finance Officer and the Head of Property Services to agree appropriate recovery action.

Arrangements for the retention of documentation, raising of charges, income collection and debt recovery procedures were well controlled.

Level of Assurance Issued: Substantial

Management Response Summary:

Management agreed to compile procedures/guidance notes for agreeing rents on new leases and calculating service charges for Council let properties. There are to be discussions with the Heads of Legal Services and Finance to agree that original leases are held securely in the strong-room and that evidence of adequate property insurance cover is provided by lessees in a timely manner.

Management response was considered to be satisfactory.

Proposed Date for Follow-up: June 2013

Audit Title: Business Continuity

Service: Corporate Services

Report Date: February 2013

Audit Objectives:

- To ensure that the Council has appropriately developed its Business Continuity arrangements, which are formalised through a policy and supporting procedures;
- To ensure individual Service areas have developed Business Continuity Plans which are tested and reviewed;

Key Findings:

Business Continuity is administered within a shared services agreement with Ashford Borough Council. The Council's overarching Business Continuity Plan (BCP) is currently undergoing a detailed review by the Resilience Partnership Manager and the Head of Service Delivery.

The audit reviewed Business Continuity Plans at service level to confirm adequacy and regular testing. It was ascertained that service level business continuity plans were currently being updated, but that testing of the plans had not taken place since 2009. In discussion with the Resilience Partnership Manager it was established that the timetable for testing service BCP's was due for completion during 2013. The Resilience Partnership Manager had recently conducted one-to-one briefing sessions with officers responsible for completing service Business Impact Assessments and BCP Risk and Issues Registers.

Level of Assurance Issued: Substantial

Management Response Summary:

The Resilience Partnership Manager agreed to seek assurance from Heads of Service that key contractor business continuity plans are satisfactory. The action plan produced following the most recent corporate review of business continuity arrangements (Exercise Swale Willow) will be updated and form part of the Council's Business Continuity Group priorities. All BC Plan owners will be reminded to advise their staff of updated local BCP arrangements when complete and the Council's website will be updated to comply with the Civil Contingencies Act requirements.

Management response was considered to be satisfactory.

Proposed Date for Follow-up: 30 June 2013

Audit Title: Housing Benefits – Claim Application & Assessment

Service: Service Delivery

Report Date: March 2013

Audit Objectives:

- To establish whether adequate resources and procedures are in place to ensure compliance with legislative and performance frameworks;
- To establish whether evidential documentation is correctly retained to support the application and assessment process;
- To verify that adequate controls and procedures are in place to ensure that benefit assessments are correctly calculated prior to payment;
- To establish whether adequate procedures are in place to ensure that benefit claims, amendments and cancellations are processed promptly

Key Findings: The audit confirmed compliance with prescribed legislative and performance frameworks, the adequacy of claims assessments and that adequate resources and procedures are in place to ensure that claims are processed promptly.

Benefits staff are complying with statutory responsibilities and detailed procedures notes and quality control processes are in place to ensure accurate assessment of claims. Staff training is provided as required. The verification and authorisation procedures are being followed to ensure that assessments, amendments and cancellations are correctly calculated and authorised.

Four recommendations were raised in the report relating to:

- a dedicated Benefits data disposal & retention policy
- additional training on self-employed claims
- quality assurance reviews of assessments completed by the QA officer
- quality assurance reviews on self-employed claims

Level of Assurance Issued: Substantial

Management Response Summary: The Head of Service Delivery has confirmed that a data disposal and retention policy will be in place by January 2014. A process has already been put in place to review the benefit claim work of the Quality Assessor. There is training on self-employed claims planned as part of the appraisal process and the QA officer will ensure that the QA process will be amended to include a sample of self-employed claims.

The management response was considered to be satisfactory.

Proposed Date for Follow-up: September 2013

Audit Title: NNDR – Recovery & Enforcement

Service: Service Delivery

Report Date: March 2013

Audit Objectives:

- Procedures are carried out in accordance with statutory requirements and the Council’s strategies and procedures.
- All recovery and enforcement action taken is legitimate and appropriate, timely, monitored and supported by documentary evidence.
- Adequate arrangements are in place to monitor and report on the level of arrears.
- The appointment of bailiffs is subject to market testing.
- The performance of bailiffs is adequately monitored and controlled.
- All amounts written-off are properly documented and procedures adopted comply with the Council’s Financial Regulations.

Key Findings: The audit identified a high level of staff awareness and compliance with the Council’s legislative and statutory responsibilities for NNDR, which is supported by detailed recovery and enforcement procedures documentation and regular updates and training.

The Council utilises two bailiff services and recovery action performance is monitored regularly, and remittance reports are provided by the bailiffs fortnightly. The current bailiff agreements are due to expire, and a tender process for future bailiff services was due to commence in April 2013.

Recommendations arising in the report related to the documentation of a specific Debt Recovery Policy; review of the controls and procedures over the administration and on-going assessment of arrangements to pay overdue NNDR and officer training to improve resilience within the section for the duties of the NNDR Officer.

Level of Assurance Issued: Substantial

Management Response Summary: The Head of Service Delivery confirmed that a Revenues and Benefits Debt Policy would be in place by November 2013. There will be additional training to improve resilience within the service and arrangements for arrears are to be monitored by the Assistant Revenues and Benefits manager on a monthly basis.

The management response was considered to be satisfactory.

Proposed Date for Follow-up: November 2013

Audit Title: Corporate Credit Cards

Service: Finance

Report Issued: March 2013

Audit Objectives:

- To establish the adequacy of the Council's policies and procedures for the issue and use of credit/purchase cards
- To establish if card payments made during 2012/13 are appropriate, accurate, authorised and correctly coded

Key Findings: The audit established that the Council's Financial Regulations and associated procedures notes contain guidance which is adhered to and each member of staff with a credit card has received clear instruction on card use, payment and authorisation procedures. All issued cards have been approved by an authorised officer; individual purchases have been approved by senior officers and purchases have been reconciled with credit card statements prior to payment. There have been no unauthorised purchases during the period.

Level of Assurance Issued: High

Management Response Summary: There were no recommendations arising from this audit. A follow up is therefore not required.

Audit Title: Bank Reconciliation

Service: Finance

Report Issued: March 2013

Audit Objectives:

- To establish whether the Council's bank accounts are being reconciled on a regular basis, and discrepancies resolved in a timely manner, and that all bank account reconciliations are monitored and approved.
- To establish and evaluate whether bank accounts are being adequately controlled.
- To confirm that appropriate procedures are in place and responsibilities are clearly defined.

Key Findings:

Work was underway by the Finance team to improve the bank reconciliation process and make it more efficient and less time consuming. A small number of minor

recommendations were raised in the report to enhance the bank reconciliation process until such time as the new processes and systems are introduced.

The recommendations raised related to the need to ensure that bank statements are uploaded to Agresso in a timely manner; that documents relating to the bank reconciliation process are stored in a central location accessible by other members of the team and that notification is provided to the bank of any housing benefit cheques written off.

Level of Assurance Issued: Substantial

Management Response Summary: Consideration will be given to the need to upload bank statements on a timelier basis as part of the Agresso upgrade work and Finance will ensure that key documentation is saved centrally. Additionally the Benefits manager has now reminded staff of the need to inform the bank once cheques have been written off.

The Management response was considered to be satisfactory

Proposed Date for Follow-up: to be confirmed

Summary of other Audit Projects completed during 2012-13

Investigation: ICT security policy and internal procedures

Internal audit were requested to investigate an alleged breach of the Council's IT security policy and internal procedures

The investigation did not identify any evidence to suggest that the Council's ICT security policy or internal procedures had been breached on this occasion and the controls were considered to provide a substantial level of assurance.

However, the investigation did identify issues with the reliability and quality of the data reported by the Council's internet usage monitoring software (Barracuda). The issues relating to the internet usage monitoring tool has now been addressed by the ICT team and the controls are considered to be satisfactory

A full audit of PC & internet controls is scheduled within the 2013/14 audit Plan. This audit will test the controls surrounding the Council's internet usage monitoring tool and it will consider awareness of and compliance with the Council's ICT security policy.

Strategic Risk Management

Internal Audit is responsible overseeing the development of the Council's Strategic Risk Management Framework.

A fundamental review of the Council's strategic risks was undertaken by the Strategic Management Team and Cabinet Members in July/August and a new Risk Register agreed by Cabinet in September 2012. Further work was completed to develop Risk Management Action Plans for each risk. These were compiled during January and February, considered by Audit Committee in March and agreed by Cabinet in April 2013. The Risks and associated action plans are reviewed on a six-monthly basis and internal audit will consider the adequacy of the management of the risk management framework on an annual basis.

Operational Risk Management

A review of operational risk management was carried out to establish the maturity of operational risk management within a sample of services and to identify opportunities for improvement within the Council's wider Risk Management Framework:

The review identified that there was a good awareness of the operational risk management process at the Council but that managers were not fully aware of the correct risk templates and methodology which they should be using when preparing risk registers.

Managers interviewed during the exercise were able to identify the key risks to their service but, prior to the 2013/14 Service Planning exercise, few managers had formally recorded these risks or completed a risk assessment of these risks to ensure each had been identified, assessed and where necessary mitigated. Risks were therefore identified and documented by managers during the 2013/14 Service Planning process.

The operational risk management framework is to be considered further by Internal Audit within Performance Management and Service Planning operations.

Whistle Blowing Policy

This is one of four Policy work streams carried out by the audit teams within the Audit partnership. The other topics are Risk Management, Money Laundering, and Anti-Fraud and Corruption. Each work stream has sought to identify best practice and policies/strategies that can be implemented across the four Councils.

The intention is to bring a suite of revised policies for consideration within the respective Council's policy framework.

Audit Commission Fraud Survey

The Audit Commission requires that the Council undertakes an internal fraud survey and to submit the results to them in a prescribed format.

Internal Audit coordinated the survey and provided the information to the Commission. There were no issues arising from the survey. The results of the survey have been included within the Audit Commission publication – protecting the Public Purse 2012

National Fraud Initiative (NFI) – data matching exercise

The National Fraud Initiative is a biennial data matching exercise carried out on behalf of the Audit Commission. The Council is required to submit a broad range of data which is matched against other data sets that the Commission has obtained from a number of sources. Data sets provided by the Council have included Benefits, Payroll, Creditors, Residents Parking Permits, Licensing, Insurance Claims and Register of Electors.

Internal Audit facilitated the Council's NFI operations and sought to confirm that data matches from the 2011/12 Single Person Discount/Rising 18s exercise were being appropriately investigated and that the new data sets had been correctly and completely submitted for the wider 2012/13 initiative.

The review confirmed that investigation resources had been appropriately applied for the 2011/12 exercise and that 566 SPD matches have been fully investigated to date (91%), resulting on the removal of benefit to 118 claimants to the value of £46,660. The

remaining cases are confirmed to be awaiting decision. A further 139 investigations have also been completed relating to the Rising 18s data matches (98%), resulting in £7,013 of withdrawn payments

Summary Report of Audit Follow Up Assurance Assessments

	Follow Up reviews carried out October 2012 - March 2013	Date of Follow Up	Audit Assurance Assessment	Follow Up Assurance Assessment	Direction of Travel
1	Appointment of Consultants	May 2012	Limited	Substantial	↑
2	Freedom of Information Compliance	May 2012	Substantial	High	↑
3	Housing Assistance Policy	May 2012	Substantial	High	↑
4	General Ledger (Budgetary Control)	May 2012	Substantial	High	↑
5	Gateway – Project Management	August 2012	Substantial	Substantial	↔
6	Income, Cash, Collection & Banking	August 2012	Substantial	High	↑
7	Treasury Management	September 2012	Substantial	Substantial	↔
8	Benefits (overpayments & recovery)	October 2012	Substantial	High	↑
9	Council Tax (valuation, liability & billing)	October 2012	Substantial	Substantial	↔
10	NNDR (collections & refunds)	October 2012	Substantial	Substantial	↔
11	Insurance	November 2012	Substantial	Substantial	↔
12	Refuse Collection – waste & recycling	November 2012	Substantial	High	↑
13	Complaints	November 2012	Substantial	Substantial	↔
14	Property Maintenance	November 2012	Limited	Substantial	↑
15	Building Control Partnership	December 2013	Substantial	Substantial	↔

16	IT Disaster Recovery	August 2012	Limited	Substantial	↑
17	Grounds Maintenance	19/4/2013	Limited	High	↑
18	Health and safety	23/4/2013	Substantial	Substantial	↔
19	Faversham Swimming Pools	13/5/2012	Substantial	Substantial	↔
20	Receipt and opening of tenders	19/4/2013	Substantial	High	↑

Definitions of Assurance Levels

Our opinion on the adequacy and effectiveness of controls for an audited activity is shown as an **assurance level** within four categories. The use of an **assurance level** is more consistent with the requirement for managers (and Members) to consider the degree to which controls and processes can be relied upon to achieve the objectives of the reviewed activity. The assessment is largely based on the adequacy of the controls over risks but also includes consideration of the adequacy of controls that promote efficiency and value for money. The definitions of assurance levels are provided below:

Controls Assurance Level	Summary description	Detailed definition
Minimal	Urgent improvements in controls or in the application of controls are required	<p>The authority and/or service is exposed to a significant risk that could lead to failure to achieve key authority/service objectives, major loss/error, fraud/impropriety or damage to reputation.</p> <p>This is because key controls do not exist with the absence of at least one critical control or there is evidence that there is significant non-compliance with key controls.</p> <p>The control arrangements are of a poor standard.</p>
Limited	Improvements in controls or in the application of controls are required	<p>The area/system is exposed to risks that could lead to failure to achieve the objectives of the area/system under review.</p> <p>This is because, key controls exist but they are not applied, or there is significant evidence that they are not applied consistently and effectively.</p> <p>The control arrangements are below an acceptable standard.</p>
Substantial	Controls are in place but improvements would be beneficial	<p>There is some limited exposure to risk which can be mitigated by achievable measures. Key or compensating controls exist but there may be some inconsistency in application.</p> <p>The control arrangements are of an acceptable standard.</p>
High	Strong controls are in place and are complied with	<p>The systems/area under review is not exposed to foreseeable risk, as key controls exist and are applied consistently and effectively.</p> <p>The control arrangements are of a high standard.</p>