

Meeting Date	11 June 2014
Report Title	Internal Audit Annual Report 2013/14
Cabinet Member	Cllr Duncan Dewar-Whalley, Cabinet Member for Finance
SMT Lead	Mark Radford – Director of Corporate Services
Head of Service	Rich Clarke – Head of Audit Partnership
Lead Officer	Rich Clarke – Head of Audit Partnership
Key Decision	No
Classification	Open
Recommendations	<ol style="list-style-type: none">1. That the Audit Committee notes the annual opinion of the Head of Audit Partnership that substantial reliance can be placed on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control, and that the opinion can be used to inform the Annual Governance Statement 2013/14.2. That the Audit Committee notes the results of the work of the Internal Audit Team over the period April 2013 to March 2014, as shown in the report as the prime source for the Head of Audit Partnership's opinion.3. That the Audit Committee notes the effectiveness of the Internal Audit service and its conformance to the Public Sector Internal Audit Standards.

1 Purpose of Report and Executive Summary

- 1.1 The purpose of the report is to meet the Head of Internal Audit annual reporting requirements set out in the Public Sector Internal Audit Standards (the “Standards”). The report also informs Audit Committee members of the Head of Audit Partnerships annual internal audit opinion on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control, which can be used to inform the Annual Governance Statement 2013/14.
- 1.2 The Standards, in particular Standard 2450: Overall Opinions, direct that the annual report must incorporate:
- The annual internal audit opinion on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control;
 - A summary of the work completed 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.

2 Background

- 2.1 The Council’s internal audit service is provided by Mid Kent Audit as a partnership between Swale, Maidstone, Ashford and Tunbridge Wells Borough Councils. The four way partnership has been in operation since 2010.
- 2.2 The overall scope of the Council’s audit service is set out in advance within the annual internal audit plan. The Council’s Audit Committee agreed the 2013/14 audit plan at its meeting on 18 March 2013.
- 2.3 We have completed the audit work set out in that plan, subject to minor modifications in year in response to prevailing risks and needs of the Council, in accordance with mandatory standards and good practice contained within the Standards.

3 Proposal

- 3.1 In summary, I am satisfied the Council can place substantial assurance on the system of control in operation during 2013/14. Furthermore I am satisfied that the corporate governance framework complies in all significant respects with the best practice guidance issued by CIPFA/SOLACE. Finally, I am satisfied that the Council’s risk management processes are effective. I ask the Audit Committee to note these opinions and that they will inform the Council’s Annual Governance Statement.
- 3.2 Please see Appendix I and II for the Annual Internal Audit Report 2013/14 and summaries of work completed from 1 April 2013 to 31 March 2014 that support the overall opinions summarised above.

4 Alternative Options

- 4.1 I am satisfied that the opinions expressed are a fair reflection of the work completed by Mid Kent Audit for Swale Borough Council during 2013/14. Consequently I do not propose any alternative option.

5 Consultation Undertaken or Proposed

- 5.1 We have consulted with officers throughout the delivery of audit work, and in particular with the Head of Finance to advise of the outturn of work to inform the Annual Governance Statement.

6 Implications

Issue	Implications
Corporate Plan	This report is principally a review of the previous year and contains no significant proposals for future action. Consequently no implications identified at this stage
Financial, Resource and Property	None identified at this stage.
Legal and Statutory	Providing an internal audit annual report is a requirement inherent in operating a system of internal control which is in compliance with proper practices.
Crime and Disorder	None identified at this stage.
Sustainability	None identified at this stage.
Health and Wellbeing	None identified at this stage.
Risk Management and Health and Safety	There are no Health and Safety implications identified at this stage.
Equality and Diversity	None identified at this stage.

7 Appendices

- 7.1 Appendix I: Internal Audit Annual Report 2013/14
7.2 Appendix II: Summaries of Internal Audit Output 2013/14

8 Background Papers

- 8.1 None.

APPENDIX I

MID KENT AUDIT

Internal Audit Annual Report 2013/14

Swale



Introduction

Internal auditing is an independent and objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. (Definition of Internal Audit – PSIAS 2013)

Authority for Internal Audit is provided by the Accounts and Audit Regulations 2011 (with subsequent amendments), which requires the Council to undertake an adequate and effective internal audit of its accounting records and its systems of internal control in accordance with the 'proper practices'. From 1 April 2013 the 'proper practices' are the Public Sector Internal Audit Standards (the "Standards") which replaced the Code of Practice for Internal Audit in Local Government in the UK.

From 2013/14 onwards, the Head of Audit Partnership must provide an annual internal audit opinion and report timed to support the annual governance statement. In accordance with the Standards the annual report must incorporate:

- a) An annual internal audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control;
- b) A summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies); and
- c) A statement on conformance with the UK Public Sector Internal Audit Standards and the results of the Quality Assurance and Improvement Programme.

In addition, the Head of Audit Partnership must confirm to the Audit Committee at least annually, the organisational independence of internal audit activity.

Independence:

Mid Kent Audit is provided through a shared service partnership together with Ashford, Maidstone, Swale and Tunbridge Wells.

At Swale Borough Council, the Head of Audit Partnership has direct and unrestricted access to the Chief Executive, senior management and the Chair of the Audit Committee.

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 Head of Audit Partnership.

It is considered that Internal Audit is organisationally independent and fully meets the necessary standard for independence and objectivity.

a) Head of Audit Partnership Annual Opinion:

This opinion statement is provided for Swale Borough Council (the Council) in support of its Annual Governance Statement 2014, which is published alongside the statement of accounts for the year ended 31 March 2014.

Scope of responsibility

The Council is responsible for ensuring its business is conducted in accordance with the law and proper practices and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this responsibility the Council is also responsible for ensuring that there exists a sound system of internal control with allows for effective exercise of the Council's functions and arrangements for the management of risk.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than eliminate risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically.

The control environment

The Public Sector Internal Audit Standards (the 'Standards') states that the control environment includes the following elements:

- Integrity and ethical values.
- Management's philosophy and operating style.
- Organisational structure.
- Assignment of authority and responsibility.
- Human resource policies and practices.
- Competence of personnel.

In examining the control environment, I have had regard to these elements and how they support the Council's framework of governance, risk management and control.

Basis of assurance

Mid Kent Audit has conducted audits both in accordance with the mandatory standards and good practice contained within the Standards and additionally from our own internal quality assurance systems, which include operating to an agreed audit manual with adequate supervision and review.

My opinion is limited to the work carried out by Internal Audit during the year on the effectiveness of the management of those principal risks, identified within the Council's assurance framework, that are covered by Internal Audit's programme. Where principal risks are identified within the Council's framework that do not fall under Internal Audit's coverage or that are not included in Internal Audit's coverage, I am satisfied that an assurance framework is in place that provides reasonable assurance that these risks are being managed effectively.

Our work for the year to 31 March 2014 was completed in line with the operational plan approved by the Audit Committee on 18 March 2013.

Internal control

From the Internal Audit work undertaken in 2013/14 it is my opinion that I can provide **Substantial assurance** that the system of internal control that has been in place at Swale Borough Council (the Council) for the year ended 31 March 2014 accords with proper practice. This assurance extends to both the financial and non-financial systems of the Council insofar as they have been subject to audit review.

Corporate governance

In my opinion the corporate governance framework complies in all significant respects with the best practice guidance on corporate governance issued by CIPFA/SOLACE.

Risk management

I am satisfied that the risk management processes are effective and provide regular information on key risks and issues to the Council's management team and through to Members.

I have based these opinions on the work outlined in the detail of this report.

b) Summary of Audit Work – Swale 2013/14

The following projects have been completed in 2013/14 from the Swale operational audit plan, as agreed by the Audit Committee on 18 March 2013, and endorsed on 25 September 2013 as part of the 6 month internal audit progress report:

No	Title	Head of Service	Month Issued	Assurance
1	Sports Development Investigation	Head of Audit Partnership	Sep-13	Investigation
2	Leisure Centre Management	Head of Commissioning & Customer Contact	Jun-13	Limited
3	Sustainable Sheppey Project	Policy & Performance Manager	Dec-13	Limited
4	Procurement: Contract Standing Orders	Head of Commissioning & Customer Contact	Sep-13	Substantial
5	Economic Development Grants	Head of Economy & Communities	Nov-13	Substantial
6	Accounts Payable	Head of Finance	May-13	Substantial
7	HR Shared Service: Payroll	Head of HR Shared Services	Aug-13	Substantial
8	Legal Services	Head of Legal Partnership	Feb-14	Substantial
9	Council Tax - Collections & Refunds	Head of Service Delivery	Jun-13	Substantial
10	Licensing	Head of Service Delivery	Jul-13	Substantial
11	Housing Benefits: Payments	Head of Service Delivery	Nov-13	Substantial
12	Residents Parking	Head of Service Delivery	Feb-14	Substantial
13	NNDR: Valuation, Liability & Billing	Head of Service Delivery	Mar-14	Substantial
14	PC & Internet Controls (Swale)	ICT Shared Services Manager	Apr-14	Substantial
15	Public Sector Equalities Duty	Policy & Performance Manager	Sep-13	Substantial
16	Emergency Planning	Resilience Partnership Manager	Jan-14	Substantial
17	Community Safety Grants	Head of Economy & Communities	Nov-13	High
18	VAT Management	Head of Finance	Jan-14	High
19	Accounts Receivable	Head of Finance	Mar-14	High

No	Title	Head of Service	Month Issued	Assurance
20	EQA - PSIAS Compliance Review	Head of Audit Partnership	Nov-13	N/A
21	Audit Library / Partnership Admin	Head of Audit Partnership	Mar-14	N/A
22	NFI: Progress Report	Head of Finance	Sep-13	N/A

(See APPENDIX II for further details on each audit project)

Definitions of Assurance Levels 2013/14:

Assurance Level	Summary description	Detailed definition
Minimal	Urgent improvements in controls or in the application of controls are required.	<p>The authority 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. 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. 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>

Performance:

Mid Kent Audit delivered 22 projects of the Swale operational audit plan for 2012/13 which is an achievement of **91%**.

For 2013/14 a quarterly output target was set as a means to measure and monitor performance against delivery of the audit plan. This forms part of the Swale corporate performance framework, and is included in the annual performance report.

A quarterly breakdown of audit output issued is detailed below:

	Original Target	Output	%
Q1	4	3	75%
Q2	6	6	100%
Q3	6	5	83%
Q4	8	8	100%
TOTAL	24	22	91%

Changes to the Operational Plan 2013/14:

It is a requirement for the audit plan to be flexible, this is to ensure that it remains relevant and accurately reflects the risks and needs of the Council. As such, there were three changes to the plan in 2013/14. Two projects were deferred into the 2014/15 audit plan (which was agreed by Audit Committee in March 2014).

In addition, one project was replaced. Assurance work was not conducted for the Agresso upgrade project, as it was agreed with Management that Internal Audit resources would be better applied through the examination of the Sustainable Sheppey project.

No.	Title	Head of Service	Progress	Comments
1	Project Management - Agresso System Upgrade	Head of Finance	REPLACED	Project was replaced with Sustainable Sheppey Project SBC10(2013-14)
2	Homelessness - Waiting List & Options	Head of Housing Services	DEFERRED	Project has been deferred to the 2014/15 plan
3	Property Management - Asset Management	Head of Property Services	DEFERRED	Project has been deferred to the 2014/15 plan

Anti-Fraud & Corruption:

Internal Audit has not undertaken any new investigations of fraud in 2013/14 for Swale Borough Council. During 2013/14 we assisted further with the Sports Development investigation which is now fully closed.

There have been no investigations resulting from the Council's whistleblowing protocols.

National Fraud Initiative:

Mid Kent Audit has continued to facilitate the National Fraud Initiative (NFI) for the purposes of detecting and preventing fraud nationally. In 2013/14 Council Tax Single Persons Discount (SPD) data was matched against electoral role data to identify any potential fraudulent claims for SPD.

The matches for the Council Tax (SPD) to Electoral Register data were released on 28 February 2014, which identified 472 matches to investigate. The Shared Benefit Fraud Service will be investigating the matches with the intention to release the outcomes by September 2014.

The previous NFI exercise (2012/13) matching Housing Benefit, Payroll, Insurance, License and Creditors data is 99% complete. The total value of outcomes reported on the 2012/13 exercise is **£82,346.27**.

Audit Commission Fraud Survey 2013:

The Audit Commission requires that the Council undertakes an annual internal fraud survey submitted. Mid Kent Audit coordinates the survey and provides the information to the Audit Commission in May each year. There were no issues arising from the survey for 2013. The results of the survey form part of the annual publication – Protecting the Public Purse 2013.

Risk Management:

The revised draft Strategic Risk Register was reported to the Audit Committee on 26 March 2014 prior to being reported for approval and adoption by Cabinet on 29 May 2014.

The strategic risk register outlines five risks:

- Risk Scenario 1 - Impact of welfare reform and wider economic pressures
- Risk Scenario 2 - Regeneration and place shaping
- Risk Scenario 3 - Achieving a balanced budget across the medium term financial plan period 2014/15 – 2016/17
- Risk Scenario 4 - Transforming to meet the financial environment
- Risk Scenario 5 - Safeguarding People

Each risk has been allocated a risk owner and they will be creating action plans during 2014/15 to detail the controls that the Council has in place to effectively manage each risk to an acceptable level.

Mid Kent Audit continues to facilitate the risk management process, and compiles the data for quarterly reporting to Senior Management Team. However, Internal Audit does not have responsibility over the individual risks or for the corporate risk register.

Follow-up & Implementation of Recommendations 2013/14:

In 2013/14 we began to track the implementation of audit recommendations to better demonstrate the action being taken by management to address the issues identified during audit work. This data will be used in 2014/15 to inform a review of the follow-up process (the 2014/15 audit process will be presented to Audit Committee as part of the meeting on 11 June 2014).

We conducted 19 follow-up reviews in 2013/14 and most notably, five **limited** level reviews have been re-assessed as providing improved **substantial** assurance.

We reviewed progress against 242 recommendations within those 19 audit projects, 200 of which have been fully implemented representing 83% completion. This is a high result, when taking into consideration that this is the first time that audit recommendations have been tracked in this way, and is a positive reflection on Council Manager and Officers who take on board and action audit recommendations.

This does however, leave 42 recommendations either outstanding or not yet due. Under the current process, these are not subject to further follow-up. This is a key driver for us to review the process in 2014/15 to ensure that future audit recommendations are followed up when due, throughout the year.

No	Title of Audit	Month Issued	Level of Assurance	No. Recs	Follow-up	Recs Implemented	%	Re-assessment
1	Health and Safety	January 2013	Substantial	4	April 2013	4	100%	Substantial
2	Faversham Swimming Pools	September 2012	Substantial	20	May 2013	18	90%	Substantial
3	Business Continuity	February 2013	Substantial	4	June 2013	4	100%	Substantial
4	Property Income	January 2013	Substantial	4	June 2013	4	100%	Substantial
5	IT Disaster Recovery	March 2012	Limited	7	June 2013	7	100%	Substantial
6	CCTV	February 2013	Limited	24	September 2013	19	79%	Substantial
7	Cemeteries	November 2012	Limited	45	September 2013	34	76%	Substantial

8	Housing Benefits (claim applications and assessments)	April 2013	Substantial	4	October 2013	4	100%	Substantial
9	Staying Put	March 2013	Limited	41	December 2013	40	98%	Substantial
10	NNDR - Recovery & Enforcement	April 2013	Substantial	3	December 2013	1	33%	Substantial
11	Bank Reconciliation	April 2013	Substantial	3	December 2013	3	100%	Substantial
12	Licensing	August 2013	Substantial	4	January 2014	4	100%	High
13	Council Tax - Collection & Refunds	June 2013	Substantial	2	January 2014	1	50%	Substantial
14	Accounts Payable	May 2013	Substantial	15	January 2014	13	87%	Substantial
15	Leisure Centre	June 2013	Limited	29	February 2014	15	52%	Substantial
16	Public Sector Equalities Duty	September 2013	Substantial	9	February 2014	9	100%	High
17	Economic Development Grants	November 2013	Substantial	7	April 2014	7	100%	Substantial
18	Payroll	August 2013	Substantial	13	April 2014	9	69%	Substantial
19	Procurement	October 2013	Substantial	4	May 2014	4	100%	Substantial
TOTAL				242		200	83%	

c) Quality Assurance & Improvement Programme:

The Public Sector Internal Audit Standards (the 'Standards') were introduced on 1 April 2013 and set the professional standards for Internal Audit in Local Government. The introduction of the standards brought with them new challenges for Mid Kent Audit, and work was conducted throughout the year to ensure that we could comply with the new standards and to use them as a platform to enhance how we deliver the service.

In January 2014 we commissioned a validated self-assessment against the new standards through the Chartered Institute of Internal Auditors (IIA). The assessment itself was intensive, and the IIA conducted thorough reviews of all aspects of the audit service, including conducting interviews across each of the Mid Kent Audit sites with key senior stakeholders.

The assessment was the first of any Local Authority in England completed by the IIA, the results of which have since been featured in the Municipal Journal as a demonstration of the successes of partnership working and benefits of having an effective Internal Audit service. The results of the assessment were positive, with the service receiving no fails:

Total Number of Standards	Fully Compliant	Partial Compliance	Failure to Comply
56	50	6	0

This is a considerable achievement and provides a high level of independent assurance that Mid Kent Audit is providing a professional and high quality service and is setting the standards in Kent.

Having an independent, objective and professional Internal Audit service is one of the key elements of strong and effective governance. Conformance with the professional standards is evidence to demonstrate that Mid Kent Audit is meeting this criterion, and that Members, Officers and External Auditors can place reliance on the work of Internal Audit.

The IIA will be invited back in 2014/15 to assess progress against the six areas of partial compliance with the expectation to have achieved full compliance of the standards by the end of 2014/15.

Satisfaction with Internal Audit Service – Swale 2013/14

At the close of each audit project the Auditors issue a satisfaction survey to the key client (being the Manager they had most interaction within during the audit).

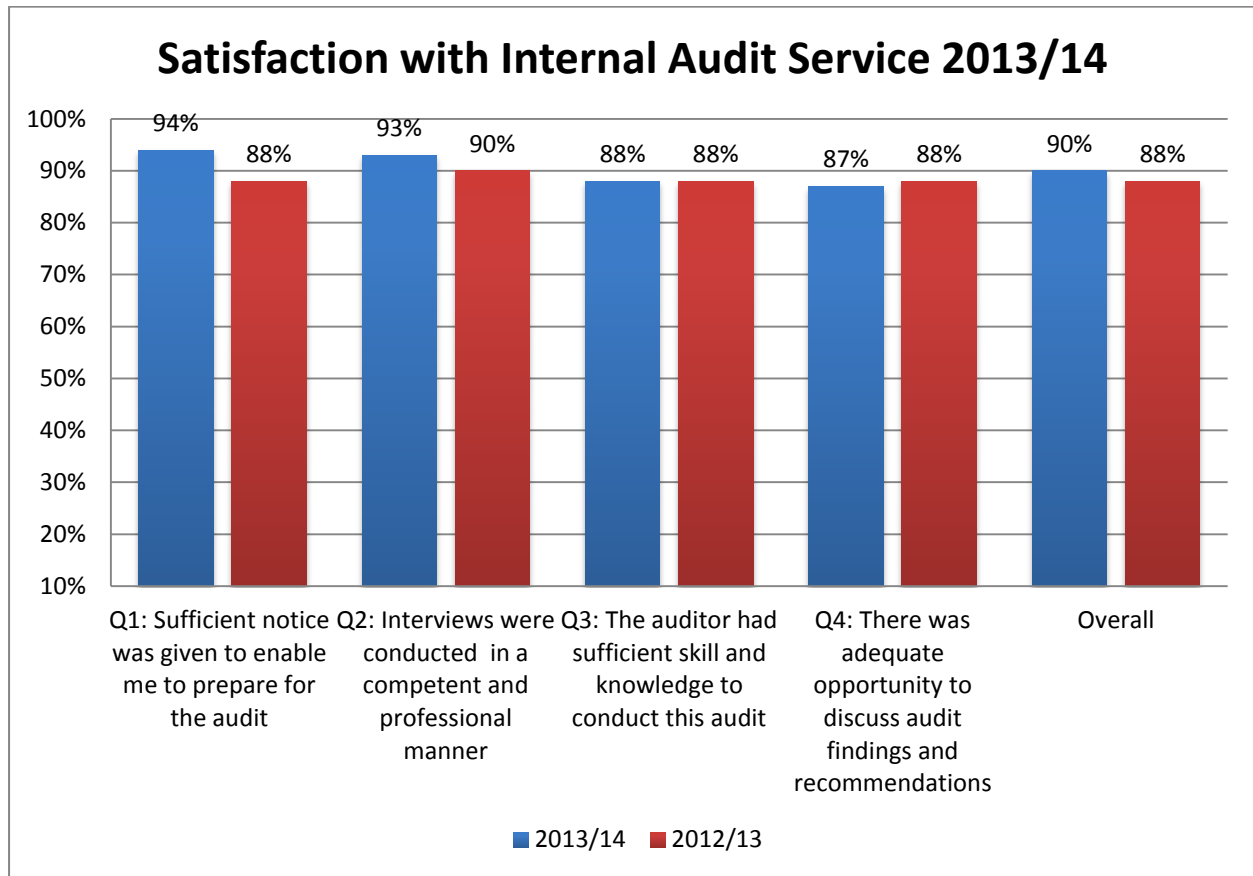
Four questions are asked, designed to measure the overall audit experience:

1. Sufficient notice was given to enable me to prepare for the audit.
2. Interviews were conducted in a competent and professional manner.
3. The auditor had sufficient skill and knowledge to conduct this audit.
4. There was adequate opportunity to discuss audit findings and recommendations.

Responses are measured against Strongly Agree (4), Agree (3), Disagree (2) and Strongly Disagree (1).

Number of Projects Completed	Number of Surveys Issued	Survey Responses Received	% Return Rate
22	19	17	89%

The level of satisfaction has been calculated by using the total responses received to give an overall level of satisfaction:



It is clear to see that the level of satisfaction with the audit service is high, and has been sustained throughout the year. This is particularly rewarding considering the challenges that Mid Kent Audit faced with changes to staff, process and the external assessment.

The feedback received from the customer surveys is a further indication as to the high level of professionalism applied by the auditors when conducting audit work. In addition, the results help us to understand how clients view and receive the effectiveness of the audit process.

Acknowledgements:

We would like to use this opportunity to acknowledge and thank Managers and Officers for their continued support, assistance and co-operation as we undertook audit work over 2013/14.

APPENDX II: Summary of Internal Audit Output: Limited

Title & Audit Objectives	Summary of Key Findings	Level of Assurance	Summary of Management Response	Follow-up Assurance
<p>Leisure Centre</p> <ul style="list-style-type: none"> To identify and evaluate the governance arrangements between the Council, SCLL and the agent To consider the adequacy of the operational arrangements between the Council, the SCLL and the managing agent (Serco) and to verify performance against the terms of the agreements To verify that all contract payments are authorised, accurate and in accordance with the contract terms To establish whether there are adequate controls over other (non-contract) expenditure 	<ul style="list-style-type: none"> There was no contract summary document setting out the key elements of the contract, including revisions made in 2009 and 2011. There was no formalised monitoring programme and formal monitoring records over the Leisure Centre contract including key contract elements such as health and safety and equipment maintenance. The Leisure Centre equipment inventory had not been updated since the start of the contract and equipment, which is owned by Serco, sports clubs and SCLL, has not been clearly differentiated from the Council's equipment. The Council had not made a decision about the payment of utility bills to Serco, despite this being in dispute since January 2012. The basis of how Serco calculates the utility subsidy payment was unclear and payment errors were identified in the payments made since April 2011. The car park refund subsidy invoices received from Serco were not being verified back to the original refund documentation held at the respective Leisure Centres. 	<p>Limited</p>	<ul style="list-style-type: none"> To formalise all of the contract savings previously agreed with Swale Community Leisure Limited and Serco in a formal variation order To develop a formalised contracts monitoring programme to incorporate key terms of the contract including the contractor's business continuity plan, relevant insurance documentation, health and safety, customer complaints and the maintenance of equipment. To carry out, in conjunction with Serco, a full inventory check of all leisure centre equipment and to update the inventory register accordingly. To report the current position in relation to the payment of utility bills to Serco to Senior Management Team and to ensure there is greater transparency over utility bill payments paid in the future and all subsequent utility bill invoices received are checked and verified for accuracy prior to payment. To review the procedures for the payment of car park refunds to Swale Community Leisure 	<p>Action has been taken to implement all of the recommendations.</p> <p>Substantial</p> <p>Audit Committee was provided with feedback from Leisure Centre follow-up on 11 December 2014 where the positive outcomes were formally noted.</p>

Title & Audit Objectives	Summary of Key Findings	Level of Assurance	Summary of Management Response	Follow-up Assurance
<p>Sustainable Sheppey Project</p> <ul style="list-style-type: none"> Establish and review the governance arrangements in place within Swale Borough Council to ensure compliance with the requirements of the Big Lottery Fund and Swale's overall project management procedures. Verify that key outcomes have been defined to support the delivery of the project and that actions have been identified to ensure the delivery of these outcomes. Review current progress for delivery of the projects and assess the adequacy of the monitoring arrangements in place. For a sample of partners, review the arrangements for ensuring the delivery of the actions and outcomes within their responsibility. 	<ul style="list-style-type: none"> The monitoring forms (containing financial performance and performance against agreed targets) were found in some cases to be inaccurate, and inconsistent information was being submitted by the project leads. In addition, no evidence was being collected from the leads in support of either the actual spend against the project streams or reported performance against the targets. Limited controls were found to be in place over the funding paid to project leads which identified that one lead received £19,467 more than they had spent in year 1 due to delays in getting the project underway. It was confirmed during the audit that the monies will be spent in the second year of the project. Due to the information maintained it was difficult to determine actual performance against the targets set but a preliminary review identified that 9/16 of the outcomes were not on target at the end of year 1 (October 2013). 	<p>Limited</p>	<ul style="list-style-type: none"> The monitoring forms will be reviewed and guidance notes will be issued to all parties to provide clarity and consistency over the reporting of information. Returned monitoring forms will be regularly reviewed and project leads asked to submit details and evidence of spend and performance against targets. The funding paid to project leads will be more closely monitored and payments will only be made once the checks have been completed. A mid-project review will be undertaken and a report submitted to the BLF requesting changes to performance targets and budgets as necessary. The responsibility for the implementation of the majority of actions has been allocated to the Project Coordinator. The management response is considered to be satisfactory, however, at the date of the response, the project co-ordinator was absent due to illness. If the illness is prolonged it will hamper the implementation of the agreed actions and therefore represents a significant risk to the delivery of the project. 	<p>Due July 2014</p>

Summary of Internal Audit Output: **Substantial & High**

Title & Audit Objectives	Summary of Key Findings	Level of Assurance	Response	Follow-up Assurance
<p>Procurement: Compliance with Contract Standing Orders</p> <ul style="list-style-type: none"> To determine the level of compliance with the Council's Contract Standing Orders 	<ul style="list-style-type: none"> To review and update procedures over the administration and issue of waivers, including robust levels of challenge, and appropriate authorisation; The need to ensure that all contracts include the standard clauses as set out within the Contract Standing orders; and To update procurement information available online, including the contracts register; 	<p>Substantial</p>	<p>All of the Recommendations were accepted and appropriate target implementation dates agreed.</p> <p>Agreed follow-up: April 2014</p>	<p>Action has been taken to implement all of the recommendations.</p> <p>Substantial</p>
<p>Economic Development Grants</p> <ul style="list-style-type: none"> To confirm whether monies awarded from the High Street Innovation Fund and the Learning and Skills budget are processed in accordance with agreed terms and allocated budgets; To consider whether all High Street Innovation Fund and Learning and Skills payments are authorised and accurate; To establish whether there is adequate monitoring and reporting over the High Street Innovation Fund and Learning and Skills projects to ensure delivery of agreed required outcomes; 	<ul style="list-style-type: none"> The High Street Innovation Scheme was comprehensive and well defined. Grant payments were authorised and paid in accordance with the agreed payment schedules. Budgetary controls over the HSIF budget and individual projects were strong. Projects were being monitored to ensure the agreed outcomes and deliverables are being achieved. Issues were identified in relation to the formal approval of the High Street Innovation Fund Scheme, the periodic reporting of the High Street Innovation Fund projects to Senior Management Team and the on-going resource for the monitoring of the High Street Innovation Fund projects. 	<p>Substantial</p>	<p>All of the Recommendations were accepted and appropriate target implementation dates agreed.</p> <p>Agreed follow-up: April 2014</p>	<p>Action has been taken to implement all of the recommendations.</p> <p>Substantial</p>

Title & Audit Objectives	Summary of Key Findings	Level of Assurance	Response	Follow-up Assurance
<p>Accounts Payable</p> <ul style="list-style-type: none"> To establish and review the process and procedures of control for issuing payments to Creditors To establish if payments made to creditors during 2012/13 are accurate, correctly authorised and secure 	<ul style="list-style-type: none"> The audit established that that there was adequate resource within the Exchequer team to provide good controls and resilience over the day to day processing of invoices and that invoices are processed accurately and in a timely manner. Issues were identified in relation to the processing of invoices and the final authorisation check of the final payment file prior to bank submission and printing. 	<p>Substantial</p>	<p>All of the Recommendations were accepted and appropriate target implementation dates agreed.</p> <p>Agreed follow-up: December 2013</p>	<p>Action has been taken to implement the majority of recommendations.</p> <p>Substantial</p>
<p>Payroll: Shared Service (MBC and SBC)</p> <p>To examine, evaluate and test the adequacy and effectiveness of the payroll system's internal controls to ensure that:-</p> <ul style="list-style-type: none"> The payroll procedures adhere to the Council's Constitution - Financial Procedure Rules. All appointments, amendments and leavers are valid, accurate and authorised. Changes to standing data within the payroll system are accurate and authorised Pay documentation is suitably authorised, appropriate, accurate and secure Pay has been calculated correctly, completely and 	<ul style="list-style-type: none"> The procedures for starters and leavers at Swale are different to that currently in place at Maidstone. The Payroll Manager does not routinely retain the emails from the Chief Accountant at Swale that authorise payment of the monthly payroll and the emails do not always include the amount of the payroll file being authorised. The process for the submission of BACS payments at Swale needs to be reviewed. 	<p>Substantial</p>	<p>All of the Recommendations were accepted and appropriate target implementation dates agreed.</p> <p>Agreed follow-up: April 2014</p>	<p>Action has been taken to implement the majority of recommendations.</p> <p>Substantial</p>

Title & Audit Objectives	Summary of Key Findings	Level of Assurance	Response	Follow-up Assurance
<p>promptly</p> <ul style="list-style-type: none"> Expense claims are valid, accurate and authorised All deductions are authorised, accurate and processed in a timely manner Processing of the BACS payment file is secure and authorised. 				
<p>Mid-Kent Legal Services</p> <ul style="list-style-type: none"> To establish the responsibilities and strategic reporting lines within the Legal Services Partnership To identify and evaluate the adequacy and efficiency of the procedures for the instruction of legal services work by clients across Mid Kent Legal Partnership authorities To establish whether the IKEN time recording system is being accurately, consistently and effectively used by all members of the Legal Services Partnership 	<ul style="list-style-type: none"> The audit identified that IKEN's time recording module has been fully implemented and is being consistently and accurately used by all fee earners and that time records are the subject of regular management review and sign off. Inconsistencies were identified with the processing of new work requests across all 3 partner sites. In addition, new cases were not being prioritised on receipt and allocated a target date accordingly and a large number of completed cases had not been closed on IKEN. 	<p>Substantial</p>	<p>All of the Recommendations were accepted and appropriate target implementation dates agreed.</p> <p>Agreed follow-up: October 2014</p>	<p>Due October 2014</p>
<p>Council Tax: Collection & Refunds</p> <ul style="list-style-type: none"> To establish whether the collection of Council Tax income and the refund of payments are 	<ul style="list-style-type: none"> Comprehensive procedures notes, training and guidance are available to staff and any changes to regulations are identified and communicated in a timely manner. The arrangements for receiving Council 	<p>Substantial</p>	<p>All of the Recommendations were accepted and appropriate target implementation dates</p>	<p>Action has been taken to implement the majority of recommendations.</p>

Title & Audit Objectives	Summary of Key Findings	Level of Assurance	Response	Follow-up Assurance
<p>carried out in accordance with Statutory Regulations and the Council's Financial Procedure Rules.</p> <ul style="list-style-type: none"> To identify, evaluate and test the procedures and controls relating to the collection, recording and monitoring of Council Tax income. To verify that refund payments are legitimate, accurately calculated, authorised and paid. To determine whether Council Tax system is subject to regular and adequate reconciliation against the Council's main accounting system. 	<p>Tax payments and processing refunds are satisfactory.</p> <ul style="list-style-type: none"> Income and refunds are accurately reflected in taxpayers' accounts in a timely manner and there are effective management controls through quality assessment, authorisation and reconciliation processes. 		<p>agreed.</p> <p>Agreed follow-up: October 2014</p>	<p>Substantial</p>
<p>Licensing</p> <ul style="list-style-type: none"> To establish the adequacy of licensing administration procedures in line with statutory responsibilities and current legislation; To establish whether licenses issued, and appeals received, during the past year have been correctly processed; To establish whether licenses are effectively monitored, breaches investigated and enforcement action taken where necessary; To establish whether appropriate 	<p>Audit testing confirmed that licences are being processed accurately and in line with regulatory and local procedural guidance, all monies due to the Council are being collected and recorded correctly and all supporting evidential documentation is being correctly retained</p> <p>Four recommendations were made within the report relating to the review and update of the Licensing web pages, the disposal of CRB documentation, the updating the M3 computer system with current fees and charges and clearer recording of 'Legal' Licence income through the cash receipting system.</p>	<p>Substantial</p>	<p>All of the Recommendations were accepted and appropriate target implementation dates agreed.</p> <p>Agreed follow-up: January 2014</p>	<p>Action has been taken to implement all of the recommendations.</p> <p>High</p>

Title & Audit Objectives	Summary of Key Findings	Level of Assurance	Response	Follow-up Assurance
<p>supporting documentation is retained in support of license applications, appeals, breaches and prosecutions and that data held on the computer system is securely maintained;</p> <ul style="list-style-type: none"> To evaluate and test procedures for the receipt, banking and reconciliation of income received. 				
<p>Housing Benefit: Payments</p> <ul style="list-style-type: none"> To verify that housing benefit payments are accurate, timely and paid in accordance with statutory requirements and agreed procedures; To confirm that discretionary housing benefit payments are accurate, timely and paid in accordance with the Discretionary Housing Benefit policy and relevant procedures; To consider the adequacy of procedures and controls over the timely reconciliation of housing benefits payments through Academy to Agresso; To determine whether there is adequate security over the processing of BACS payments for housing benefit and discretionary housing benefit payments; 	<p>The audit established that housing benefit payments were correctly paid. However, issues were identified in relation to the following areas:</p> <ul style="list-style-type: none"> Supporting documentation to evidence why payments are paid directly to landlords was not being retained on claimant files; All Housing Benefit team members were able to change housing benefit creditor payment details within Academy without any independent verification checks to confirm that amendments made were accurate and authorised; Housing benefit payments to individual claimants over £1,000, and individual landlord payments over £50k were not being counter-signed in accordance with agreed procedures and the Council's Financial Standing Orders; and The housing benefit pro-forma to journal the payment file into Agresso were not being approved by a duly authorised officer; 	<p>Substantial</p>	<p>All of the Recommendations were accepted and appropriate target implementation dates agreed.</p> <p>Agreed follow-up: May 2014</p>	<p>Due May 2014</p>

Title & Audit Objectives	Summary of Key Findings	Level of Assurance	Response	Follow-up Assurance
<p>Residents Parking:</p> <ul style="list-style-type: none"> To establish and evaluate the effectiveness of procedures for the administration of residents permits; To determine the adequacy of controls over the security and control over the issue of permits; To establish the adequacy of controls over receipt, banking, and reconciliation of permit income; To verify that the information maintained relating to resident and business permits is up to date, accurate and well controlled; To determine the controls in place to demonstrate the effectiveness of the residents parking scheme (including enforcement controls); 	<p>The audit concluded that robust operational processes were in place to control, process, and issue residents permits. All permits tested during the audit had been issued and charged correctly, and could be supported by proof of residency within the designated parking zone.</p> <p>There were two key issues identified during the audit relating to the reconciliation of permit income, and data retention:</p> <ul style="list-style-type: none"> The parking system (Imperial) used to administer residents parking permits, is not currently reconciled to Agresso. There is no policy in place to control the retention and destruction of application forms for resident's permits, and the audit identified instances where bank details were visible even after attempted redaction. 	<p>Substantial</p>	<p>All of the Recommendations were accepted and appropriate target implementation dates agreed.</p> <p>Agreed follow-up: August 2014</p>	<p>Due August 2014</p>
<p>Business Rates: Liability, Valuation & Billing</p> <ul style="list-style-type: none"> To confirm whether valuation, liability and billing procedures are in accordance with statutory requirements, and agreed procedures; To establish whether liability is correctly calculated after the application of reliefs and exemptions; 	<ul style="list-style-type: none"> The Council's website needs to be updated to ensure that the information published in relation to Business Rates is accurate and up to date. Processes should be introduced to ensure that all properties are inspected in a timely manner, and part occupied properties should be included as part of the inspection programme. 	<p>Substantial</p>	<p>All of the Recommendations were accepted and appropriate target implementation dates agreed.</p> <p>Agreed follow-up: August 2014</p>	<p>Due October 2014</p>

Title & Audit Objectives	Summary of Key Findings	Level of Assurance	Response	Follow-up Assurance
<ul style="list-style-type: none"> To assess whether suitable reconciliations are undertaken after changes are made to the valuation list; To confirm the adequacy and effectiveness of the billing procedures. 	<ul style="list-style-type: none"> The rural settlement list is not regularly reviewed to re-assess whether those areas listed still meet the criteria for being rural. In addition the list is not published by the Council. 			
<p>PC & Internet Controls</p> <ul style="list-style-type: none"> To establish compliance with the agreed ICT security policy To consider the adequacy of controls over the purchase, installation (hardware and software), maintenance, use and disposal of the Council's PCs and mobile computer devices To establish if the use of the corporate internet and email facility is well controlled, in compliance with agreed security and usage policies and subject to regular monitoring 	<ul style="list-style-type: none"> There is a need to improve the IT asset register and records held for each individual asset to ensure each can be accounted for and traced. Due to the limited level of information maintained on the register, it was not possible to account for all IT purchases made in 2013/14. The service should introduce a disposals policy as part of a review of disposals procedures to ensure that all IT assets are disposed of appropriately and in line with regulation. Again, through conducting testing of a sample of disposals it was not possible to verify that all assets had been accounted for and properly disposed. 	Substantial	Management response due: June 2014	TBC
<p>Public Sector Equalities Duty</p> <ul style="list-style-type: none"> To consider whether the Council satisfies its statutory and regulatory obligations in relation to the Equalities Act 2010 and the "equality duty" To verify that roles, 	<p>The Council is satisfying its statutory obligations in respect of the Public Sector Equality Duty and the roles and responsibilities for the management and monitoring of equalities have been clearly defined.</p> <ul style="list-style-type: none"> Decisions are needed in respect of which equalities model / framework 	Substantial	<p>All of the recommendations were accepted and appropriate target implementation dates agreed.</p> <p>Agreed follow-up: January 2014</p>	<p>Action has been taken to implement all of the recommendations.</p> <p>High</p>

Title & Audit Objectives	Summary of Key Findings	Level of Assurance	Response	Follow-up Assurance
<p>responsibilities and accountabilities for the management, monitoring and reporting of Equalities are clearly defined.</p> <ul style="list-style-type: none"> To establish whether the Council has fully incorporated the Public Sector Equality Duty into all relevant business activities e.g. decision making, policy setting, service planning, contract formulation, service delivery and employment 	<p>should be followed in the future.</p> <ul style="list-style-type: none"> Refresher training is needed for both Members and officers and decisions need to be made about whether equalities training should be made mandatory for officers. Equalities training should also be incorporated into the Member induction programme. 			
<p>Emergency Planning</p> <ul style="list-style-type: none"> To establish whether the Council is complying with its statutory and legal obligations for civil emergencies To consider the adequacy of the Council's Emergency Plan To establish whether there is adequate budgetary allocated to emergency planning and that there is adequate budgetary control over the emergency planning budget To establish whether there is adequate resource (infrastructure and staffing) to enable the emergency plan to be delivered effectively 	<p>The Council is satisfying its statutory and legal obligations for civil emergencies and the Council has a comprehensive and effective Emergency Plan in place.</p> <ul style="list-style-type: none"> The main areas where further work is needed to improve the effectiveness of the Emergency Plan includes increasing the staff resources available to resource the Emergency Plan and the introduction of a rolling training programme for all Emergency Plan team members. 	<p>Substantial</p>	<p>All of the Recommendations were accepted and appropriate target implementation dates agreed.</p> <p>Agreed follow-up: August 2014</p>	<p>Due August 2014</p>

Title & Audit Objectives	Summary of Key Findings	Level of Assurance	Response	Follow-up Assurance
<ul style="list-style-type: none"> To establish and evaluate the controls in place to ensure that staff are aware of their duties in the event of an emergency and that they are adequately prepared and trained to respond. 				
<p>Community Safety Grants</p> <ul style="list-style-type: none"> To confirm that the community safety grant scheme has been delivered in line with the Home Office funding criteria for 2012/13; To establish the adequacy of controls over the application and award of the 2012/13 community safety grants; To ensure that successful grant applications have been correctly paid and distributed; To determine the adequacy of the evidence, monitoring and reporting arrangements over the spending of grant funds; To establish the outcomes delivered through the community safety grant scheme; 	<p>The 2012/13 grants were spent in accordance with agreements. Financial accounts supplied by the organisations were readily available and all of the grants tested could be fully accounted for. In addition, strong controls exist over the monitoring and reporting of grant expenditure, in line with the agreed terms and conditions.</p> <p>The grants for 2012/13 have been correctly awarded, and that the outcomes delivered support the objectives of the Community Safety Grant scheme.</p>	High	The controls in place are considered to be strong, and therefore require no follow-up.	N/A
<p>VAT Management</p> <ul style="list-style-type: none"> To provide assurance over the adequacy of controls for the administration of VAT within the Council – including the 	<p>Testing conducted during the audit confirmed that:</p> <ul style="list-style-type: none"> VAT classifications are correct; VAT recovery on income and 	High	The controls in place are considered to be strong, and therefore require no follow-up.	N/A

Title & Audit Objectives	Summary of Key Findings	Level of Assurance	Response	Follow-up Assurance
<p>categorisation of goods and services for VAT purposes;</p> <ul style="list-style-type: none"> To ensure that suitable steps are taken to ensure that input and output VAT is accounted for completely and correctly in a timely manner; To confirm the accuracy and completeness of monthly returns submitted to HMRC; 	<p>expenditure is accurate; and</p> <ul style="list-style-type: none"> Monthly VAT returns to HMRC are correct - being appropriately prepared, checked and submitted in a timely manner; 			
<p>Accounts Receivable</p> <ul style="list-style-type: none"> To establish the procedures for setting up a new debtor and raising a debtors invoice (post Agresso 5.6.3 upgrade); To test the accuracy, integrity and data quality of the debtors master-file data; To test the accuracy, validity and data quality of debtor invoices; To test the accuracy and integrity of Accounts Receivable receipts file, and To establish the procedures for the recovery of sundry debts. 	<p>The findings of the audit, which confirm that debtor accounts and invoices are set up accurately, supported by relevant documentation and administered in a timely manner.</p> <p>The Council has good procedures in place to identify all debtors income received and to post the payments received to the respective debtor's accounts.</p>	<p>High</p>	<p>The controls in place are considered to be strong, and therefore require no follow-up.</p>	<p>N/A</p>