

## AGENDA

### AUDIT COMMITTEE MEETING

Date: Wednesday, 14 March 2018

Time: 7.00 pm

Venue: Committee Room, Swale House, East Street, Sittingbourne, Kent, ME10 3HT

Membership:

Councillors Andy Booth, Roger Clark, Adrian Crowther, Mick Galvin, Nicholas Hampshire (Chairman), Harrison, Nigel Kay (Vice-Chairman), Samuel Koffie-Williams and Peter Marchington.

Quorum = 3

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Pages

#### 1. Emergency Evacuation Procedure

The Chairman will advise the meeting of the evacuation procedures to follow in the event of an emergency. This is particularly important for visitors and members of the public who will be unfamiliar with the building and procedures.

The Chairman will inform the meeting whether there is a planned evacuation drill due to take place, what the alarm sounds like (i.e. ringing bells), where the closest emergency exit route is, and where the second closest emergency exit route is, in the event that the closest exit or route is blocked.

The Chairman will inform the meeting that:

(a) in the event of the alarm sounding, everybody must leave the building via the nearest safe available exit and gather at the Assembly points at the far side of the Car Park. Nobody must leave the assembly point until everybody can be accounted for and nobody must return to the building until the Chairman has informed them that it is safe to do so; and

(b) the lifts must not be used in the event of an evacuation.

Any officers present at the meeting will aid with the evacuation.

It is important that the Chairman is informed of any person attending who is disabled or unable to use the stairs, so that suitable arrangements may be made in the event of an emergency.

#### 2. Apologies for Absence and Confirmation of Substitutes

### 3. Declarations of Interest

Councillors should not act or take decisions in order to gain financial or other material benefits for themselves or their spouse, civil partner or person with whom they are living with as a spouse or civil partner. They must declare and resolve any interests and relationships.

The Chairman will ask Members if they have any interests to declare in respect of items on this agenda, under the following headings:

(a) Disclosable Pecuniary Interests (DPI) under the Localism Act 2011. The nature as well as the existence of any such interest must be declared. After declaring a DPI, the Member must leave the meeting and not take part in the discussion or vote. This applies even if there is provision for public speaking.

(b) Disclosable Non Pecuniary (DNPI) under the Code of Conduct adopted by the Council in May 2012. The nature as well as the existence of any such interest must be declared. After declaring a DNPI interest, the Member may stay, speak and vote on the matter.

**Advice to Members:** If any Councillor has any doubt about the existence or nature of any DPI or DNPI which he/she may have in any item on this agenda, he/she should seek advice from the Monitoring Officer, the Head of Legal or from other Solicitors in Legal Services as early as possible, and in advance of the Meeting.

### 4. Minutes

To approve the Minutes of the Meeting held on 29 November 2017 (Minute no.364 – 371) as a correct record.

### **Part B Reports for decision by the Audit Committee**

5.	Certification of Claims and Returns	1 - 16
6.	Strategic Risk Register and Action Plans	17 - 30
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**Issued on Tuesday, 6 March 2018**

The reports included in Part I of this agenda can be made available in **alternative formats**. For further information about this service, or to arrange for special facilities to be provided at the meeting, **please contact DEMOCRATIC SERVICES on 01795 417330**. To find out more about the work of the Audit Committee, please visit [www.swale.gov.uk](http://www.swale.gov.uk)

**Chief Executive, Swale Borough Council,  
Swale House, East Street, Sittingbourne, Kent, ME10 3HT**

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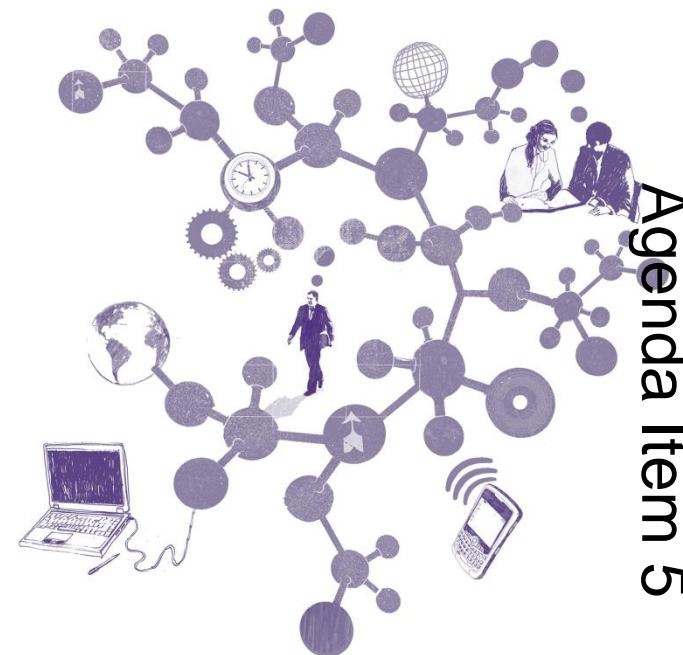
# Certification report 2016/17 for Swale Borough Council

Year ended 31 March 2017

February 2018

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Agenda Item 5

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## Section 1: Summary of findings

01. Summary of findings

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# Summary of findings

## Introduction

Certain claims and returns submitted by local authorities require auditor certification to help confirm the authority's entitlement to funding.

For 2016/17 the only claim requiring auditor certification at Swale Borough Council ('the Council') was the Council's claim for housing benefit subsidy.

Auditors are required to report the outcomes of certification work to those charged with governance. This report summarises the outcomes from our certification work on the Council's housing benefit subsidy claim for 2016/17.

## Approach and context to certification

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies.

Public Sector Audit Appointments (PSAA) have taken on the transitional responsibilities for HB COUNT (the framework used for the certification of housing benefit subsidy claims) issued by the Audit Commission in February 2015.

Our certification work has been completed using the HB COUNT framework.

In 2016/17 the Council's draft claim was for housing benefit subsidy of £54.1m, based on benefit granted of £54.4m.

## Key messages

The Council's draft and final certified claims for housing benefit subsidy were submitted within the deadlines specified by the Department for Work and Pensions (DWP).

There were no amendments to the 2016/17 claim prior to certification. We reported on a number of issues to DWP in a qualification letter.

Further information on the outcomes from our certification work is provided at Appendices A and B.

## Previous year recommendations

We review action taken on recommendations arising from our previous year certification report. We concluded that you had taken appropriate action on the recommendations made in our 2015/16 report.

## Certification fees

For each Council an indicative scale fee for certification work is set by PSAA. The 2016/17 indicative scale fee for the Council's housing benefit subsidy claim reported in our Audit Plan of May 2017 was £18,611.

We are not proposing any amendment to the indicative scale fee. Our final fee for the 2016/17 certification work will therefore be £18,611 (Appendix C).



# Summary of findings

## **The way forward**

The recommendations arising from our certification work are at Appendix D.

## **Acknowledgements**

We would like to take this opportunity to thank officers for their assistance and co-operation with our 2016/17 certification work.

**Grant Thornton UK LLP**  
**February 2018**

# Appendices

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# Appendix A: Work performed 2016/17

Claim or return	Comments
<div>Housing benefit subsidy claim</div> <div>Page 7</div>	<p><b>Overall approach</b></p> <p>The PSAA certification framework requires sample testing of benefit claims to confirm benefit has been awarded in accordance with regulations and correctly recorded for subsidy purposes. Two initial samples are tested (all transactions in year)</p> <ul style="list-style-type: none"><li>- 20 rent allowance cases</li><li>- 20 rent rebate (tenants of non-HRA properties) cases.</li></ul> <p>Where errors are identified from this initial testing, and there is not enough information to agree a claim amendment or assess the impact of the error across the population as a whole, then additional testing is performed (either on a further sample of 40 cases, or on all relevant cases, depending on the number of cases where the error could have occurred) for the issue giving rise to the error.</p> <p>Under the PSAA framework auditors are also required to perform sample testing to cover previous year issues and confirm that these do not affect the current year's claim.</p> <p>Where the impact of errors can be quantified exactly then the claim is amended. Where the potential impact on subsidy can only be estimated or extrapolated then the issue is reported to DWP using a qualification letter.</p>

# Appendix A: Work performed 2016/17

Claim or return	Comments
<div>Housing benefit subsidy claim (continued)</div> <div>Page 8</div>	<p><b>Outcomes from claims testing</b></p> <p>A summary of the outcomes from our 2016/17 certification testing of individual claims is included at Appendix B.</p> <p>For errors where the impact for subsidy purposes cannot be quantified exactly then extrapolations are performed and reported to DWP using a qualification letter. It is for DWP to decide what action to take on the issues reported. However, the issues reported in our 2016/17 qualification letter as below are unlikely to have a significant impact on subsidy payable.</p> <p>(a) Underpayment errors are reported to DWP, and require adjustments for individual claimants, but will have no impact for subsidy purposes as subsidy cannot be claimed for benefit which has not been awarded.</p> <p>(b) For rent allowances one extrapolation was required. The impact was to increase local authority overpayments (paying nil subsidy) by £620, with a corresponding reduction at a line paying full subsidy.</p> <p>However, the amount of subsidy receivable for local authority overpayments also depends on the aggregate value of those overpayments relative to a threshold set by DWP. After adjusting for the reported extrapolation the value of local authority overpayments remained below this DWP threshold, and as such continued to attract full subsidy.</p> <p>(c) For non HRA rent rebates one extrapolation was required. The impact was to increase the amount at cell 12 (paying full subsidy) by £147, with a corresponding reduction at cell 13 (paying nil subsidy).</p>

## Appendix B: Outcomes from testing of benefit claims

	Cases tested	Errors identified	
<b>2015/16 Follow up testing: Rent allowances</b>			
Follow up testing was performed in the following areas to address issues arising from our 2015/16 certification work.			NB: Where testing identifies that benefit has been underpaid there is no impact on subsidy as subsidy cannot be claimed on benefit that has not been awarded.
Calculation errors relating to child care payments	40	0	
Calculation errors relating to child tax credits	40	0	
Calculation errors relating to working tax credits	40	1	One error resulted in an underpayment of benefit.
Calculation errors relating to earned income	40	6	Five cases resulted in an underpayment of benefit and one case in an overpayment. For the overpayment the impact across all relevant claims was extrapolated and reported to DWP.
Calculation errors relating to private pensions	40	0	
Calculation errors relating to Carer's Premium	40	0	
Rent liability incorrect as based on incorrect LHA rate	40	0	

# Appendix B: Outcomes from testing of benefit claims

	Cases tested	Errors identified	
<b>2016/17 Follow up testing: Non HRA</b>			NB: Where testing identifies that benefit has been underpaid there is no impact on subsidy as subsidy cannot be claimed on benefit that has not been awarded.
Follow up testing was performed in the following areas to address issues arising from our 2015/16 certification work.			
Errors where the authority had underclaimed subsidy because, although eligible rent exceeded the LHA cap, the authority had not applied the full LHA cap, or had used an amount lower than the full LHA cap in calculations.	40	1	In one case a payment had been included at cell 13, paying nil subsidy, but should have been included at cell 12, paying 100% subsidy. The impact was extrapolated and reported to DWP.
Wrong end date applied to claim.	40 (entire population)	2	Two errors resulted in an underpayment of benefit.

# Appendix B: Outcomes from testing of benefit claims

	Initial testing: Errors identified	Additional testing sample	Additional testing: Differences identified	
<b>2016/17 Initial testing: Rent Allowances</b>  Testing was performed on an initial sample of 20 benefit claims.  This testing identified the following errors;				Where testing identifies that benefit has been underpaid there is no impact on subsidy as subsidy cannot be claimed on benefit that has not been awarded.
<div>Page 11</div> Family premium incorrectly removed before the end of a period of entitlement	1	Not required	N/A	One error resulted in an underpayment of benefit.  Removing an applicable amount to which a claimant is entitled where there has been no change of circumstances will always lead to an underpayment of benefit. For errors which will always lead to an underpayment no additional testing is required under the HBCOUNT framework.

# Appendix B: Outcomes from testing of benefit claims

	Initial testing: Errors identified	Additional testing sample	Additional testing: Errors identified	
<b>2016/17 Initial testing: Rent rebates (tenants of non-HRA properties)</b>  Testing was performed on an initial sample of 20 benefit claims.	None	N/A	N/A	



# Appendix C: Fees

Claim or return	2015/16 fee	2016/17 indicative fee	2016/17 actual fee	Variance with previous year	Explanation for variance
	£	£	£	£	
Housing benefit subsidy claim	23,626	18,611	18,611	(5015)	Reduced work required on 2016/17 claim.
Total	23,626	18,611	18,611	(5015)	

# Appendix D: Action plan

**Priority**  
**High** - Significant effect on arrangements  
**Medium** – Some effect on arrangements  
**Low** - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
Page 14	<b>Housing benefit subsidy scheme</b>			
	1 Officers should consider the nature of the errors identified from certification testing and consider the need for any training or supervision to help reduce errors in future years.	Medium	Training will be carried out to help reduce errors in the future	Revenues and Benefits Manager
	2 Benefit records for individual claimants should be amended in the current year for all errors identified from 2016/17 certification testing.	Medium	All benefit records for individual claimants have been amended for all errors identified from 2016/17 certification testing.	Revenues and Benefits Manager Already completed.



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<b>Audit Committee Meeting</b>		<b>Agenda Item:</b>
<b>Meeting Date</b>	14 March 2018	
<b>Report Title</b>	Risk Management Update 2017/18	
<b>Cabinet Member</b>	Cllr Andrew Bowles - Leader	
<b>SMT Lead</b>	Nick Vickers – Chief Finance Officer	
<b>Head of Service</b>	Rich Clarke – Head of Audit Partnership	
<b>Lead Officer</b>	Russell Heppleston – Deputy Head of Audit Partnership	
<b>Key Decision</b>	No	
<b>Classification</b>	Open	
<b>Forward Plan</b>	Reference number: N/A	
<b>Recommendations</b>	1. That the Audit Committee <b>notes</b> the Corporate Level Risks for Swale Borough Council and provides <b>comments</b> on the operation of the risk management framework.	

## 1 Purpose of Report and Executive Summary

- 1.1 The purpose of this report is to provide information to members of the Audit Committee on the Council's risk management arrangements. As those charged with governance, the Committee must seek assurance over the effectiveness of the operation of the process.
- 1.2 Since the implementation of a new risk management framework in July 2015 a great deal of work has been undertaken to embed stronger risk management and to ensure that all of the Council's risks are captured and managed using the comprehensive risk register. As part of this work we have worked with Strategic Management Team (SMT) and Heads of Service to identify and assess the corporate level risks facing the Council as it strives to deliver the Corporate Plan. This report provides a summary of these key risks.
- 1.3 The report is attached in appendix I.

## 2 Background

- 2.1 Since implementing the **risk management framework** in July 2015 we have been providing regular updates to Officers and Member on key risks, and the actions being taken to address and manage those risks. For Members, these updates have focussed on the corporate level risks as those that are more strategic in nature.
- 2.2 We (Mid Kent Audit) have been working with the Council over the course of the year (2017/18) to update and maintain the comprehensive risk register. Including refreshing the corporate risks, and continued reporting and communication of key risk information. The most recent update was to Informal Cabinet November 2017 and SMT in February 2018.

- 2.3 The work to implement and embed processes and procedures is largely complete, but we continue to work with the Council to create a positive risk culture, and ensure that the risk management process adds value. It is appropriate that risk information is reported to Members, via Audit Committee. The attached report (appendix I) is the second update report this Committee and seeks to bring members up to date with the work undertaken over 2017/18.

### **3 Proposal**

- 3.1 Effective risk management is a key component of sound governance. This Committee, as those charged with governance, must gain assurance that the Council is operating an effective risk management process, and that risks are being managed.
- 3.2 We therefore propose that the Committee notes the arrangements in place and provides comments on the operation of the risk management process. We also propose that the Committee notes the corporate level risks as outlined in the report (appendix I) as the risks identified as being of strategic importance and linked to the achievement of the Corporate Plan.

### **4 Alternative Options**

- 4.1 In order for any risk management process to be effective it is vital that risk information is reported, that risks are monitored and that action is taken to manage risks to an acceptable level. Reporting risks to Members is necessary to provide assurance that risks are being managed.
- 4.2 An alternative option would be to not report or monitor risks, but this would counter the effectiveness of the process, and would go against the terms of reference for this Committee.

### **5 Consultation Undertaken**

- 5.1 The risk management framework was designed through consultation with SMT and more broadly through consultation with Heads of Service.
- 5.2 All risk owners have been involved in the identification and assessment of the risks on the register.

## 6 Implications

Issue	Implications
Corporate Plan	Effective risk management is part of the Council's governance framework. The purpose of the risk management process is to ensure that key risks are identified and appropriately managed as the Council pursues its Corporate objectives.
Financial, Resource and Property	Investment in developing risk management arrangements are being met from existing resources within the Mid Kent Audit partnership. No implications identified at this stage.
Legal and Statutory	None identified at this stage
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	This report is about risk management. No H&S implications identified at this stage.
Equality and Diversity	None identified at this stage

## 7 Appendices

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

- Appendix I: Risk Management Update 2017/18

## 8 Background Papers

None

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# **MID KENT AUDIT**

## **Risk Management Update**

### **Audit Committee**

**March 2018**



# Introduction

Effective risk management is a vital part of the Council's governance, and contributes greatly to the successful delivery of services and the key priorities. The Council has always recognised and supported the need to have effective risk management processes, and so, in early 2015 sought to update and refresh procedures and guidance.

As part of this work, we (Mid Kent Audit) took lead responsibility to co-ordinate the update across the council to embed revised risk management processes. Our role includes reporting regular updates to Officers and Members, through the Strategic Management Team (SMT), Informal Cabinet and the Audit Committee, providing workshops and training, and helping to ensure risks are being effectively managed.

Having valuable and up to date risk information enables both Executive and oversight functions to happen effectively. Executive management has the role to review the substance of individual risks to ensure that risk issues are appropriately monitored and addressed. As those charged with governance, the Audit Committee seeks assurance that the Council operates effective risk management.

## Purpose

In March last year we reported our first risk report to the Audit Committee. This report builds on our previous update and seeks to provide Members with an overview of the Council's risk management arrangements, thus enabling the committee to fulfil the responsibilities as set out in the Terms of Reference:

***“To monitor the effective development and operation of risk management and corporate governance in the Council”***

This report should be used to provide assurance to Members that the Council has effective risk management, and that risks identified through that process are managed, and monitored appropriately.

## Risk Management Process

The [risk management framework](#) is a guide that sets out how the Council identifies, manages and monitors risks.

In summary, the risk management process for the Council can be broken down into the following key components (see also Appendix II):



All risks are recoded on the comprehensive risk register, and it is this register that is used to generate risk information across the Council.

We generally identify risks at two levels, at an operational level and at a corporate level:

**Corporate level risks** are more strategic in nature; the management of these risks is co-ordinated and overseen by SMT quarterly, Informal Cabinet twice a year, and annually by the Audit Committee. By definition, these risks inherently carry a higher impact level as they affect multiple services. They are the risks that could prevent the Council from achieving its ambitions and objectives.

The corporate level risks were last updated and reviewed in November 2017 and will be reviewed and updated again in March/April 2018.

**Operational risks** are principally identified as part of the service planning cycle each year. Throughout the year these risks are reviewed, updated and reported to SMT quarterly. Operational level risks are more directly linked with our day to day operation of services. However, operational risks can nonetheless have potential for significant impact.

Operational risks were updated in February 2018, and will continue to be updated between March and April 2018 as service plans are created.

## Operational Risk Profile

All Council services maintain a risk register. These individual risk registers collectively form the comprehensive risk register, and it is this complete register that is used to compile the risk update reports on a regular basis.

Using the register we are able to gain an understanding of how many risks we have across the Council and how they are weighted and scored. This enables us to see the overall risk exposure and profile for the Council. The current risk profile of the Council is set out below; using this table it is possible to see the movement of risks over the course of the last 12 months:

Inherent Risk Rating	February 2017	September 2017	February 2018
<b>BLACK</b>	4	1	1
<b>RED</b>	17	10	3
<b>AMBER</b>	59	47	56
<b>GREEN</b>	25	17	20
<b>BLUE</b>	4	3	3
<b>TOTAL</b>	<b>109</b>	<b>78</b>	<b>83</b>

Overall we have seen a reduction in the number of risks, most of which have been moved off the register because they have been fully managed (i.e. they are no longer an uncertainty), or no longer present a risk due to the passage of time. What this also shows, is that the risk process is fluid and a living process. Risks are being identified and managed and updated regularly.

Risks are assessed on **impact** and **likelihood** (definitions attached in appendix III). We have kept the definitions the same so that new risks are assessed consistently, and movement of risks can be tracked.

**Figure 1: Inherent risks – operational risks**

Likelihood	5					
	4		2			1
	3	1	8	22	3	
	2	2	13	12	9	1
	1		1	5	1	2
		1	2	3	4	5
		Impact				

The matrix shows all of the inherent risks, meaning these are the risks as they **currently** stand, before further actions and mitigations have been taken.

Operational risks are the responsibility of the services to manage, and so are part of the remit of our Managers and Heads of Service. However, in accordance with the framework, risks are reviewed based on overall score. What that means is that:

**RED** rated risks are updated monthly or quarterly (depending on overall score) and so are monitored more frequently.

**AMBER** risks are looked at 6 monthly by the service.

**GREEN** and **BLUE** risks, which are much lower level, are updated annually as part of the service planning process.

The service planning process for 18/19 is currently underway, and this is the time of the year when all risk registers will be updated and if necessary, new risks added, and older risks (that no longer present a risk) are removed.

## Corporate Risk Profile

The corporate level risks are identified using a strategic workshop, attended by SMT and Heads of Service. The risks identified at this level are aligned to the corporate plan (2015-2018) and are then kept under review. Each of the risks has been allocated an 'owner' as someone who is a senior manager and best placed to coordinate a response to the risk, and to oversee and monitor it.

The matrix below shows the headings of each risk, and the placement of the risk in terms of overall score on the risk matrix:

**Figure 1: Inherent risks – corporate risks**

Likelihood	5					
	4			k	b, d, m, n	
	3		h	e, j	a, f	c
	2		l	g	l	
	1					
		1	2	3	4	5
		Impact				

Ref.	Risk Heading
a	STC Delivery
b	Transport Infrastructure
c	Local Plan
d	Homelessness
e	Skills gap
f	Funding Restrictions
g	Income Generation
h	Emergency Plan
i	Recruitment & Retention
j	Business Transformation
k	External partners
l	Partnerships (internal)
m	Cyber Security Incident
n	GDPR

## Risk tolerance

Risk tolerance is the level of risk that the Council is willing to accept before seeking to take action to address or manage the risk to a 'safer' level. The tolerance for the Council is illustrated in the matrix as the **RED** and **BLACK** areas. This means that the Council seeks to manage risks of this level downwards, or if this is not possible, to monitor the risk more closely.

As illustrated above there are currently 8 risks that sit in the **red** area of the matrix. These are:

- STC Delivery
- Transport Infrastructure
- Local Plan
- Homelessness
- Funding Restrictions
- External partners
- Cyber Security Incident
- GDPR

These risks will continue to be monitored and reviewed and as action is taken the score will be updated to reflect any change to risk likelihood or impact.

## Corporate Level Risks

The table below provides more information on each of the corporate level risks for the Council. As a high level summary the extract below shows the risk, the impact and likelihood, and the key impact area for each risk.

The full register includes further details on the current controls and planned controls for each risk. Risk actions are identified to help manage any high level risks, and then re-assessed to show any reduction in the risk score (this is known as the mitigated rating):

Ref.	Risk (full description)	Risk Owner	Inherent rating			Key Impact	Mitigated rating		
			I	L	Σ		I	L	Σ
a	<b>STC Delivery</b> STC scheme is not delivered to time, resulting in adverse reputational damage to the Council	Emma Wiggins	4	3	12	Failure to <b>deliver</b> Council priorities and uncontrolled <b>financial loss</b>	4	2	8
Page 26 c	<b>Transport Infrastructure</b> Infrastructure programmes don't align to the local plan review and fail to make a robust case for public funding and / or to support development proposals	James Freeman & Charlotte Hudson	4	4	16	Uncontrolled <b>financial loss</b> – linked to business rate growth	4	2	8
	<b>Local Plan</b> Council is unable to meet challenging local plan review timescales for adoption by April 2022	James Freeman	5	3	15	Failure to <b>deliver</b> Council priorities and uncontrolled <b>financial loss</b>	4	2	8
	<b>Homelessness</b> National increases in homelessness and changes to legislation (Homelessness Reduction Act) create additional workload and increased cost burden for the Council	Roxanne Sheppard	4	4	16	Failure to <b>deliver</b> statutory service and uncontrolled <b>financial loss</b>	3	4	12
e	<b>Skills gap</b> Employers in the Borough are unable to recruit or retain sufficient skilled workforce necessary to grow their businesses	Charlotte Hudson	3	3	9	No major impact identified – this risk sits within the risk appetite	3	3	9
f	<b>Funding Restrictions</b> We are unable to match the delivery of Council activities to reduced funding on an ongoing basis	Nick Vickers	4	3	12	Failure to <b>deliver</b> Council priorities and uncontrolled <b>financial loss</b>	3	3	9

Ref.	Risk (full description)	Risk Owner	Inherent rating			Key Impact	Mitigated rating		
			I	L	Σ		I	L	Σ
g	<b>Income Generation</b> Income generation programmes and initiatives do not cover the loss of Government grant for the Council	Nick Vickers	3	2	6	<i>No major impact identified – this risk sits within the risk appetite</i>	3	2	6
h	<b>Emergency Plan</b> Lack of clarity over access to shared service officers' in the event of a multi-area emergency, means that the Council could have insufficient resources to respond.	Della Fackrell	2	3	6	<i>No major impact identified – this risk sits within the risk appetite</i>	2	2	4
i	<b>Recruitment &amp; Retention</b> We are unable to recruit and/or retain staff with the right skillsets we need to deliver our priorities	Bal Sander	2	2	4	<i>No major impact identified – this risk sits within the risk appetite</i>	2	2	4
j	<b>Business Transformation</b> Transformation programme does not identify viable options to achieve the anticipated efficiencies / savings / priorities of the Council	Mark Radford	3	3	9	<i>No major impact identified – this risk sits within the risk appetite</i>	3	2	6
k	<b>External partners</b> Decisions made by our partners impact negatively on the interests of Swale and its residents	Charlotte Hudson	3	4	12	<i>Failure to <b>deliver</b> Council priorities</i>	4	3	12
l	<b>Partnerships (internal)</b> Breakdown in one or more partnership relationships, resulting in failure to deliver objectives	David Clifford	4	2	8	<i>No major impact identified – this risk sits within the risk appetite</i>	4	2	8
m	<b>Cyber Security Incident</b> The Council becomes victim of a sophisticated cyber-attack that it is unable to defend against	Chris Woodward	4	4	16	<i>Failure to <b>deliver</b> Council priorities and damage to Council <b>reputation</b> and uncontrolled <b>financial</b> loss</i>	4	3	12
n	<b>General Data Protection Regulations (GDPR)</b> Non-compliance with GDPR could result in significant monetary fines and damage to Council reputation	Information Governance Group	4	4	16	<i>Failure to <b>comply</b> with regulations damage to Council <b>reputation</b> and uncontrolled <b>financial</b> loss</i>	4	3	12

## Next Steps

Risk management is a continuous process, and to be valuable it must be updated and maintained. Moving forward into 2018/19, the following areas will be our focus in order to further strengthen the risk management process and develop a positive risk culture across the Council:

1. **To undertake the first full review of the framework:** The framework has been operating for nearly 3 years, and so it is about the right time to review and where necessary update the framework to ensure that it remain fit for purpose;
2. **Develop a training programme:** We (Mid Kent Audit) have continued to facilitate workshops, and deliver risk sessions as and when requested. However, developing the overall knowledge and expertise for risk management across the Council requires a wider approach. We will be looking to develop a training session for managers and officers on the principles of risk management, and to tailor that with the framework and procedures;
3. **Launch project risk management guidance:** This is already in progress and a draft will be coming to SMT in the near future, but this will aim to standardise project risk management, and ensure that project failure risks are appropriately monitored and reported;
4. **Enhance risk information and insights:** We will be undertaking a review of key controls and also drawing together thematic information on key risk areas – this will mean we can provide a richer level of risk information and start to identify similarities / root cause issues across the Council;

We are also currently evaluating tenders for a new audit management system. A couple of the solutions we have been reviewing have enterprise risk management tools built into the software. This could potentially enable us to be smarter and more efficient with how we maintain the risk register and how we generate risk information.

There has been substantial progress over the last 2 years in how the Council manages risk. This wouldn't have been possible without the great deal of positive engagement and support from Senior Officers and Managers in the Council. So, we'd like to take this opportunity to thank officers for their continued work and support.



## Swale Risk Management Process: One Page Summary

Step 1 – Identify Risks	Step 2 – Evaluate Risks	Step 3 – Treat Risks	Step 4 – Review Risks
<p>Best done in groups, by those responsible for delivering objectives, at all levels</p> <p><b>RISK</b> is the chance of something happening that will <b>impact</b> on <b>objectives</b></p> <p>Consider both <b>THREATS</b> and <b>OPPORTUNITIES</b></p> <p>When to consider:</p> <ul style="list-style-type: none"> <li>Setting business aims and objectives</li> <li>Service planning</li> <li>Target setting</li> <li>Partnerships &amp; projects</li> <li>Options appraisals</li> </ul> <p>Think both <b>what could go wrong</b> and <b>what more could we achieve?</b></p>	<p>Combination of the <b>impact</b> and <b>likelihood</b> of an event and its consequences (the <b>inherent risk</b>)</p> <p><b>Black</b> – Top risk, immediate action and reporting to directors  <b>Red</b> – High risk, immediate action  <b>Amber</b> – Medium risk, review current controls  <b>Green</b> – Low risk, limited action, include in plans  <b>Blue</b> – Minimal risk, no action but review</p>	<p>Concentrate on <b>top risks</b>, 10 to 12 in number</p> <ul style="list-style-type: none"> <li>Can we reduce likelihood?</li> <li>Can we reduce impact?</li> </ul> <p><b>Risk Response – 4 Ts</b></p> <ul style="list-style-type: none"> <li>Treat (i.e. apply controls)</li> <li>Tolerate (i.e. accept risk)</li> <li>Transfer (i.e. insurance)</li> <li>Terminate (i.e. stop activity)</li> </ul> <p>After your risk response; where does it score now? (the <b>mitigated risk</b>)</p> <p>Devise <b>contingencies and action plans</b> for '<b>Red</b>' and '<b>Black</b>' risks – seek to reduce mitigated risk back to '<b>Amber</b>' or below</p>	<p><b>Risk Registers</b></p> <ul style="list-style-type: none"> <li>Contain all identified risks, <b>Management Action Plans</b> for top risks</li> <li>Prepare and monitor as <b>regular agenda item</b></li> <li>Indicate <b>risk response</b> and <b>risk owner</b></li> </ul> <p><b>Council risk monitoring</b></p> <ul style="list-style-type: none"> <li>Risk registers passed to internal audit</li> <li>Action led periodic review to ensure registers kept current</li> </ul> <p><b>Council's Top Risks</b></p> <ul style="list-style-type: none"> <li><b>Top ten mitigated risks</b> and all inherent '<b>Black</b>' &amp; Corporate risks monitored as regular item at <b>SMT</b></li> <li>Six monthly monitoring at <b>Audit Committee</b> and <b>Cabinet</b></li> <li>Annual monitoring of process at <b>Audit Committee</b></li> </ul>

## Impact & Likelihood Scales

### RISK IMPACT

Level	Service risk	Reputation Risk	H&S	Legal Risk	Financial Risk	En'tment Risk
Catastrophic (5)	Ongoing failure to provide an adequate service	Perceived as failing authority requiring intervention	Responsible for death	Litigation almost certain and difficult to defend. Breaches of law	Uncontrollable financial loss or overspend over £1.5m	Permanent, major environmental or public health damage
Major (4)	Failure to deliver Council priorities Poor service. Disrupted 5 days+	Significant adverse national publicity	Fails to prevent death, causes extensive perm injuries or LT sick	punishable by imprisonment or significant fines	Financial loss or overspend greater than £100k	Long term major public health or environmental incident (1yr+)
Moderate (3)	Unsatisfactory performance Service disrupted/ stopped 3-5 days	Adverse national publicity or significant adverse local publicity	Fails to prevent extensive, permanent injuries or LT sickness	Litigation expected, but defensible Breaches of law punishable by fines	Financial loss or overspend greater than £50k	Medium term major public health or environmental incident (up to 1yr)
Minor (2)	Marginal reduction in performance Service disrupted/ stopped 1-2 days	Minor adverse local publicity	Medical treatment required, potential long term injury or sickness	Complaint likely, litigation possible Breaches of regs or standards	Financial loss or overspend greater than £20k	Short term public health or environmental incident (weeks)
Minimal (1)	No significant service impact Service disruption up to 1 day	Unlikely to cause adverse publicity	First aid level injuries	Unlikely to cause complaint Breaches of local procedures	Financial loss or overspend under £20k	Environmental incident with no lasting detrimental effect

### RISK LIKELIHOOD

Type	Probability	Detail description
Almost certain (5)	90%+	Without action is likely to occur; frequent similar occurrences in local government/Council history
Probable (4)	60%-90%	Strong possibility; similar occurrences known often in local government/Council history
Possible (3)	40%-60%	Might occur; similar occurrences experienced in local government/Council history
Unlikely (2)	10%-40%	Not expected; rare but not unheard of occurrence in local government/Council history
Rare (1)	0%-10%	Very unlikely to occur; no recent similar instances in local government/Council history

<b>Audit Committee Meeting</b>		<b>Agenda Item</b>
<b>Meeting Date</b>	14 March 2018	
<b>Report Title</b>	Internal Audit & Assurance Plan 2018/19	
<b>Cabinet Member</b>	Cllr Duncan Dewar-Whalley, Cabinet Member for Finance	
<b>SMT Lead</b>	Nick Vickers – Chief Finance Officer	
<b>Head of Service</b>	Rich Clarke – Head of Audit Partnership	
<b>Lead Officer</b>	Rich Clarke – Head of Audit Partnership	
<b>Key Decision</b>	No	
<b>Classification</b>	Open	
<b>Recommendations</b>	<ol style="list-style-type: none"> <li>1. <b>Approve</b> the Internal Audit &amp; Assurance Plan for 2018/19</li> <li>2. <b>Note</b> the Head of Audit Partnership's view that the Partnership currently has sufficient resources to deliver the plan and a robust Head of Audit Opinion.</li> <li>3. <b>Note</b> the Head of Audit Partnership's assurance that the plan is compiled independently and without inappropriate influence from management.</li> </ol>	

## 1 Purpose of Report and Executive Summary

- 1.1 The Public Sector Internal Audit Standards (the "Standards") require an audit service to produce and publish a risk based plan, at least annually, for approval by Members. The plan must consider input from senior management and Members.
- 1.2 In Mid Kent Audit, planning is a continuous activity but we began the programme working towards the 2018/19 plan document in late 2017. The paper here sets out the plan and project list intended for 2018/19 for Member approval.

## 2 Background

- 2.1 The Standards set out the requirements that a Head of Audit must meet in setting out the plan. We refer to relevant sections from the Standards in the appendix to this report.
- 2.2 To note, audit plans must be at least annual but can have shorter timescales if needed. Also, the Standards explicitly direct that Head of Audit must keep the plan flexible and responsive to emerging and changing risks across the year.

### **3 Proposal**

- 3.1 The appendix sets out the proposed plan for 2018/19, including background details on how we compiled the plan and how we propose to manage its delivery.
- 3.2 We confirm to Members that, although the plan has undergone broad consultation with management, it is compiled independently and without being subject to inappropriate influence.

### **4 Alternative Options**

- 4.1 The Standards mandate compiling a risk based plan for management comments and Member approval. Although by convention that plan is presented annually around the start of the financial year, the Standards do not specifically require that action. The Council could, potentially, move to a shorter planning cycle which would allow more flexibility for responding to risk. There are other authorities that take a similar approach (Suffolk CC, to name one example).
- 4.2 However, that move would strike against a practice considered to work well, and one which allows a degree of certainty to resource requirements that helps ensure stability in a service spread across four authorities.
- 4.3 The Standards do not mandate any specific work for the plan, so its content is entirely at the discretion of the internal audit provider (subject to the comments of management and approval of Members) and have an enormous range of possibilities with respect to the areas that could be examined. The attached document represents the currently proposed responses to the risks assessed at the Council.

### **5 Consultation Undertaken or Proposed**

- 5.1 We circulated an earlier, longer, draft to Heads of Service and Directors across the four authorities (and including Heads of Shared Services) in January ahead of individual meetings to discuss proposed projects in their areas. We also met the Cabinet Member to discuss proposed areas of audit examination. Those meetings have now taken place and the attached represents an adaptation of the original draft reflecting comments received.
- 5.2 The overall resource allocation between the partners is consistent with the collaboration agreement and discussed with the Shared Service Board.

### **6 Implications**

The Council's internal control processes include operating an effective internal audit service. This plans aims to deliver that requirement and so support the Council's overall governance.

<b>Issue</b>	<b>Implications</b>
Corporate Plan	The audit plan supports the Corporate Plan in assisting the governance around its delivery, but proposes no amendments.
Financial, and Property	The work programme set out in the plan is produced to be fulfilled within agreed resources for 2018/19.
Legal and Statutory	The Council is required by Accounts & Audit Regulations to operate an internal audit service, including agreeing a plan at least annually. Therefore the Council must approve an internal audit plan to maintain regulatory conformance.
Crime & Disorder	No direct implications.
Environmental Sustainability	No direct implications.
Health/Wellbeing	No direct implications.
Risk Management and Health and Safety	The audit plan draws on the Council's risk management in considering the areas for audit examination. In turn, audit findings will provide feedback on the identification, management and controls operating within the risk management process.
Equality/Diversity	No direct implications.
Privacy and Data Protection	We collect and store information in the course of our audit work examining areas of the Council. We use that information in accordance with our collaboration agreement which, in turn, is in accordance with applicable laws and regulations.

## 7 Appendices

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

- Appendix I: Internal Audit & Assurance Plan 2017/18 (note that the plan itself includes appendices numbered I – IV).

## 8 Background Papers

The appendix includes reference to the Public Sector Internal Audit Standards (full document [at this link](#)). It also draws on information from 2017/18 Audit Plans published across the local government sector, each available through the committee papers pages of individual authorities. Further background papers, including detailed resource calculations, risk assessments and notes from consultation meetings with officers and Members, can be made available on request.

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# **Internal Audit & Assurance Plan 2018/19**



## **Swale Borough Council**



# MID KENT AUDIT

## Introduction

1. We provide an independent and objective assurance and consulting service designed to add value to and improve the Council's work. We help the Council achieve its objectives by bringing a systematic and disciplined approach to evaluate and improve effectiveness of risk management, control and governance.
2. We work within a statutory framework drawn from the Accounts and Audit Regulations 2015 and the [Public Sector Internal Audit Standards](#) (the "Standards"). In 2015 the Institute of Internal Audit assessed us as working in full conformance with the Standards. We have kept full conformance since then, including through the major update to the Standards in 2017.
3. We also work to an [Audit Charter](#) agreed at each partner authority. The *Charter* sets out the local context for audit, including independence safeguards. At this Council, the Audit Committee approved the Charter in 2016 and it remains in place.
4. The Standards set out demands on the Head of Audit Partnership for compiling and presenting a document to describe planned work for the year ahead. The plan, presented for Member approval, must set out:
  - Internal audit's evaluation of and response to the risks facing the organisation.
  - How we consult with senior management and others.
  - How we have considered whether we have suitable resources to address the risks we identify.
  - How we will effectively use those resources to complete the plan.
5. The Plan can include assurance and non-assurance rated engagements. This means we can accept consultancy work where this is the best way to support the Council. We set out our considerations for accepting consultancy engagements in the *Audit Charter*.
6. We must also clarify that our audit plan cannot address all risks across the Council and represents our best use of inevitably limited resources. In approving the plan, the Committee recognises this limit. We will keep the Committee abreast of any changes in our assessment of need as we oversee the risks posed to the Council. In particular we will undertake a full evaluation of need during each annual planning round.



# MID KENT AUDIT

## Risk Assessments

7. The Standards direct us to begin our planning with a risk assessment. This assessment must consider risks to the Council from global changes as well as those recognised within its own risk management. We must also keep that risk assessment current. This plan represents our appraisal now, but we will continue to reflect and consider responses as risks and priorities may change across the year. We will report a specific update to Members around midway through the year. We may also consult the Committee (or its Chairman) on other significant changes if the need arises.

## Global and Sector Risks

8. In considering global and sector risks we draw on various sources. This includes updates provided by relevant professional bodies, such as the IIA and CIPFA. We also consult with colleagues both direct through groups such as London and Kent Audit Groups and through review of all other published audit plans in the South East.
9. These sources give us insight into both the key issues facing local government and how audit teams respond. To show our consideration of these global risks we've picked the issues below from the [IIA Hot Topics in Internal Audit 2018](#).



### The Risk

May 2018 will see the largest expansion of data protection law for 20 years. The General Data Protection Regulations (GDPR) place new limits on using and sharing personal information, including new requirements on informed consent. The maximum penalty for breach also increases significantly, with [one report](#) estimating the £400k fine for TalkTalk in 2016 would be closer to £60m as a GDPR breach.

### Swale Context

The Council manages significant volumes of personal data while delivering services. It will need to make sure it has a clear understanding of where and how it holds, manages and processes data. The Council will also need a clear method for prompt breach reporting.

# MID KENT AUDIT

## Mid Kent Audit Response – GDPR

We have worked through 2017/18 as a contributor to the Council's *Information Governance Group*. This Group has overseen the implementation project and we've brought information from our audit findings, wider research and responses from other partners.

On our 2018/19 plan we propose a 4-way review to look across all four partner authorities around 6-9 months after implementation. Rather than seeking to provide a rating, we will instead look at the common challenges faced by the authorities and effectiveness of responses. We will aim to include a full authority-specific assurance rated review in our 2019/20 plan.



## CYBERSECURITY

### The Risk

The Wannacry cryptoworm attack that hit more than a third of NHS Trusts in May 2017 brought into focus vulnerability from malign online actors. Although there was no direct financial loss, the NHS estimated it cancelled nearly 7,000 appointments as a direct result. A National Audit Office report also later highlighted various IT control failures that could have stopped or limited the attack.

### Swale Context

The Council actively encourages residents to use electronic communications and so sees more and more of its work online. Mid Kent ICT currently holds ISO certification, Public Sector Network Code of Connections (CoCo) compliance and successfully repels dozens of attempted attacks each day. However, it is clear the potential disruption of a successful attack would be significant, including on the Council's ability to maintain communications and make payments.

### Mid Kent Audit Response

We are aware that increasingly the complexity of controls demands specialist audit skills to provide assurance on their efficacy. Longer term, we will seek to grow those skills in-house. But for the 2018/19 plan we have a proposed project that will call on specific IT audit expertise through the competitive rates available to us as a partner in local and regional framework contracts.

# MID KENT AUDIT



## POLITICAL UNCERTAINTY

### The Risk

In themselves, Brexit and the UK Government's re-examination of local authority funding are not necessarily risks. But they could affect the Council's funding, powers and responsibilities as well as the broader economy. However, the key phrase there is "could". While that doubt exists, organisations will need to be as agile and flexible as possible in their planning.

### Swale Context

The Council has already taken some opportunities arising from Government reviews, such as joining the Kent & Medway Business Rates Retention Pilot. However, the success of such pilots and much of the Council's other plans depends on the wider economy.

### Mid Kent Audit Response

Owing to this uncertainty, we do not have specific projects on the 2018/19 plan looking at Brexit and other regulatory changes (but we do have the issue on our radar, see appendix 1). Instead, we will continue to focus efforts on supporting the Council in keeping an effective risk register that will allow it to properly identify risks and opportunities as they come into focus.



## VENDOR RISK

### The Risk

The recent collapse into administration of Carillion and profit warnings at Capita highlights the extent to which public services have become increasingly reliant on private delivery. These create third party risks where organisations learn they have not transferred the risk as well as the service. Sound and continuing diligence and well-managed supplier relationships are crucial to ensuring success.

# MID KENT AUDIT

## Swale Context: Vendor Risk

The Council runs significant parts of its service through third parties. For example Leisure (with Serco) and Waste (with Biffa) and Parking Enforcement (with Apcoa). We must also consider partnerships, such as Mid Kent Services, where the Council works with other organisations to deliver services.

## Mid Kent Audit Response: Vendor Risk

Our audit universe (see Appendix I) includes period review of all the Council's major contractual relationships. Also, in 2018/19, we have a proposed project looking at Commissioning & Procurement that will consider how effectively the Council assess the financial robustness and regulatory compliance of potential suppliers.



## WORKFORCES: PLANNING FOR THE FUTURE

### The Risk

Organisations must think more strategically about their workforce planning. Driven by financial restraints, changing demographics and increased automation and use of technology, organisations must consider how they can effectively hold the skills and experience they need to deliver their objectives.

### Swale Context:

The Council has undergone significant change in some Senior Management posts and will seek to firm up its arrangements across 2018/19. More broadly, it continues to rationalise workforce in line with Medium Term Financial Plans and will need to manage institutional memory and keep essential skills.

### Mid Kent Audit Response:

We recognise the Head of Shared Human Resources is new in post and so have put back a full assurance rated review into workforce planning into 2019/20. Instead, in 2018/19, we will complete a Mid Term Review of the HR service. This work is closer to consultancy and about reviewing the collaboration agreement and assessing how the service supports each partner authority. For 2018/19 we will also undertake our first Swale-specific review examining controls on managing recruitment and absence.

# MID KENT AUDIT



## EVOLVING THE INTERNAL AUDIT

### The Risk

The new Public Sector Internal Audit Standards in April 2017 placed greater emphasis on the role of internal audit in understanding and providing assurance against a wide range of corporate risks. The traditional view of audit as a branch of accounting is disappearing under standards that demand more familiarity with governance, analytics and effective communication of audit findings to provide valuable business insight.

### Mid Kent Audit Response

Our Quality and Improvement planning considers the skills we need now and in the future, including the IT audit specialism noted above. We are also increasingly looking at ways to efficiently expand the range, scope and effectiveness of our coverage. To that end we are looking to get more up-to-date audit software, which will support efforts to create standard testing templates, support audit work and improve efficiency, monitoring and reporting.

### Local Risk Review

10. The Council keeps a corporate register describing the most significant risks it faces. Risks on the corporate register align direct to the Corporate Plan and have a more strategic outlook.
11. Our audit planning considers these issues to ensure we provide risk-based assurance to the Council. While not the sole plan driver, we aim to ensure our audit projects and wider work includes coverage of the risks featured on the corporate register.
12. The table on the following page shows each of the risks on the corporate register, with relevant audit work either recently completed or planned over the next two years.

# MID KENT AUDIT

Risk Register Item	Residual Risk Rating		Relevant Planned Audit Work
	Impact x Likelihood	Grade	
GDPR	4 x 3	12 (Red)	<b><u>Audit Projects</u></b> GDPR Review (18/19) Freedom of Information (19/20) <b><u>Other Work</u></b> Information Governance Group Data Protection Audits
Homelessness	3 x 4	12 (Red)	<b><u>Audit Projects</u></b> Homelessness Reduction Act (18/19) Temporary Accommodation (18/19)
External Partnerships	4 x 3	12 (Red)	<b><u>Audit Projects</u></b> Safety Partnerships (17/18) Economic Development (18/19)
Cyber Security Incident	4 x 3	12 (Red)	<b><u>Audit Projects</u></b> Cyber Security (18/19) Computer Use Policies (19/20) <b><u>Other Work</u></b> Information Governance Group Incident investigation
[Residents'] Skills Gap	3 x 3	9 (Amber)	<b><u>Audit Projects</u></b> Regeneration (18/19)
Funding Restrictions	3 x 3	9 (Amber)	<b><u>Audit Projects</u></b> Financial Management (17/18) Income Management (18/19) Asset Management (18/19) Sittingbourne Town Centre (18/19)
STC Delivery	4 x 2	8 (Amber)	<b><u>Audit Projects</u></b> Project Management (17/18) Sittingbourne Town Centre (18/19)
Transport Infrastructure	4 x 2	8 (Amber)	<b><u>Audit Projects</u></b> Regeneration (18/19)
Local Plan	4 x 2	8 (Amber)	<b><u>Other Work</u></b> Local Plan Project Management (MBC work, but will share findings)
Internal Partnerships	4 x 2	8 (Amber)	<b><u>Audit Projects</u></b> Legal Services (17/18) ICT Mid Term Review (18/19) HR Mid Term Review (18/19) Other Mid Term Reviews (19/20)

# MID KENT AUDIT

Risk Register Item	Residual Risk Rating		Relevant Planned Audit Work
	Impact x Likelihood	Grade	
Income Generation	3 x 2	6 (Amber)	<b><u>Audit Projects</u></b> Treasury Management (18/19) Economic Development (18/19) Asset Management (18/19) Planning Income (19/20)
Business Transformation	3 x 2	6 (Amber)	<b><u>Audit Projects</u></b> Transformation (17/18)
Emergency Plan	2 x 2	4 (Green)	<b><u>Audit Projects</u></b> Business Continuity (17/18)
Recruitment & Retention	2 x 2	4 (Green)	<b><u>Audit Projects</u></b> Absence Management (18/19) Recruitment (18/19) Workforce Planning (19/20) HR Mid Term Review (18/19)

13. We co-ordinate and provide risk management support for the Council. This work includes regular liaison with risk owners to co-ordinate and report progress through Strategic Management Team, Informal Cabinet and the Audit Committee. Therefore, for all risks, we will continue to support risk owners and regularly report progress.

## Audit Risk Review and Consultation

14. We then consider all the auditable parts of the Council (the “audit universe”) against our own risk evaluation criteria. These consider:



**Finance Risk:** The value of funds flowing through the service. High value and high volume services (such as Council Tax) represent a higher risk than low value services with regular and predictable costs and income.



**Priority Risk:** The strategic importance of the service in delivering Council priorities. For example waste services will be higher risk owing to the direct link with the Council’s objective to “keep Swale clean and tidy”.

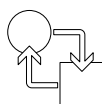


**Fraud Risk:** The susceptibility of the service to fraud loss. High volume services that deal direct with the public and handle cash, such as licensing for example, are higher risk.

# MID KENT AUDIT



**Oversight Risk:** Considering where other agencies have an interest in regulating and inspecting the service. For example, Mid Kent Legal Services receive regular inspections from the Law Society to keep Lexcel accreditation and so have relatively low risk.



**Change Risk:** Consider the extent of change the service has been, or will be, undergoing. This might be voluntary, such as a restructure or imposed such as new legislation.



**Audit Knowledge:** What do we know about the service? This considers not just our last formal review, but any other information we have gathered from, for example, following up agreed actions. We also consider the currency of our knowledge, with an aim to conduct a full review in each service at least every five years if possible.

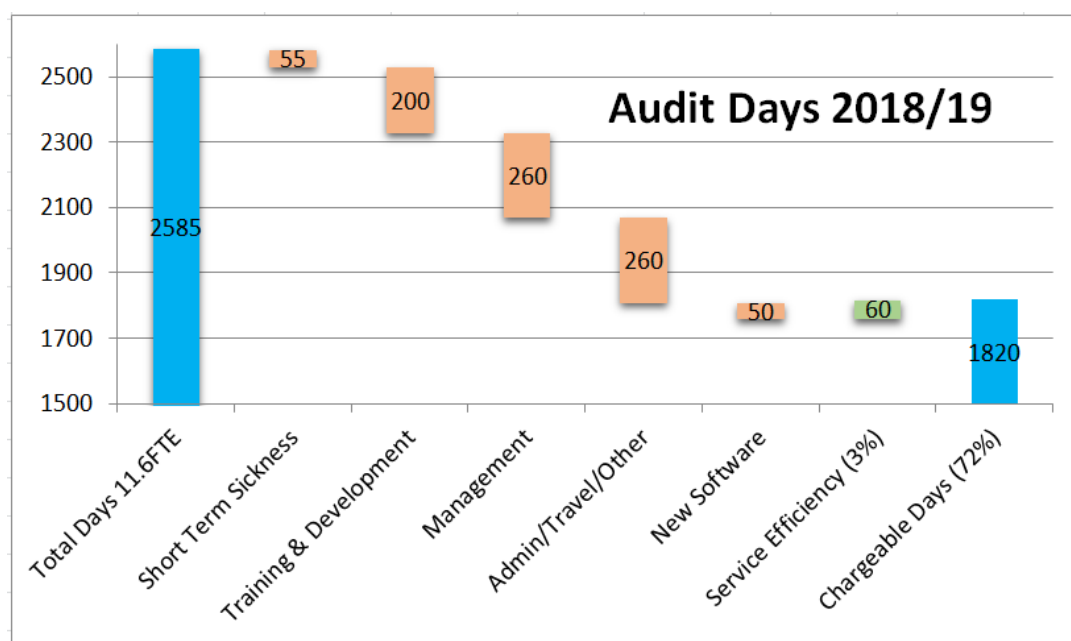
15. The results of these various risk assessments provide a provisional audit plan. We then take this provision plan out to consultation. We meet every Head of Service, Director and the Chief Executive to get their perspective on our assessment and give us updates on their sections.
16. Having gained a perspective on the key issues for audit attention in the coming year we then consider the quantity and quality of our resources.



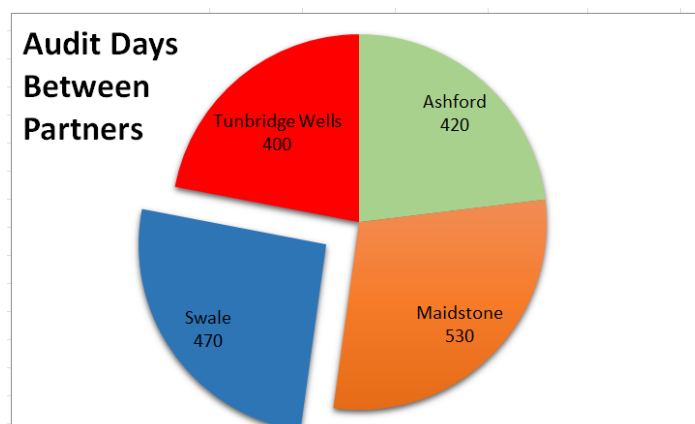
# MID KENT AUDIT

## Resources

17. The audit team contains 11.6 FTE plus a 0.6 FTE administrator. To calculate the total amount of resources available we take the full time available (less contractual leave and public holidays) and subtract various categories of non-audit time, such as training. Then we add back known positive changes, which include our annual aim to make the service at least 3% more efficient each year by refining our working practice. We set out that calculation in the chart below.



18. The result is 1,820 chargeable days, meaning time we can put towards completion of our agreed audit plans. This is essentially the same as in 2017/18 and divides between the authority partners in the proportions set out in our collaboration agreement:

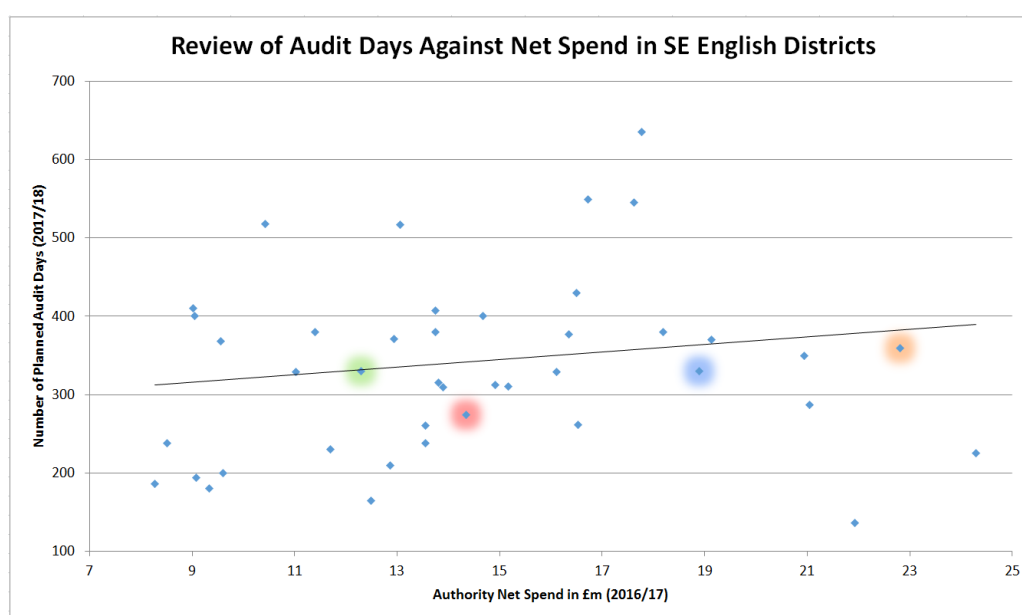


# MID KENT AUDIT

19. Audit Standards demand we assess whether the resources available – in both quantity and capability – can fulfil our responsibilities. In that assessment we must consider:

- Whether we had sufficient resource to complete our prior year plan.
- How the size and complexity of the organisation has changed.
- How the organisation's risk appetite and profile have changed.
- How the organisation's control environment has changed, including how it has responded to our audit findings.
- Whether there have been significant changes to professional standards.

20. Based solely on those internal reasons, we believe we have enough resource to deliver the 2018/19 plan. There is no precise guidance on overall adequacy of internal audit resource. Besides the reasons above we also analyse other SE English District Councils to consider a 'typical' volume of audit coverage. The graph below presents that survey and a 'best fit' line (noting that we have excluded some extreme outliers on the higher end). We highlight the Mid Kent partner authorities.



21. We must also consider ability of the audit team. Appendix II sets out the significant range of skills, qualifications and experience we have within the audit team.

22. As noted in the risk assessment, we are looking to increase our means on technical IT audit. For 2018/19 we aim to supplement the team with technical support accessed at competitive market rates through new memberships of Framework agreements with audit firms managed by LB Croydon and Kent CC.

# MID KENT AUDIT

## Proposed Audit & Assurance Work 2018/19

23. Our audit project work comes in two distinct approaches; those that lead to assurance ratings and those that do not. We usually provide a rating as shorthand to describe our findings and the assurance that we can offer. See Appendix IV for the definitions and different levels. However, we recognise circumstances where our work aims principally at supporting work in progress, or providing advice where an assurance rating is not right. We complete full reports for each type and will provide summaries in our reporting to Members.
24. We also undertake various other review and advice tasks over the year. However, we usually do not separately report work that takes under 5 days to complete or does not result in a single distinct report. For example, our work supporting the Council's risk management.
25. In the tables below we set out our planned work for 2018/19. We also provide our planning objectives for each project, setting out in more detail the intended scope for each review. However, we will agree a precise scope with the officer *Audit Sponsor* when we come to undertake the work. See the next section of this report for information on how we complete detailed planning on audit projects and work towards their completion.

Proposed Audit & Assurance Project Work 2018/19	345 days
<b>CHIEF EXECUTIVE (INCLUDING COMMISSIONING)</b>	
<b>Assurance Rated Projects</b>	
<b>Commissioning &amp; Procurement</b>	
<ul style="list-style-type: none"> <li>To review compliance with Contract Standing Orders (CSOs)</li> <li>To review the use and documentation of contract waivers</li> <li>To assess awareness of CSOs among budget holders</li> </ul>	
<b>Waste Income</b>	
<ul style="list-style-type: none"> <li>To document and assess handling customer requests for garden and bulky waste collection (including complaints and compliments)</li> <li>To document and assess receiving, banking, reconciliation and reporting income (including fees, charges and refunds).</li> </ul>	
<b>Licensing Compliance</b>	
<ul style="list-style-type: none"> <li>To assess the adequacy of controls designed to oversee licences and ensure compliance with licence conditions.</li> <li>To show the effectiveness of the arrangements for enforcement action for persistent breach of licence conditions.</li> </ul>	

# MID KENT AUDIT

## Assurance Rated Projects (continued)

### Electoral Registration

- To document and assess controls on canvassing.
- To document and assess controls for preserving completeness of the electoral roll.
- To review controls around sale of electoral register information.

### Members' Allowances

- To review compliance with the Members' Allowances Scheme (including Special Responsibility Allowances)
- To review controls for ensuring accurate and timely payment of allowances.
- To review compliance with relevant expenses policies.

### Waste Contract

- To review contract management controls.  
(We will conduct this review across Swale, Maidstone and Ashford as partners in the contract).

## Non-Assurance Rated Projects

### General Data Protection Regulations

- To consider across the four partner authorities varying challenges and approaches to carrying out GDPR including areas of non-compliance.
- The aim of our review will be to identify and share best practice and successful approaches. We will undertake an assurance rated review at each authority in 2019/20.
- (We will complete this review six to nine months after the go live date of GDPR in May 2018)

### Procurement Fraud Risk Review

- To undertake a detailed review of a sample of small to mid-level suppliers. Using open source information (for instance, Companies House data) we will consider the presence of risk signals that may warrant further investigation.
- Risk signals might include the part of the supplier's work delivered to the Council, relationships between the supplier and Members and officers (declared and undeclared) and public reviews from other customers.

### National Fraud Initiative

- To manage the Council's link with the Cabinet Office on NFI matters and act as a single liaison point.
- To ensure the Council gives suitable information to residents on the collection and use of data for NFI purposes.
- To examine matches outside the Revenues Service. The Mid Kent Revenues Compliance Team examines revenues matches.

## DIRECTOR OF REGENERATION

### Assurance Rated Projects

#### Website Management

- Following launch of the Council's new website this summer, to assess controls for managing website content.

#### Temporary Accommodation

- To assess controls for managing use of temporary accommodation.
- To review controls on spending and reporting use of temporary accommodation.

# MID KENT AUDIT

## Assurance Rated Projects (continued)

### Regeneration

- To assess controls for overseeing and reporting performance on the Regeneration Strategy.

### Sittingbourne Town Centre

- To review project management of Site 6 within the project (the “Big Box” storage units)
- To review project governance funding arrangements.

### Conservation Planning

- To assess controls for overseeing and reporting performance on the Conservation & Heritage Strategy (due before full Council in September 2018).
- To review controls around handling conservation applications.

### Universal Credit

- To assess arrangements for supporting implementation of Universal Credit

### Council Tax Reduction Scheme

- To review controls to ensure compliance with the Council Tax Reduction Scheme, including assessments and recovery.

## Non-Assurance Rated Projects

### Homelessness Reduction Act

- To consider across the four partner authorities varying challenges and approaches to the Homelessness Reduction Act.
- The aim of our review will be to identify and share best practice and successful approaches.

## CHIEF FINANCE OFFICER

### Assurance Rated Projects

#### Asset Management

- To review acquisitions and disposals, assessing compliance with Asset Management Strategy and Financial Procedure Rules.

#### Health & Safety

- To review controls for ensuring compliance with Health & Safety rules within the Council building.
- To consider training provided to officers working outside the Council building.
- To review controls on completeness and accuracy of accident reporting.

#### Income Management

- To review and assess controls around receiving, banking, reconciliation and recording the Council’s key incomes.

#### Treasury Management

- To review the new Service Level Agreement with Kent County Council.
- To review compliance with the Council’s Treasury Management Strategy

#### Insurance

- To review controls on claims management, and providing information to Zurich.

## MID KENT SERVICES DIRECTOR

### Assurance Rated Projects

#### Cyber Security

- Using externally gained IT audit expertise, to consider effectiveness of the Council’s measures to mitigate the risk and impact of cyber attack.

# MID KENT AUDIT

## Assurance Rated Projects (continued)

### IT Technical Support

- To review controls for overseeing and reporting performance of the IT Service Desk.

### Absence Management

- To consider compliance with the Council's absence management policy.
- To review controls for overseeing and reporting interventions aimed at reducing levels of sickness absence within the Council.

### Recruitment

- To review compliance with the Council's recruitment policy.
- To assess financial and buying controls for recruitment-related spending.
- To review compliance with policies around recruitment and retention of contractors

### Revenues & Benefits Compliance Team

- To review controls for collecting and reporting performance data of the Compliance Team.
- To consider compliance with relevant laws and procedures, including use and handling of personal data.
- To review controls for monitoring delivery of the work programme.

## Non-Assurance Rated Projects

### Payroll Fraud Risk Review

- To examine expenses data for risk signals that may warrant further investigation. Risk signals might include large or unexplained claims, significant month-to-month variations or variable mileage claims between regular destinations.

### Mid Kent Human Resources Service Mid Term Review

- To complete a Mid-Term review as mandated by the collaboration agreement, considering adherence to the agreement and general satisfaction with the service.

### Mid Kent ICT Service Mid Term Review

- To complete a Mid-Term review as mandated by the collaboration agreement, considering adherence to the agreement and general satisfaction with the service.

## Proposed Audit & Assurance Non-Project Work 2018/19

85 days

### Risk

- To continue supporting the Council in managing and reporting its strategic and operational risks.
- Focus in 2018/19 towards setting in risk management in Council procedures, and streamlining and 'automating' updates to risk information.

### Counter Fraud

- To move forward with implementation of new Counter Fraud and Corruption and Whistleblowing Policies.
- To examine matters arising, including through Whistleblowing complaints.
- To create and provide e-Learning modules on key parts of supporting the Counter Fraud Culture, focusing first on Whistleblowing and Counter Bribery.
- To create and deliver Counter Bribery workshops to at-risk groups (including Members).

# MID KENT AUDIT

## Proposed Non-Project Work 2018/19 (continued)

### Member Support

- To report audit progress to Committee and provide further advice and support as needed.
- To deliver, on request, Member briefings and training workshops on matters related to audit and governance.

### Recommendation Follow Up

- To follow-up all agreed recommendations on time to ensure effective action to address our findings.
- To report on progress and provide further reporting where necessary.
- To provide support on implementation, including drawing on best practice from other authorities in the partnership.

### Audit Planning

- To keep our audit planning under review, ensuring its continued relevance.
- To compile and report an audit plan for 2019/20.

## Proposed Unallocated Contingency 2018/19

**40 days**

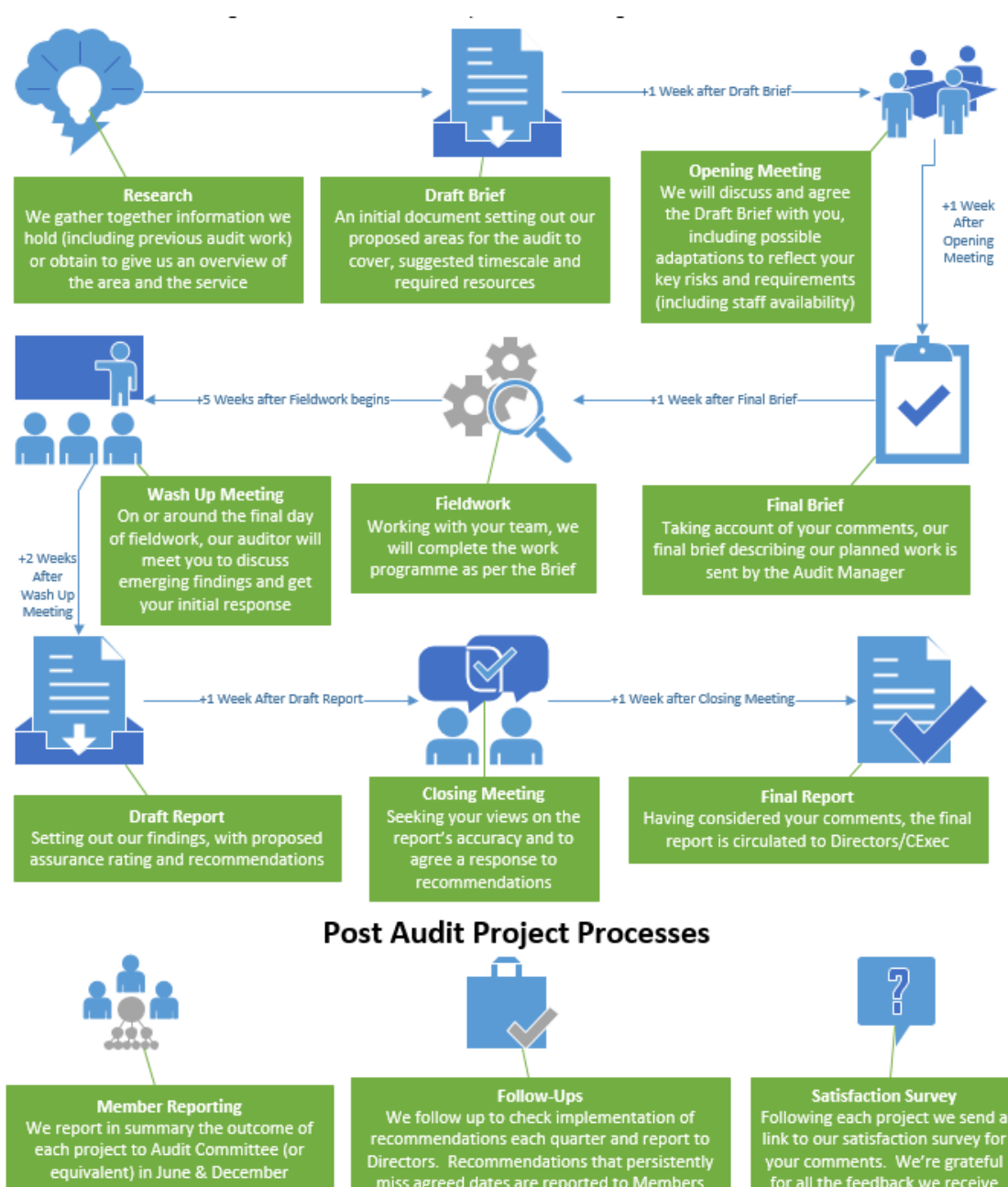
### Consultancy

- We aim to keep around 10% of audit days as a consultancy fund to provide general and extra advice to the Council.
- This will include attendance and contribution to officer groups and expansions to audit scopes to cover particular concerns or interests.
- It also covers any investigative work we undertake. We are named in the Council's whistleblowing, data protection and computer use policies as a potential investigator of matters referred to us.

# MID KENT AUDIT

## Delivering the Audit & Assurance Plan

26. We work in full conformance with the Public Sector Internal Standards. This includes having an internal quality assessment approach comprising both specific review of individual projects and period 'cold review', looking back at completed work and taking forward learning to help us improve.
27. The diagram below sets out how we undertake a typical audit project. However, with each piece of work, we discuss and agree a specific workflow with an officer contact we call the *Audit Sponsor* (typically, the Head of Service).





# MID KENT AUDIT

## Overseeing Delivery

28. We will report progress on delivering the plan to this Committee part-way through the year. We are also part of the Mid Kent Services Directorate and overseen by a Shared Services Board, with Nick Vickers (Chief Finance Officer) as Swale's representative.
29. We also report each month on various performance indicators detailing our progress and provide quarterly updates to the Strategic Management Team. We include a listing of those indicators, with descriptions, at appendix III to this plan.

## Quality & Improvement Plan

30. Although in 2015 the IIA assessed us as fully conforming to the Standards, we have continued to challenge and update how we work. Milestones included a revision to our audit manual in 2016 (and updated after refreshed standards in 2017) and a restructure to add an administrator to the team and focus our auditors on chargeable work. Through these types of review we have kept our full conformance with the Standards and increased productive days by nearly 15% since 2015 without any more than inflationary budget increase.
31. For 2018/19 our focus will be on successful implementation of our new Audit Management Software. We decided in late 2017 to test the market, having used our current software in various forms since 2001. We tested various alternatives, all of which have new and better features and a cost saving.
32. Our evaluation continues but we will know the result before the Audit Committee meets and working towards implementation. The precise benefits will depend on which product we select, but some of the benefits we looking for include:
  - Greater capacity for template and re-usable audit programmes to aid efficiency.
  - Improved reporting, especially on recommendation progress.
  - Better integration with and support for the Council's risk management work.
  - Greater ability to document and oversee the full scope of the audit universe.
  - Automation of performance information and thematic reporting.
33. In 2018/19 we will also continue our strong support for training and development within the audit team. During the year we will have five people furthering or completing (we hope) professional qualifications and we wish them every success. We will also continue supporting broader development, including in IT auditing, investigation support, data analytics and risk management.

# MID KENT AUDIT

## Appendix I: Audit Universe

The “Audit Universe” is our running record of all services at the Council we might examine. The list below shows its current arrangement including details of previous and planned future reviews. Note that future reviews past 2018/19 are provisional; we will undertake a fresh risk assessment each year.

Director	Head of Service	Auditable Areas	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
Chief Executive		Transformation Programme							Plan				
		Emergency Planning			Sub							Plan	
		Resilience		Sub					So				
		Partnership								Plan		Plan	
		Hackney Carriage Licensing								Plan		Plan	
		Licensing	Sub		Sub			So		Plan		Plan	
		Member Development									Plan		
		Members' Allowances	Sub			So		So		Plan			
		Democratic Services		Cnc				So					
		Elections								Plan			Plan
		Electoral Registration										Plan	
		Democratic Services, Mayoral & Civic										Plan	
	Monitoring Officer	Informance					Cnc	So		Plan	Plan		
		Governance	Sub			So					Plan		
		Registers' Of Interest					Cnc				Plan		
	Chief Finance Officer	Journals						Str				Plan	
		Feeder Systems			Cnc		Cnc	Str				Plan	
		Accounts Receivable (Debtors)		Cnc	Hi		Str				Plan		
		Accounts Payable (Creditors)	Cnc	Hi	Sub	Str	Str	Str			Plan		
		Banking		Sub		Cnc		Str					Plan
		Income & Cash Management	Sub			N/A				Plan			Plan
		Budget Management	Sub			Cnc	Str					Plan	
		Treasury Management	Sub			Str				Plan			
		Capital Accounting									Plan		
		Insurance	Sub							Plan			
		VAT Management			Hi						Plan		
		Financial Management							Plan				Plan
		Facilities & Building Maintenance		Lim	Cnc				So				
		Asset Management	Cnc	Lim		Cnc	Cnc	So		Plan		Plan	
		Community Halls		Cnc					Plan				
		Print Room										Plan	
		Health & Safety	Cnc	Sub						Plan			

# MID KENT AUDIT

Director	Head of Service	Auditable Areas	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
Chief Executive	Chief Finance Officer	Environmental Health	Food Safety						Plan				Plan
			Air Quality								Plan		
			Enforcement									Plan	
	Head of Commissioning & Customer Contact	Contract Management	Contract Management								Plan		
			Commissioning & Procurement		Sub	Sub	So	So		Plan			Plan
			Leisure Contract	Cnc	Cnc	Lim		Lim			Plan		
			Waste Contract	Sub			Str			Plan			
			Grounds Maintenance Contract		Lim			Cnc	So			Plan	
		Waste Management	Waste Income					Cnc		Plan			
			Street Cleaning				Cnc				Plan		
		Environment	Play Areas									Plan	
			Cemeteries		Lim			So			Plan		
			Public Conveniences						Plan				Plan
		Parking	Parking Income		Cnc		So		Plan				
			Parking Enforcement					Cnc				Plan	
			Residents' Parking			Sub		So			Plan		
		Customer Services	Complaints Handling					So			Plan		
			Customer Service Centre		Sub			Str				Plan	
	Policy & Performance Manager	Corporate Governance					Cnc	N/A	N/A				Plan
		Performance Management			Cnc			So				Plan	
		Equalities				Sub							Plan
		Project Management		Sub		Cnc		So	So				Plan
Director of Regeneration	Head of Residents' Services	Business Rates/NNDR	NNDR System				Str	Str	Str			Plan	
			NNDR Collection	Sub	Sub							Plan	
			NNDR Valuation, Liability & Billing			Sub						Plan	
		Council Tax	Council Tax System				Str	Str					Plan
			Council Tax Recovery			Sub							Plan
			Council Tax Collection	Sub									Plan
			Council Tax Reduction Scheme							Plan			Plan

# MID KENT AUDIT

Director	Head of Service	Auditable Areas	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
Director of Regeneration	Head of Residents' Services	Housing Benefits	Housing Benefit System		Sub	Wk		So			Plan		
			Benefit Assessments		Sub						Plan		
			Benefit Overpayments		Sub						Plan		
			Universal Credit							Plan			
		Discretionary Housing Payments					So				Plan		
		Housing	Housing Allocations		Sub		Cnc	So				Plan	
			Temporary Accommodation				Cnc			Plan			Plan
			Homelessness		Cnc	Cnc	Cnc	So		N/A	Plan		
			Housing Grants			Lim						Plan	
			Rent Deposit Scheme					Wk					Plan
			Staying Put				Wk				Plan		
			Landlord Complaints						So				
	Head of Planning Services	Building Control	Building Control Fees									Plan	
			Building Control Operations			Sub		So				Plan	
		Development Control	Development Control									Plan	
			Planning Enforcement					Wk				Plan	
			Pre-Application Planning						Plan				Plan
		Strategic Planning										Plan	
		Developer Contributions	Section 106 Income		Sub			Cnc	So		Plan		
			Other Developer Contributions								Plan		
		Heritage & Conservation Planning								Plan			
	Head of Economy & Community Services	Cultural Services	Tourism										Plan
			Sports Development			Min	N/A						Plan
			Arts Development		Sub								Plan
		Community Safety	Environmental Enforcement		Sub			Str	So			Plan	
			CCTV		Cnc	Lim		So			Plan		
			Community Safety Unit				Hi		Str			Plan	
			Safeguarding				Wk		Str				Plan
			Safety Partnerships										Plan
		Animal Welfare							Plan				
		Communications					So			Plan		Plan	
		Regeneration	Economic Development			Sub				Plan			
			Markets										Plan
		Community Forums							Plan				Plan
		Public Health									Plan		

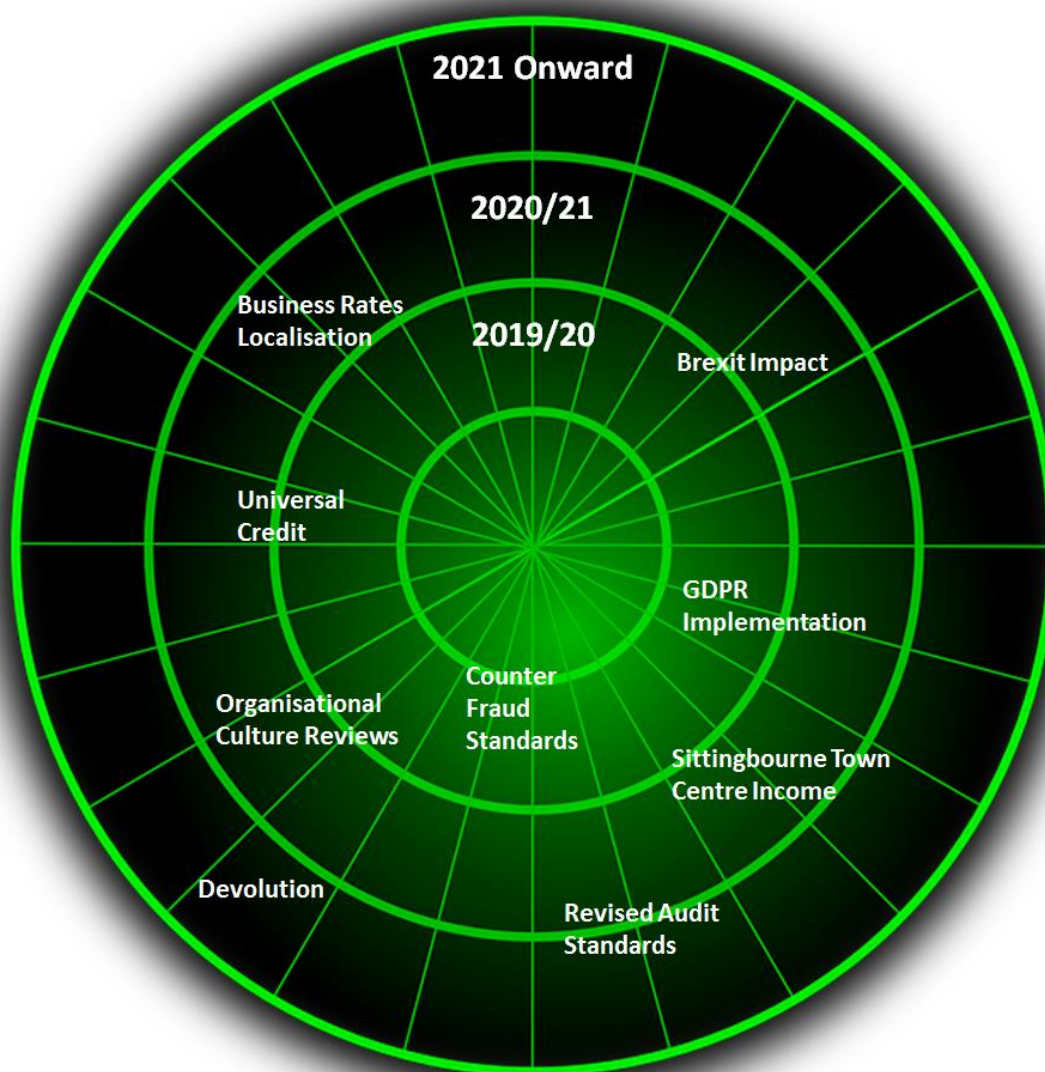
# MID KENT AUDIT

Director	Head of Service	Auditable Areas	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
Mid Kent Services Director	Head of Audit Partnership	Risk Management							Plan				Plan
		Corporate Counter Fraud					N/A				Plan		
		Audit Service Review			N/A	N/A			N/A		Plan		
	Head of HR Shared Service	Payroll		Cnc	Sub		So	Str	So			Plan	
		Payroll System											
		Expenses								Plan			
		HR Policy Compliance	Hi					Cnc	Plan				Plan
		Performance Management										Plan	
		Absence Management								Plan			
		Recruitment Compliance								Plan			
		Starters & Leavers									Plan		
		Consultants	Lim										Plan
		Learning & Development					So					Plan	
		Workforce Planning									Plan		
	Head of ICT Shared Service	IT Development & Procurement						Cnc			Plan		
		IT Support				Wk	So			Plan			
		Computer Use Policies		Sub	Sub						Plan		
		Physical Security	Sub								Plan		
		Network Controls					So	So		Plan			Plan
		Disaster Recovery & Backups	Sub						So			Plan	
	Head of Revenues & Benefits (Ss)	Debt Recovery Service							Hi				Plan
		Revenues & Benefits Compliance								Plan			
	Head of Legal	Legal Service Review			Sub				Plan				
	Mid Kent Planning Support Manager	Planning Support System					Wk						Plan
		Planning Income									Plan		
		Land Charges						Cnc	Wk			Plan	

Auditable Areas Key:	Audit Results Key:
Core Finance System	High/Strong
Governance Area	Substantial/Sound
Operational Area	Limited/Weak
	No/Poor
	Cancelled from plan
	In progress from plan
	No rating given
	On future plan

# MID KENT AUDIT

As set out in the risk assessment, we also consider broader issues that don't necessarily fit within the structure chart. These include the Council's strategic risks and subjects where the right audit response is not yet clear. The chart below summarises some of these subjects we are keeping track of, for potential future inclusion within an audit programme:



# MID KENT AUDIT

## Appendix II: Audit Team CVs & Experience

### Management

**Rich Clarke CPFA ACFS (Head of Audit Partnership):** Rich became head of the audit partnership in April 2014 joining from KPMG, where he had a range of internal and external audit clients across the public sector. Rich is a Chartered Accountant (CPFA) and during 2015 undertook and passed further study to become an Accredited Counter Fraud Specialist (ACFS). Rich is also UK Local Government representative on the Internal Audit Standards Advisory Board, the body charged with updating the Public Sector Internal Audit Standards. In 2016 Rich also began ancillary work as a CIPFA associate, delivering training on CIPFA's behalf across the country on managing and improving internal audit teams. In addition, Rich is currently Chairman of the Kent Audit Group and an Executive Board Member and Treasurer of the London Audit Group.

**Russell Heppleston CMIIA (Deputy Head of Audit Partnership):** Russell started working for the Maidstone / Ashford partnership in November 2005, and continued his role as Auditor for the Mid Kent Audit Service when it was established in 2010. He progressed through professional qualifications with the Institute of Internal Auditors (IIA) to achieve Chartered member status and the Qualification in Internal Audit Leadership (QIAL). Having been appointed as Audit Manager for Swale and Maidstone in 2013, Russell was subsequently appointed as Deputy Head of Audit Partnership in the 2015 restructure. Russell is currently completing the International Diploma of Enterprise Risk Management, and leads the risk management support work across the partnership.

**Frankie Smith CMIIA (Audit Manager – Swale & Tunbridge Wells):** Frankie Smith has worked in internal audit for 17 years, starting as an auditor at Maidstone Borough Council. During this time Frankie has completed audits at Ashford, Maidstone, Swale and Tunbridge Wells. Frankie achieved Chartered Auditor (CMIIA) status in August 2015 and was appointed that same month to the role of Audit Manager at Swale and Tunbridge Wells.

**Alison Blake ACCA, CIRM (Audit Manager – Ashford & Maidstone):** Alison joined the internal audit partnership in 2012 and took on the role of Audit Manager in January 2016. Prior to this Alison worked for South Coast Audit for 7 years where she undertook internal audit work across a range of NHS clients in East Kent. During Alison's career she has completed a wide range of audit work with the aim of supporting the in achieving their objectives and the objectives of the organisation as a whole. In 2014 Alison achieved the Certificate qualification from the Institute of Risk Management.

# MID KENT AUDIT

## Senior Auditors

**Mark Goodwin ACFT (Senior Auditor):** Mark joined Ashford Borough Council in January 1999 having previously worked at Maidstone Borough Council in an audit role. He was a founder member of the Ashford and Maidstone Internal Audit Partnership before this developed into the four-way Mid Kent Audit Partnership in April 2010. He is an experienced auditor who has audited extensively the full spectrum of Council services and activities across a number of local authorities. Mark was awarded the Accredited Counter Fraud Technician (ACFT) designation by CIPFA in March 2016.

**Claire Walker (Senior Auditor):** Claire joined the audit partnership in September 2010, and has wide experience in a variety of sectors and bodies; Local and Central Government, Arts, Broadcasting, Financial Services, NGOs and Not for Profit Sector and associated grant making programmes. Claire delivered some training and mentoring projects for the FCO, in addition to work on European Social Fund projects. Within Local Government Claire has undertaken a wide range of audits with a focus on legal compliance, contracts and governance arrangements. Other audit experience covers outsourcing functions, due diligence, and fraud investigations.

**Jo Herrington PIIA CIA (Senior Auditor):** Jo joined the audit partnership in September 2013. Prior to this Jo worked for Gravesham BC for nearly nine years where she gained experience of working in the Finance department and the Revenues department before settling in the Internal Audit team in September 2009. As part of the Internal Audit team she gained broad experience conducting financial and operational audit reviews, as well as being involved in working groups across the authority. Jo was promoted to the position of Senior Auditor in 2015 and has since gained qualifications as a Practitioner of the Institute of Internal Auditors (PIIA) in October 2015 and as a Certified Internal Auditor (CIA) in June 2016.

**Jen Warrillow PIIA (Senior Auditor):** Jen joined Mid Kent Audit in September 2013 from Kent County Council where she trained as an Internal Auditor. She undertook a wide range of audits including financial, governance and grant funding internally for the Council and externally for Parish Councils. Jen was previously an investigator at Swale BC and then moved on to Tonbridge & Malling BC. She is now studying to become a Chartered Member of the Institute of Internal Auditors. Jen was promoted to the position of Senior Auditor during the 2015 restructure.



# MID KENT AUDIT

## Auditors

**Paul Goodwin AAT (Auditor):** Paul began working for Tunbridge Wells BC in 1990 and has spent almost all his work since in Internal Audit. Paul is a qualified Accounting Technician.

**Andy Billingham (Auditor):** Andy joined the Partnership in December 2015. He had previously worked for Swale Borough Council for 10 years within the Revenues and Benefits department gaining extensive knowledge of local government while dealing with complex disputes and representing the authority at Tribunals. Andy holds a degree in History as well as an Institute of Revenue Rating and Valuation qualification. He is currently studying towards the Certified Internal Auditor (CIA) qualification.

## Trainee Auditors

**Ben Davis (Trainee Auditor):** Ben joined the team in March 2015 as a trainee auditor. He holds a degree in Modern History from UEA and has previous experience in finance teams in the private and voluntary sectors. Ben began training towards achieving a professional qualification through the Chartered Institute of Public Finance and Accountancy (CIPFA) and has progressed successfully through the qualification. He aims to achieve the full professional qualification in mid 2018.

**Louise Taylor (Trainee Auditor):** Louise joined the team in November 2015 as audit team administrator and became a trainee auditor in August 2016. Louise had previously worked in the Planning department of Maidstone BC and has extensive experience working with local authorities. In early 2017 Louise began training to become a Certified Internal Auditor (CIA) with the Institute of Internal Auditors (IIA). She also holds an MA in Planning, Policy and Practice and a degree in Human Geography.

## Framework Contracts

In March 2018 we signed on to be a part of the APEX Audit and Anti-Fraud framework. Administered by London Borough Croydon, this agreement allows participating local authorities to acquire specialist and general audit support through a centrally procured contract, with no minimum or maximum commitment. After a competitive tender, LB Croydon awarded the framework contract in December 2017 to Mazars LLP, a major accounting and audit firm we have worked with previously in Mid Kent.

We also, informally, have negotiated with Kent County Council access to its call-off contract for specialist and general audit support with BDO LLP. Therefore we now have two straightforward and competitively priced options to help support our work.

# MID KENT AUDIT

## Appendix III: Performance Indicators

Area	Ref	Indicator	Definition
Finance	F1	<b>Cost per audit day</b>	Total cost of service / productive days
	F2	Audits completed on budget	Percentage of audits delivered within pre-determined number of days
	F3	Chargeable days	Percentage of staff time spent on delivering the audit plan (as distinct from training, personnel management, admin and so on).
Internal Process	I1	<b>Full PSIAS conformance</b>	Conformance with Public Sector Internal Audit Standards, as assessed by IIA
	I2	Audits completed on time	Percentage of audits completed on or before a deadline agreed with the audit sponsor within our audit brief
	I3	Draft reports on time	Percentage of draft reports delivered within 10 days of concluding fieldwork
Customer	C1	<b>Satisfaction with assurance</b>	Percentage of respondents 'very/satisfied' with the assurance received based on surveys sent at end of each audit project
	C2	Final reports on time	Percentage of final reports delivered within 5 days of closing meeting
	C3	Satisfaction with conduct	Percentage of respondents 'very/satisfied' with staff conduct shown based on surveys sent at end of each audit project
Learning & Developing	L1	<b>Implemented recommendations</b>	Percentage of recommendations implemented as agreed with audit
	L2	Qualification Success	Pass rate of exams undertaken by members of the audit team.
	L3	Satisfaction with skills	Percentage of respondents 'very/satisfied' with staff skills displayed based on surveys sent at end of each audit project

# MID KENT AUDIT

## Appendix IV: Assurance Ratings

### Assurance Ratings 2018/19 (unchanged since 2014/15)

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

# MID KENT AUDIT

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

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

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

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

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

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

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<sup>i</sup> *Vanitas Still Life* by Evert Collier (1662)

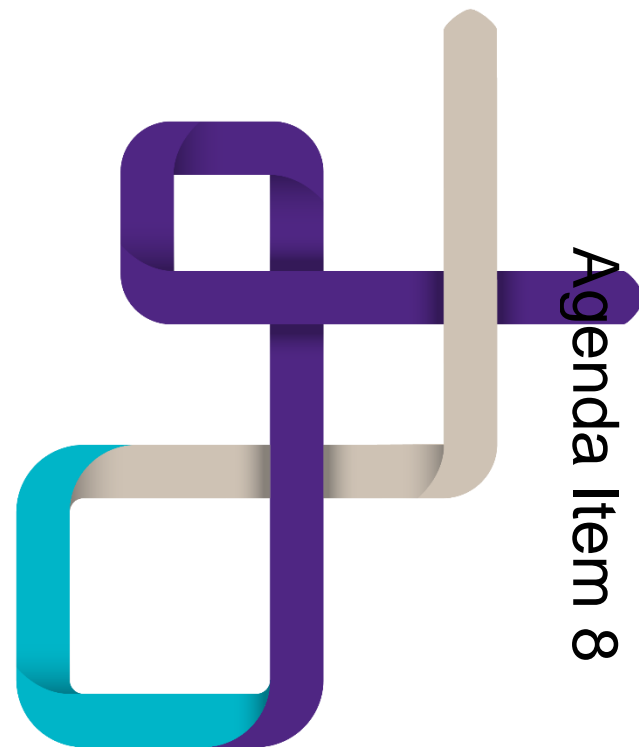
# External Audit Plan

*Year ending 31 March 2018*

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Swale Borough Council  
February 2018

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Introduction & headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Swale Borough Council ('the Council') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of [ANOTHER Council]. We draw your attention to both of these documents on the [PSAA website](#).

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- financial statements (including the Annual Governance Statement) that have been prepared by management with the oversight of those charged with governance (the Audit Committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Page 67	<b>Significant risks</b>	<p>Those risks requiring specific audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:</p> <ul style="list-style-type: none"><li>• the revenue cycle includes fraudulent transactions (NB this is an presumed risk under ISA240 which can be rebutted for the Council)</li><li>• management override of control (this is a presumed risk for all entities under ISA240)</li><li>• valuation of property, plant and equipment</li><li>• valuation of pension fund net liability</li></ul> <p>We will communicate significant findings We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.</p>
	<b>Materiality</b>	<p>We have determined planning materiality to be £1,711,000 (PY £1,734,000), which equates to approximately 2% of your gross expenditure. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £86,000 (PY £87,000).</p>
	<b>Value for Money arrangements</b>	<p>Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:</p> <ul style="list-style-type: none"><li>• continuing to maintain an effective financial planning framework to manage the impact of reductions in government funding.</li></ul>
	<b>Audit logistics</b>	<p>Our interim visit will take place in [insert month] and our final visit will take place in [month]. Our key deliverables are this Audit Plan and our Audit Findings Report.</p> <p>Our fee for the audit will be no less than £60,739 (PY: £60,739) for the Council.</p>
	<b>Independence</b>	<p>We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements</p>

# Business understanding

## Changes to service delivery

### Spirit of Sittingbourne

In 2016/17 the Council agreed proposals to become funder and owner of elements of the Sittingbourne Town Centre redevelopment, fully funding both the retail and leisure elements of the scheme and matching grant-funded expenditure on the related highways and infrastructure works.

Both the retail and leisure elements of the scheme went unconditional in 2017/18. The retail element of the scheme and associated highways works are due for completion by 31<sup>st</sup> March 2018. Construction on a multi-storey car park supporting the redevelopment and funded by the Council will commence in Spring 2018.

You now have a substantial programme of capital expenditure. The initial work on redevelopment is being funded by internal borrowing, but external borrowing will also be required. The Council is working with advisors to develop a long-term borrowing strategy.

We will update our understanding of progress with the redevelopment scheme and discuss any related accounting issues as part of our liaison on accounts closedown.

## Changes to financial reporting requirements

### Accounts and Audit Regulations 2015 (the Regulations)

The Department of Communities and Local Government (DCLG) is currently undertaking a review of the Regulations, which may be subject to change. The date for any proposed changes has yet to be confirmed, so it is not yet clear whether they will apply to the 2017/18 financial statements.

Under the 2015 Regulations local authorities are required to publish draft accounts by 31 May 2018 and audited accounts by 31 July 2018. You have already taken action in previous years to prepare for the accelerated timetable. We will continue to work with you as part of 2017/18 accounts closedown to help meet the new timetable

### Changes to the CIPFA 2017/18 Accounting Code

CIPFA have introduced minor changes to the 2017/18 Code. These include confirming the going concern basis for local authorities, and updates for leases, service concession arrangements and financial instruments.

## Key challenges

### Financial pressures

Local authorities continue to face significant financial pressures associated with reductions in government funding. Locally you will suffer a significant reduction in New Homes Bonus funding in future years following recent changes to the scheme.

To address both cost pressures and reductions in funding you are planning to make contributions from General Fund balances to support the revenue budget in 2017/18 and 2018/19.

However, your financial plans indicate that increases in funding from business rates, including through participation in the Kent business rates pilot from 2018/19, and rental income from the Sittingbourne Town Centre redevelopment will help you to achieve a significant budget surplus in the medium term.

### Redevelopment and regeneration

In addition to the Spirit of Sittingbourne project you continue to have a corporate focus on identifying development opportunities within the borough. You are currently reviewing your economic regeneration framework. You have also entered into a joint venture with a private sector partner, looking for innovative ways to use your property portfolio to deliver better outcomes for the population and commercial returns which can be used to support service delivery.

The continued strength of your financial planning framework will be important in helping to deliver your regeneration and redevelopment objectives over the medium term.

## Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will keep you informed of changes to the Regulations and any associated changes to financial reporting or public inspection requirements for 2017/18 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2017/18 CIPFA Code.



# Significant risks identified

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration because they have a higher risk of material misstatement. Such risks often relate to significant non-routine transactions and judgmental matters. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<div> <div>Page 69</div> <div>The revenue cycle includes fraudulent transactions</div> </div>	<p>Under ISA (UK) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>there is little incentive to manipulate revenue recognition</li> <li>opportunities to manipulate revenue recognition are very limited</li> <li>The culture and ethical frameworks of local authorities, including the Council, mean that all forms of fraud are seen as unacceptable</li> </ul> <p>Therefore we do not consider this to be a significant risk for Swale Borough Council.</p>
<div> <div>Management over-ride of controls</div> </div>	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. . The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>Management over-ride of controls is a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>gain an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness</li> <li>obtain a full listing of journal entries, identify and test unusual journal entries for appropriateness</li> <li>evaluate the rationale for any changes in accounting policies or significant unusual transactions.</li> </ul>

# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Valuation of property, plant and equipment</b>	<p>The Council regularly revalues its land and buildings to ensure that carrying value is not materially different from current value. Investment properties are revalued annually at fair value. These valuations represent a significant estimate by management in the financial statements.</p> <p>We have identified land and buildings revaluations and impairments as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>review management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>consider the competence, expertise and objectivity of any management experts used</li> <li>test that revaluations made during the year are input correctly into the Council's asset register</li> <li>evaluate the assumptions made by management for those property, plant and equipment assets not revalued during the year and how management have satisfied themselves that these are not materially different to current value.</li> </ul>
<b>Valuation of pension fund net liability</b>	<p>The valuation of the Council's net pension liability as reflected in its balance sheet represents a significant estimate in the financial statements.</p> <p>We have identified the valuation of the Council pension fund net liability as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement</li> <li>evaluate the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out</li> <li>undertake procedures to confirm the reasonableness of the actuarial assumptions made</li> <li>check the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.</li> </ul>

# Reasonably possible risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Employee remuneration	<p>Payroll expenditure represents a significant percentage of the Council's operating expenses.</p> <p>As the payroll expenditure comes from a number of individual transactions there is a risk that payroll expenditure in the accounts could be understated. We have identified completeness of payroll expenses as a risk requiring particular audit attention.</p>	<p>We will:</p> <ul style="list-style-type: none"><li>• gain an understanding of the Council's system for accounting for payroll expenditure and evaluate the design of the associated controls</li><li>• perform analytical review procedures to assess the completeness of payroll information in the accounts</li><li>• review yearend reconciliations to ensure completeness of information in the accounts.</li></ul>
Operating expenses	<p>Non-pay expenses on other goods and services also represents a significant percentage of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We have identified completeness of non- pay expenses as a risk requiring particular audit attention.</p>	<p>We will:</p> <ul style="list-style-type: none"><li>• gain an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls;</li><li>• perform substantive testing on creditor balances</li><li>• perform cut-off testing to ensure that transactions have been recorded in the correct accounting period</li><li>• review yearend reconciliations to ensure completeness of information in the accounts.</li></ul>

# Other matters

## Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued and consistent with our knowledge of the Council.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under the Act and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your 2017/18 financial statements, consider and decide upon any objections received in relation to the 2017/18 financial statements;
  - issue of a report in the public interest; and
  - making a written recommendation to the Council, copied to the Secretary of State.
- We certify completion of our audit.

## Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

## Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

# Materiality

## The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## Materiality for planning purposes

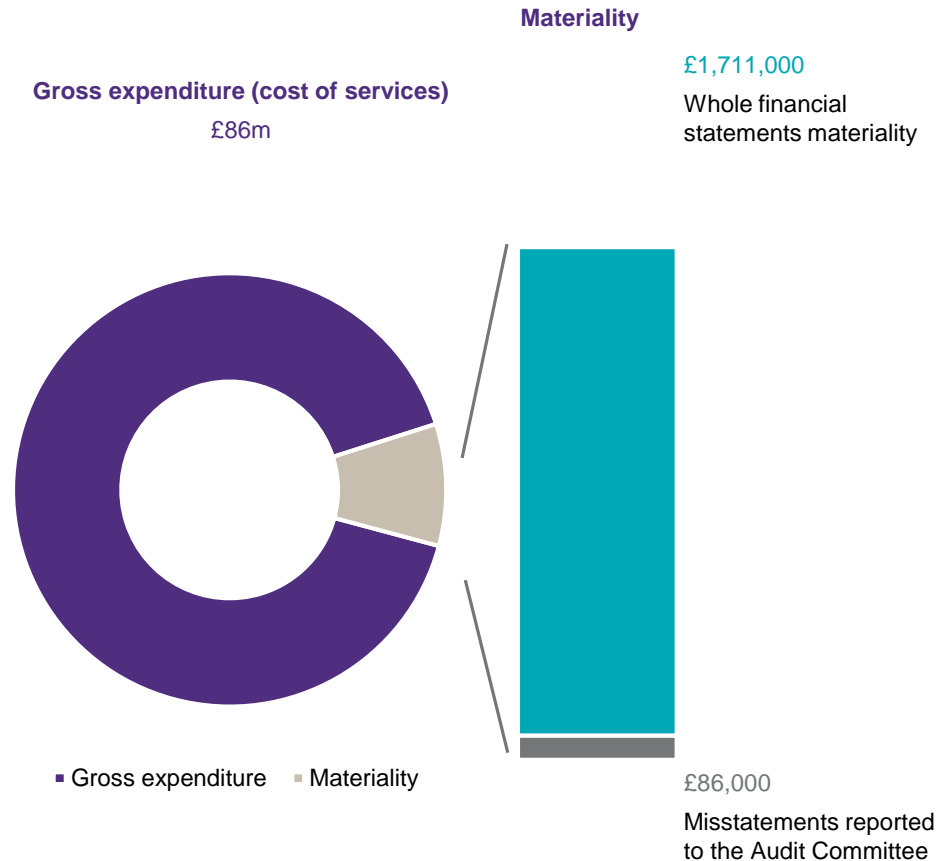
We propose to calculate financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. We have determined planning materiality (the financial statements materiality determined at the planning stage of the audit) to be £1,711,000 (PY £1,704,000). We design our procedures to detect errors in specific accounts at a lower level of precision.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality

## Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £86,000 (PY £87,000).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.



# Value for Money arrangements

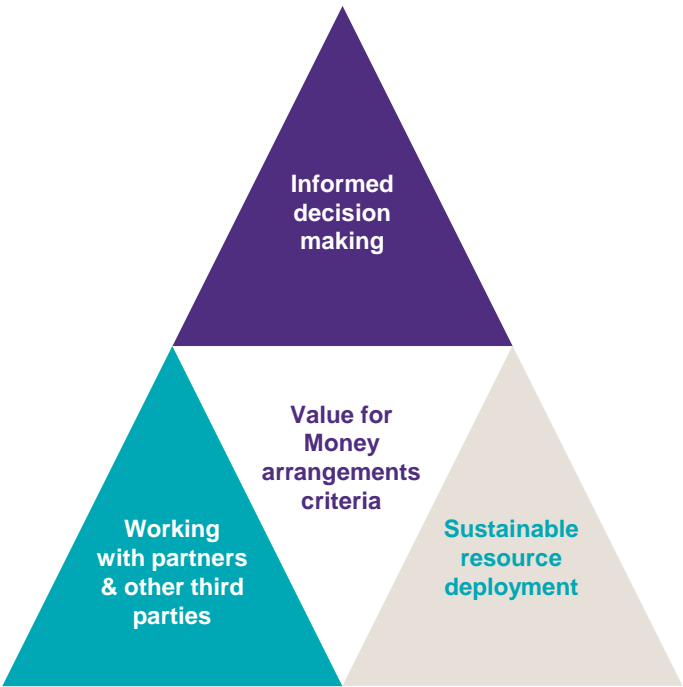
## Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

*“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”*

This is supported by three sub-criteria, as set out below:



## Significant VFM risks

Those risks requiring specific audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Council to deliver value for money.



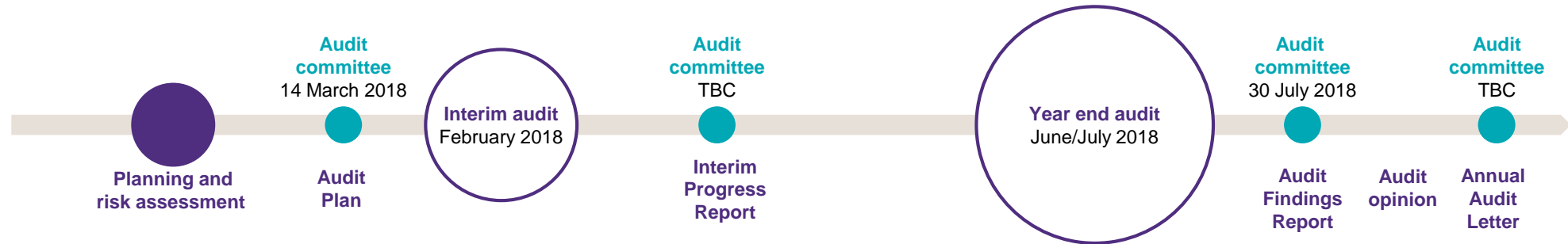
### Financial sustainability

You continue to face significant financial pressures associated with reductions in government funding. You have taken a number of measures over recent years to address these issues, both to reduce costs and generate additional income. Under your medium term financial plan you will make contributions from General Fund balances to support the revenue budget in 2017/18 and 2018/19. However, your plans indicate increases in business rate funding and rental income from the Sittingbourne Town Centre redevelopment will help you achieve a significant budget surplus in the medium term.

The continued strength of your financial planning framework is key to maintaining a sustainable financial position whilst delivering your key objectives over the medium term.

We will update our understanding of your medium term financial plan and review the supporting information trails.

# Audit logistics, team & audit fees



**Iain Murray, Engagement Lead**



**Trevor Greenlee, Audit Manager**

## Audit fees

The planned audit fees are no less than £60,739 (PY: £60,739) for the financial statements audit. Our indicative fee for grant certification work £23,626. Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

In setting your fee, we have assumed that the scope of the audit, and the Council and its activities, do not significantly change.

## Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

# Early close

## Meeting the early close timeframe

Bringing forward the statutory date for publication of audited local government accounts to 31 July this year, across the whole sector, is a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts is curtailed, while, as auditors we have a shorter period to complete our work and face an even more significant peak in our workload than previously.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

## Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

We have discussed our approach to our 2017/18 audit with the finance team and have agreed a phasing of our work as follows;

- February/March 2018: Planning and interim testing
- April 2018: Early testing in selected areas
- early June 2018: Initial sample selection in selected areas using full year system reports
- July: Financial statements audit.

## Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.



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# Independence & non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

## Non-audit services

No non-audit services were identified.

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

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# Appendices

A. Revised ISAs

# Appendix A: Revised ISAs

Detailed below is a summary of the key changes impacting the auditor's report for audits of financial statement for periods commencing on or after 17 June 2016.

Section of the auditor's report	Description of the requirements
Conclusions relating to going concern	We will be required to conclude and report whether: <ul style="list-style-type: none"><li>• The directors use of the going concern basis of accounting is appropriate</li><li>• The directors have disclosed identified material uncertainties that may cast significant doubt about the Council's ability to continue as a going concern.</li></ul>
Material uncertainty related to going concern	We will need to include a brief description of the events or conditions identified that may cast significant doubt on the Council's ability to continue as a going concern when a material uncertainty has been identified and adequately disclosed in the financial statements. Going concern material uncertainties are no longer reported in an Emphasis of Matter section in our audit report.
Other information	We will be required to include a section on other information which includes: <ul style="list-style-type: none"><li>• Responsibilities of management and auditors regarding other information</li><li>• A statement that the opinion on the financial statements does not cover the other information unless required by law or regulation</li><li>• Reporting inconsistencies or misstatements where identified</li></ul>
Additional responsibilities for directors and the auditor	We will be required to include the respective responsibilities for directors and us, as auditors, regarding going concern.
Format of the report	The opinion section appears first followed by the basis of opinion section.



# MID KENT AUDIT

## Memo on Swale BC Audit Committee Terms of Reference

Following the Committee meeting discussion in September 2017 we undertook a brief review of the Council's Audit Committee Terms of Reference. This considered two questions specifically:

- Does the Committee receive reports enabling it to cover the full breadth of its Terms of Reference as currently expressed?
- Does the Committee receive reports that do not fit neatly into its current Terms of Reference (and, if so, should the reports go elsewhere)?

### Current Terms of Reference Coverage

Ref	ToR Description	Work Programme	Comments
1(a)	Consider effectiveness of risk management	March	Single annual report. Other Mid Kent authorities have varying different approaches outlined below.
1(b)	... the control environment	June	Essentially, this is the Annual Governance Statement review. However, other authorities also share the Governance Framework and updates on matters arising.
1(c)	... antifraud & anticorruption arrangements	September	A partial examination, looking only at activities of the MK Compliance team. Although MKA do provide additional information in annual and interim reports, scope exists for a combined comprehensive summary.
2(a)	Action on risk related issues raised by auditors...		No such issues raised by internal or external audit, but could be ad hoc reports where needed by matters arising.
2(b)	... and inspectors		Requires clarification of Member expectation on the definition of 'inspectors' (see below).
3	Be satisfied on assurance statements, including SIC	June	Now known as the <i>Annual Governance Statement</i> the Council could seek to update its terminology.
4(a)	Approve IA Strategy & Plan	March	Potential to expand this clause to replace 'Strategy' with <i>Audit Charter</i> .
4(b)	... and monitor progress	June/Nov	Through interim and annual reports.

# MID KENT AUDIT

Ref	ToR Description	Work Programme	Comments
5(a)	Review summary IA reports & main issues arising	June/Nov	Included within interim and annual reports.
5(b)	... and seek assurance on action	June/Nov	Incorporate within annual/interim IA reports but potential for additional ad hoc reporting on matters of particular interest (e.g. <i>Planning Enforcement</i> ).
6	Receive IA Annual Report	June	Potential to expand clause to include <i>Annual Audit Opinion</i> .
7(a)	Consider reports of external audit	Various	Potential to make this clause more specific to encompass the range of various EA reports (see listing in next section).
7(b)	... and inspection agencies		See below on definitions of 'inspection agencies'.
8(a)	Ensure effective relationships between EA, IA & inspectors		Committee saw IA/EA protocol in 2014 but no updates since. See also below on definitions of 'inspection agencies'.
8(b)	... ensure audit value promoted		Potential to include this within Committee's own annual reporting but not currently drawn out or emphasised within the work programme.
9(a)	Review financial statements	September	Will need to move to July in 2018
9(b)	... External auditors' opinion	September	Will need to move to July in 2018
9(c)	... Monitor management action on issues raised by EA		No substantial issues raised, but potential for recurring or ad hoc reporting on matters of interest to the Committee.
10	Approve Statement of Accounts	September	Will need to move to July in 2018
11	Present Report to the Executive	June	

## Questions to consider arising from this review

- What are the Committees expectations on which Inspectors or Regulators it should consider? Is this intended to cover all external assurance sources (e.g. Local Government Ombudsman, Health & Safety Executive, LGA Peer Reviews) or only insofar as they impact the assurance maps considered in developing IA/EA plans?

# MID KENT AUDIT

- Does the Committee need a comprehensive report covering Antifraud across the Council or continue with the current approach of distinct reports from different services?
- How, if at all, does the Committee wish to expand its consideration of the risk framework from its current annual review.
- How, if at all, does the Committee wish to consider and document its role in ensuring the promotion of the value of audit?

## Current Reports Not Clearly within Terms of Reference

We note that all of these reports can be fairly considered under the more general headings of the Terms of Reference. For example, within the remit of considering the control environment (1) or external audit reports (7).

Paper	Timing	Comments
External Audit Fee Letter	June	All of these items could be considered within the umbrella heading of external audit reports (7). However, each has its own place and regular timing within the <i>Code of Audit Practice</i> so it may help to mention each separately.
External Audit Annual Plan	June	
External Audit Annual Letter	November	
Certification of Grant Claims	March	
Treasury Management Annual Report	September	Could be considered as part of the general control environment review (1). .
Treasury Management Mid-Year Review	November	

## Questions to consider arising from this review

- Does the Committee wish to expand and clarify its expectations on the content and nature of reports it expects from External Audit and the Council's Treasury Management function?

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**SWALE BOROUGH COUNCIL**

# **AUDIT COMMITTEE**

**Draft Work Programme**

**2017/18**





## Statement of Purpose:

The purpose of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process, including approval of the annual statement of accounts.

## Audit Committee Members:

	<b>Chairman: Councillor Nicholas Hampshire</b> <b>Party:</b> Conservative <b>Ward:</b> Borden and Grove Park <b>Phone:</b> 01795 477560 (evening only), 07739 108756 (daytime) <b>Email:</b> nicholashampshire@hotmail.com		<b>Vice- Chairman Councillor Nigel Kay</b> <b>Party:</b> Conservative <b>Ward:</b> St Ann's <b>Phone:</b> 01795 531298/07710 487129 <b>Email:</b> nigelkay@swale.gov.uk
	<b>Councillor Andy Booth</b> <b>Party:</b> Conservative <b>Ward:</b> Minster Cliffs <b>Phone:</b> 07912 464213 <b>Email:</b> andybooth@swale.gov.uk		<b>Councillor Roger Clark</b> <b>Party:</b> Conservative <b>Ward:</b> Milton Regis <b>Phone:</b> 07960 381095 <b>Email:</b> clark.miltonregis@gmail.com
	<b>Councillor Adrian Crowther</b> <b>Party:</b> UKIP <b>Ward:</b> Minster Cliffs <b>Phone:</b> 01795 874418 <b>Email:</b> Adrian.crowther@kent.gov.uk		<b>Councillor Mick Galvin</b> <b>Party:</b> UKIP <b>Ward:</b> Sheerness <b>Phone:</b> 01795 666903 <b>Email:</b> mickgalvin@swale.gov.uk

	<p><b>Councillor Angela Harrison</b>  <b>Party:</b> Labour  <b>Ward:</b> Sheerness  <b>Phone:</b> 01795 665029  <b>Email:</b> angelaharrison@swale.gov.uk</p>		<p><b>Councillor Samuel Koffie-Williams</b>  <b>Party:</b> Conservative  <b>Ward:</b> Murston  <b>Phone:</b> 07484274235  <b>Email:</b> samuelkwilliams@swale.gov.uk</p>
	<p><b>Councillor Peter Marchington</b>  <b>Party:</b> Conservative  <b>Ward:</b> Queenborough and Halfway  <b>Phone:</b> 01795 661960 (evenings only)  <b>Email:</b> petermarchington@hotmail.co.uk</p>		

### Audit Committee Terms of Reference

1. Consider the effectiveness of the authority's risk management arrangements, the control environment and associated antifraud and anti-corruption arrangements.
2. Seek assurances that action is being taken on risk-related issues identified by auditors and inspectors.
3. Be satisfied that the authority's assurance statements, including the Statement on Internal Control, properly reflect the risk environment and any actions required to improve it.
4. Approve (but not direct) internal Audit's strategy and Annual Audit Plan and monitor performance against them.
5. Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
6. Receive the annual report of the Head of Internal Audit
7. Consider the reports of external audit and inspection agencies.
8. Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
9. Review the financial statements, external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit.
10. Approve the Annual Statement of Accounts.
11. Present an annual report to the Executive on exceptions and highlights throughout the year.

## Work Programme:

Date of Meeting	Title of Report	Key Officer Contact
21 June 2017	Internal Audit Annual Report 2016/17	Rich Clarke
	Annual Governance Statement	Nick Vickers
	Audit Committee Annual Report	Rich Clarke
	Fee Letter 2017/18	External Audit
	2016/17 Audit Plan – External Audit	External Audit
	Audit Update Report 2016/17	External Audit
	Audit Committee Work Programme 2017/18	Democratic Services
13 September 2017	Annual Financial Report 2016/17 and Audit Findings Report	Nick Vickers
	Annual Treasury Management Report 2016/17	Nick Vickers
	Mid Kent Services Fraud and Compliance	Zoe Kent
	Progress Report – Planning Enforcement	Rich Clarke
	Audit Committee Work Programme	Democratic Services
29 November 2017	Treasury Management Half Year Review	Nick Vickers
	Annual Audit Letter	External Audit
	Audit Committee Update	External Audit

	<b>Internal Audit Interim Report</b>	Rich Clarke
	<b>Audit Committee Work Programme</b>	Democratic Services
<i>14 March 2018</i>	<b>Internal Audit Plan 2018/19</b>	Rich Clarke
	<b>Strategic Risk Register and Action Plans</b>	Rich Clarke
	<b>Certification of Claims and Returns</b>	External Audit
	<b>2017/18 Audit Plan – External Audit*</b>	External Audit
	<b>Audit Committee Terms of Reference</b>	Rich Clarke
	<b>Audit Committee Work Programme</b>	Democratic Services

\*brought forward from July 2018

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