

**MID KENT AUDIT**

# **Annual Internal Audit Report and Opinion 2017/18**



**July 2018**

**Swale Borough Council**



# MID KENT AUDIT

## Introduction

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

### 2450 Overall Opinions

When an overall opinion is issued, it must take into account the strategies, objectives and risks of the organisation and the expectations of senior management, the board and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant and useful information.

#### Interpretation:

The communication will include:

- the scope including the time period to which the opinion pertains
- scope limitations
- consideration of all related projects including the reliance on other assurance providers
- a summary of the information that supports the opinion
- the risk or control framework or other criteria used as a basis for the overall opinion, and
- the overall opinion, judgment or conclusion reached.

The reasons for an unfavourable overall opinion must be stated.

### Public sector requirement

The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

## Independence of internal audit

3. Mid Kent Audit works as a shared service between Ashford, Maidstone, Swale and Tunbridge Wells Borough Councils. A Shared Service Board including representatives from each council supervises our work based on our collaboration agreement.
4. Within Swale BC during 2017/18 we have continued to enjoy complete and unfettered access to officers and records to complete our work. On no occasion have officers or Members sought or gained undue influence over our scope or findings.
5. I confirm we have worked with full independence as defined in our Audit Charter and Standard 1100.

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## Head of Internal Audit Opinion

### Scope and time period

6. I provide this opinion to Swale Borough Council (the Council) to include in its Annual Governance Statement, as published alongside its financial statements for the year ended 31 March 2018.

### Scope limits

7. The role of internal audit need not cover only assurance and may extend towards consultancy, advice and strategic support. We have agreed with the Audit Committee (the Committee) the overall scope of our work in our *Internal Audit Charter* and the specific scope of our work this year in our approved *Internal Audit & Assurance Plan 2017/18*.
8. However our audit plan cannot address all risks across the Council and represents our best use of inevitably limited capacity. In approving the plan, the Committee recognised this limit.
9. Beyond this general disclaimer, I have no specific limits of our scope to report to the Committee.

### Consideration of work completed and reliance on other agencies

10. I have drawn my opinion from the work completed during the year. I first set out the work in the plan approved by Members in March 2017 and later developed it in line with emerging risks and priorities. I set out in this report the extent and findings from our work in greater detail.
11. In completing my work I have placed no specific reliance on external sources.
12. The rest of this report summarises the work completed in delivering the internal audit plan through 2017/18.
13. My opinion draws on the work carried out by Mid Kent Audit during the year on the effectiveness of managing those risks identified by the Council and covered by the audit programme or associated assurance. Not all risks fall within our work programme. For risks not directly examined I am satisfied an assurance approach exists to provide reasonable assurance on effective management.

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## Risk and control

14. The Council is responsible for ensuring it undertakes its business within the law and proper practices. The Council must also ensure it safeguards and properly accounts for its resources, using them economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to seek continuous improvement in exercising its roles.
15. The Council has described key parts of its internal control and risk management within the [Corporate Governance Local Code](#) and the Risk Management framework (most recently reported to Audit Committee in [March 2018](#)).
16. Organisations design internal controls to manage to an acceptable level rather than remove the risk of failing to achieve objectives. So, internal controls can only provide reasonable and not complete assurance of effectiveness. Designing internal controls is a continuing exercise designed to identify and set priorities around the risks to the Council achieving its objectives. The work of designing internal controls also evaluates the likelihood of those risks coming about and managing the impact should they do so.
17. In completing our work we have considered the control environment and objectives in place at the Council.

## Conformance with standards

18. Mid Kent Audit has conducted its work following the Standards and good practice as represented in our internal quality assurance. This includes working to an agreed audit manual with satisfactory supervision and review.
19. Our annual review confirms the service remains in full conformance with the Standards, as advised by our external quality assessment from the Institute of Internal Audit in 2015. We are next due an external quality assessment by 1 April 2020.
20. We describe later in this report our efforts towards continuing improvement and the results of our Quality and Improvement work.

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## Overall conclusion

### *Internal Control*

21. I am satisfied that during the year ended 31 March 2018 the Council managed its internal controls to offer sound assurance on control effectiveness.

### *Governance*

22. I am satisfied that Council's corporate governance arrangements for the year ended 31 March 2018 comply in all material respects with guidance on proper practices<sup>1</sup>.

### *Risk Management*

23. I am satisfied the risk management arrangements at the Council for the year ended 31 March 2018 are effective and provide sound assurance.

### *Other Matters*

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



Rich Clarke CPFA ACFS  
Head of Audit Partnership

18 July 2018

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

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## Internal Control

25. Internal control is how the Council ensures achievement of its objectives with effectiveness and efficiency; achieving reliable financial reporting and compliance with laws, regulations and policies. It covers financial and non-financial controls.
26. We gain audit evidence to support the Head of Audit opinion on internal control principally through completing the reviews set out within our agreed audit plan.

## Swale Audit Plan Work 2017/18

27. This Committee approved our *Annual Audit & Assurance Plan 2017/18* in March 2017. The plan set out an intended number of days devoted to each of various tasks. We began work on the plan during April 2018 and have now completed our work.
28. The table below shows progress in total number of days delivered against the plan.

Category	2017/18 Plan Days	Outturn at Jun-18	Days Left
2017/18 Assurance Projects	300	292	8
Risk Management	35	29	6
Counter Fraud Support	30	20	10
Member Support	20	15	5
Recommendation Follow-Up	30	39	-9
Audit Planning	10	17	-7
Contingency and Consultancy	45	37	8
<b>Total</b>	<b>470</b>	<b>449</b>	<b>21</b>
Concluding 2016/17 projects	0	36	n/a

29. We achieved final delivery of around 449 audit days. This is 96% of planned days and slightly ahead of the days forecast outturn noted in our interim report (431 days).
30. We detail the specifics, and results, of this progress further within this report.

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## Results of Audit Work

31. The tables below summarise audit project findings (\* = days split between partners, SBC only shown).

### Completed Assurance Projects

	Title	Plan Days	Actual Days	Report Issue	Assurance Rating	Notes
2016/17 Assurance Projects Completed After Issue of 2016/17 opinion						
	Accounts Payable	10	10	Apr-17	Strong	We summarised these reviews in our interim report so have not repeated the information here.
	Bank Reconciliation	12	12	Apr-17	Strong	
	General Ledger: Journals & Feeder Systems	15	19	Apr-17	Strong	
	Section 106 Agreements	15	18	Apr-17	Sound	
	Complaints	15	16	Apr-17	Sound	
	Residents’ Parking	*9	*10	May-17	Sound	
	Payroll	*5	*5	Jun-17	Strong	
	ICT Controls & Access	*8	*5	Jun-17	Sound	
	Leisure Centre Contract	15	21	Jun-17	Weak	
	Housing Benefits	10	14	July-17	Sound	
	Corporate Governance: Transparency Review	*7	*6	July-17	N/A	
	Rent Deposits	10	19	Aug-17	Weak	
Planned 2017/18 Assurance Projects Completed						
I	Safeguarding	15	16	Jul-17	Strong	
II	Litter Enforcement	15	17	Sep-17	Sound	
III	Business Rates	12	11	Oct-17	Strong	
IV	IT Disaster Recovery	*5	*5	Oct-17	Sound	

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	Title	Plan Days	Actual Days	Report Issue	Assurance Rating	Notes
V	Debt Recovery Service	*5	*6	Oct-17	Strong	
VI	Business Continuity	15	18	Nov-17	Sound	
VII	Payroll	*10	*13	Nov-17	Sound	
VIII	Land Charges	*5	*9	Dec-17	Weak	
IX	Corporate Planning	10	13	Jan-18	Strong	
X	Community Safety	15	15	Jan-18	Strong	
XI	Building Maintenance	15	17	Feb-18	Sound	
XII	Landlord Complaints	10	11	Feb-18	Sound	
XIII	Sports Pitches, Pavilions & Community Halls	15	16	Apr-18	Sound	
XIV	Food Safety	*5	*6	Apr-18	Sound	
XV	Parking Income	*10	*9	Apr-18	Sound	
XVI	Public Conveniences	10	10	May-18	Sound	
XVII	Community Grants	5	5	May-18	N/A	
XVIII	Animal Licenses	5	6	Jul-18	N/A	
XIX	Legal Services	*5	*6	Jun-18	Sound	
XX	Pre-Application Planning	15	16	Jun-18	Sound	
XXI	HR Policy Compliance	*10	*10	Jul-18	Sound	
XXII	Stray Dogs	15	18	Jul-18	Sound	
	Transformation Programme	15	15	Jul-18	TBC	Draft being finalised. Will provide verbal update to Members.
Assurance Projects Added to the 2017/18 Plan and Completed						
	Mid Kent Audit Mid Term Review	n/a	*4	Aug-17	N/A	In interim report, not repeated here.
XXIII	Homelessness Budget	n/a	12	Oct-17	N/A	



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## Assurance Projects Removed from 2017/18 Plan

32. For conformance with standards and good practice, we keep our audit plan flexible to changing circumstances and risks across the authority over the year. During 2017/18, this meant adding some reviews to the schedule as noted above. We chose to postpone some reviews, usually after approaches from Council officers. The reasons vary, and we detail the specifics below. In each case, and in total, we remain satisfied we have enough assurance to offer a robust overall opinion.

### *Information Security*

33. Our original planned scope referred to assessing compliance with the then draft *Computer Use Policy*, then expected to launch imminently. However, following further consultation on the draft policy, the final did not appear until June 2018 and so we could not undertake an audit examining its impact.
34. We considered instead undertaking a broader review of information security rather than examining a specific policy. We reviewed network security during March 2017 and delivered a positive assurance rating. During 2017/18 we entered an arrangement managed by LB Croydon (and reported to Members in our interim report) that gave us access to specialist audit support at competitive rates. In consultation with the service, we took the view the specialist work would be more helpful than a second general review in such a short gap. We have this specialist review on the 2018/19 audit plan.

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## I: Safeguarding (July 2017)

35. Our opinion based on our audit work is that Safeguarding has **Strong** controls in place to satisfy the Council's statutory duties.
36. Our testing noted significant improvement in controls since our previous audit review. We identified a dedicated safeguarding office at the Council showing a commitment to safeguarding children and vulnerable adults. There is also strong Member lead involvement, leading to a new performance measure and a robust Section 11 compliance return.
37. We found peer councils recognise Swale's expertise. Swale officers regularly complete peer reviews of other authorities and reviews for the Kent Safeguarding Children Board (KSCB). The KSCB has also highlighted the Council bringing safeguarding levels within its contracting as best practice.
38. The Council has bought a new safeguarding database (MyConcern). The Council will introduce the database, after tailoring to meet its needs, in October 2017. Having a tailored database will make the Council unique in Kent.
39. We have one remaining concern, on data retention. The service should seek clarification on fitting retention periods for safeguarding records. The Council should include this information, once clarified, in its document retention policy.

Priority 1 (Critical)	Priority 2 (High)	Priority 3 (Med)	Priority 4 (Low)	Advisory
0 of recs	0	1	0	1

40. We have accepted a deferral for one (medium priority) recommendation on setting up clear document retention guidelines covering safeguarding. We will revisit the action later in 2018/19.

## II: Litter Enforcement (September 2017)

41. Our opinion based on our audit work is that the Environmental Response Team has **Sound** controls in place to monitor and manage the Litter Enforcement contract.
42. Our testing established that the litter enforcement service, provided by Kingdom Security, is monitored in accordance with the contract. There is a close working relationship between the Council and Kingdom which enables continuing service development and effective contract monitoring. We also note Kingdom continues to

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meet the specified conditions of service as specified in the contract. We established during the review that the Council is satisfied with the service provided by Kingdom Security.

43. However financial procedures over the reconciliation of income and verifying invoices should be improved to ensure all income due to the Council is received and / or to identify and resolve variances. Monitoring records for cancellations and write offs should also be improved to ensure the Council is correctly charged for Fixed Penalty Notices (FPNs) issued.

Priority 1 (Critical)	Priority 2 (High)	Priority 3 (Med)	Priority 4 (Low)	Advisory
0	0	1	2	0

44. Since completing the review, the Council has acted to fulfil recommendations in line with the agreed timetable. At year end all recommendations are complete.

## III: Business Rates (October 2017)

45. Our opinion based on our audit work is the Council has **Strong** controls in place over valuation liability, billing and refunds of business rates.
46. Our review of the Business Rates system, documented in July 2015, found no major changes, meaning control design remains strong.
47. The rest of our testing confirms controls on valuation, liability and billing work effectively – property amendments are uploaded accurately and relief was found to have been awarded in accordance with guidance and procedures.
48. Controls over the refunds process are strong and our testing confirmed appropriate authorisation and adequate separation of duties.

Priority 1 (Critical)	Priority 2 (High)	Priority 3 (Med)	Priority 4 (Low)	Advisory
0	0	0	1	1

49. Since completing the review, the Council has acted to fulfil the recommendation in line with the agreed timetable.

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## IV: IT Disaster Recovery (October 2017)

50. Our opinion based on our audit work is that the ICT shared service has **Sound** controls in place to manage its Disaster Recovery (DR) arrangements.
51. The service has well designed arrangements to allow effective response to a disaster with prompt service restoration. Documentation is clear with well-considered roles plus comprehensive backup arrangements, secure communication and regular testing. However, we found some minor instances of documentation falling behind wider developments that varied between the partner authorities. The service holds significant experience and expertise including offering advice to others, but we identified opportunities to better document and manage that resource.

Priority 1 (Critical)	Priority 2 (High)	Priority 3 (Med)	Priority 4 (Low)	Advisory
0	0	2	2	0

52. Since completing the review, Mid Kent ICT has acted to fulfil recommendations in line with the agreed timetable. At year end all recommendations are complete.

## V: Debt Recovery Service (October 2017)

53. Our opinion based on our audit work is that the Debt Recovery Service has **Strong** controls in place over the administration and management of enforcement cases and receipting and banking of enforcement income.
54. We found that there are sufficient procedures in place for the administration and management of enforcement cases. Our testing confirmed that enforcement action is taken in accordance with agreed procedures and fees and charges are applied in accordance with regulations. However, we identified a potential improvement in how data is transferred and stored between the partner authorities and the service.
55. Our testing established that financial controls, including receipting, banking and reconciliations, are operating effectively and as designed, and the partner authorities are accurately and promptly paid. However, we identified a potential risk in the process when updating cases with payments received due to manual input.

Priority 1 (Critical)	Priority 2 (High)	Priority 3 (Med)	Priority 4 (Low)	Advisory
0	0	0	0	2

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## VI: Business Continuity (November 2017)

56. Our opinion based on our audit work is the Council has **Sound** controls in place to manage its risks and support its objectives in relation to Business Continuity.
57. At individual service level we found sound arrangements in place for updating and testing individual Business Continuity Plans. We also found within services a comprehensive set of Business Impact Assessments and Risk and Issue Registers. The Council also has a settled Business Continuity Steering Group to help organisation wide management.
58. However, we identified weaknesses at that overall level the Council should address. For example it should update its overall strategy to reflect current arrangements. Also the Council should ensure consolidated Business Continuity risks feature suitably in the corporate risk register.

Priority 1 (Critical)	Priority 2 (High)	Priority 3 (Med)	Priority 4 (Low)	Advisory
0	0	5	2	1

59. Since completing the review, the Council has acted to fulfil recommendations in line with the agreed timetable. At year end all recommendations are complete.

## VII: Payroll (November 2017)

60. Our opinion based on our audit work is that the Payroll service has **Sound** controls in place to manage its risks and support achievement of its objectives.
61. Our testing established that Maidstone and Swale Borough Council's mandatory payroll deductions are correctly calculated and paid to HMRC and KCC, with suitable checks and documentation in place to substantiate the payments made. However, at Swale, the payment is sometimes approved by an officer without delegated authority. This is the case for the main payroll, the IR35 and Elections payrolls. Income Tax, National Insurance and Pension rate parameters are correct in iTrent.
62. Discretionary deductions are supported by relevant documentation and correctly made. Payroll does not verify Student Loan payment plans.

Priority 1 (Critical)	Priority 2 (High)	Priority 3 (Med)	Priority 4 (Low)	Advisory
0	0	2	0	0

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63. The service has now acted to implement both recommendations, so this report is closed.

## VIII: Local Land Charges (December 2017)

64. Our opinion based on our audit work is that the service has **Weak** controls in place to manage its risks and support achievement of its objectives.
65. There is a well-defined and effective process followed for the administration and processing of requests for Land Charges information. However, we found weaknesses in the process for receiving and recording income. In particular, weaknesses over cheque payments and self-billing accounts meant that we were unable to fully account for all of the payments that we tested. Furthermore, reconciliations are not currently performed and so variances between the Land Charges system and the Councils general ledgers are not identified and addressed. We were unable to reconcile income through our testing. While the variance in the reconciliation is not material our overall conclusion based on these findings is that the financial controls are not operating effectively.
66. Our testing of the Land Charge register identified risks with regards to completeness and accuracy. However, as the information on the register is provided by other services, a joined up approach with all services will be needed in order to improve reliance of the data.

Priority 1 (Critical)	Priority 2 (High)	Priority 3 (Med)	Priority 4 (Low)	Advisory
0	1	5	0	0

67. Since completing the review, the Council has acted to fulfil recommendations in line with the agreed timetable. At year end four of the six are complete, with the remaining two falling due during 2018/19.

## IX: Corporate Planning (January 2018)

68. Our opinion based on our audit work is that the Policy and Performance Service has **Strong** controls in place over the administration and coordination of the strategic (corporate) and service planning processes.
69. The Council is committed to the development of its Corporate Plan which sets out the focus for activities and expenditure over its duration in support of agreed priorities.

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Our testing confirmed that staff and Members are engaged throughout the corporate planning process to ensure the plan is supported across the organisation.

70. Service planning is well embedded across the organisation and is valued by Heads of Service. It provides a link to the day to day activities of a service and the Council's Corporate Plan. Our testing confirmed that service plans are completed for all services in accordance with agreed procedures and templates. Progress against the action plan is monitored corporately through the Council's performance management system and reported quarterly. However improvements should be made to the recording and monitoring of progress against the actions.

Priority 1 (Critical)	Priority 2 (High)	Priority 3 (Med)	Priority 4 (Low)	Advisory
0	0	0	2	0

71. The recommendations fall due for action during 2018/19.

## X: Community Safety (January 2018)

72. Our opinion based on our audit work is the Community Safety Unit has **Strong** controls in place to manage its risks and support achievement of its objectives.
73. We found the governance arrangements to determine the Community Safety Partnership's strategic priorities are strong and well embedded.
74. We confirmed the Council is fulfilling its obligations as detailed in the Crime and Disorder Regulations 2007 to conduct an annual strategic assessment, triennial partnership plan and a public consultation.
75. The actions taken to address each priority are clearly detailed within an action plan with defined roles and responsibilities. The plan sets out how each priority will be achieved and how the success of each action will be measured. Our testing of the Anti-Social Behaviour and Crime priorities confirmed planned actions are being taken.
76. We raised no matters for improvement from our review.

## XI: Building Maintenance (February 2018)

77. Our opinion based on our audit work is that Property Services has **Sound** controls in place to monitor and manage the Council's building maintenance reactive (term) and service contracts.

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78. We established that the term building maintenance contract and the service contracts are monitored in accordance with the contracts. There are procedures in place for the administration and management of job orders and adequate records are maintained. However, we have identified improvements would be beneficial to the existing contract monitoring procedures to ensure consistent monitoring of response times and standard terms and conditions.
79. Our testing confirmed that financial controls over the authorisation and payment of invoices are operating effectively and as designed, and that jobs are costed in accordance with the pricing schedule. However, our testing also highlighted job sheets are not consistently provided to support invoices and enable verification.

Priority 1 (Critical)	Priority 2 (High)	Priority 3 (Med)	Priority 4 (Low)	Advisory
0	0	0	3	0

80. All the recommendations fall due for action during 2018/19.

## XII: Landlord Complaints (February 2018)

81. Our opinion based on our audit work is that the Private Sector Housing Team have **Sound** controls in place to manage the risks and support achievement of the objectives around landlord complaints.
82. Our testing found that there are sound controls in place to manage the process of receiving and processing complaints from tenants regarding housing conditions and for taking both informal and formal action to rectify deficiencies. There is a policy in place which is reflective of the Housing Health and Safety Rating System and procedures to support the application of this guidance.
83. Of particular note is the team's involvement in the BBC programme "Housing Enforcers". This has raised the profile of the service and generates enquiries from tenants concerned about their housing conditions.
84. However, our testing also found that the records for individual cases are not as complete and comprehensive as they should be. Additionally, although informal case reviews are currently being done, these are not necessarily on the cases which require them and are not formally recorded.

Priority 1 (Critical)	Priority 2 (High)	Priority 3 (Med)	Priority 4 (Low)	Advisory
0	0	2	0	2



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85. Since completing the review, the Council has acted to fulfil recommendations in line with the agreed timetable. At year end all recommendations are complete.

## XIII: Sports Pitches, Pavilions & Community Hall (April 2018)

86. Our opinion based on our audit work is that there are **Sound** controls in place over income collection and the maintenance arrangements of sports pitches, pavilions and the community hall.
87. We found the processes and procedures in place to be well designed and operating effectively. A clear and well established booking process is in place and we found that the corresponding income is being securely collected and banked. However, we identified several instances where the hire of a sports pitch or the community hall deviated from the approved fees policy and documented terms and conditions. The controls should therefore be updated to ensure consistent application of the policies and financial procedures.
88. We also established that there are sufficient arrangements in place to ensure that sports pitches, pavilions and the community hall are adequately maintained.

Priority 1 (Critical)	Priority 2 (High)	Priority 3 (Med)	Priority 4 (Low)	Advisory
0	0	1	6	0

89. All the recommendations fall due for action during 2018/19.

## XIV: Food Safety (April 2018)

90. Our opinion based on our audit work is that the Environmental Health service has **Sound** controls in place to manage its risks and support achievement of its objectives over the Food Safety function.
91. The audit confirmed the Council has a suite of effective and embedded procedures to ensure food hygiene inspections are handled in accordance with statutory requirements. These procedures are supported by templated documentation, which provides a structured and consistent approach to the work undertaken by the Food Safety team.
92. Our testing established there is a consistent educative approach taken with regards to compliance and any identified issues are clearly explained to the food establishment

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operator along with any necessary corrective action. Where appropriate, these actions are followed-up accordingly.

93. Our testing identified a number of minor issues where records had not been maintained or a full rationale for decision making had not been documented. In addition, there is opportunity for the service to make clearer the sanctions for establishments that register late. These issues were not systemic, and relate mainly to the tightening up of procedures; as such they do not present a risk that would undermine the overall effectiveness of the service.

Priority 1 (Critical)	Priority 2 (High)	Priority 3 (Med)	Priority 4 (Low)	Advisory
0	0	1	6	2

94. All the recommendations fall due for action during 2018/19.

## XV: Parking Income (April 2018)

95. Our opinion based on our audit work is that Parking Services has **Sound** controls in place to manage its risks and support achievement of its objectives as they relate to the collection, reconciliation and banking of car parking income.
96. Our testing at both Maidstone and Swale confirmed that cash due had reached the bank account and was properly recorded in financial records. We also found sound controls in place for managing cashless parking income.
97. However, procedures at Swale have some design weaknesses which could allow errors to go unrecognised. We note some controls in place at Maidstone (such as system reconciliations) that could support prompt identification of errors. At both councils, the success of controls relies heavily on availability of the Finance Officer. We recommend identifying cover to provide resilience.

Priority 1 (Critical)	Priority 2 (High)	Priority 3 (Med)	Priority 4 (Low)	Advisory
0	0	6	0	1

98. All the recommendations fall due for action during 2018/19.

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## XVI: Public Conveniences (May 2018)

99. Our opinion based on our audit work is that the Contracts and Procurement Team has **Sound** controls in place to manage the Council's public conveniences contract.
100. Our review found that there are regular inspections of the Council's public conveniences to monitor the contract in accordance with the cleaning specification. We established during the review that the Council is satisfied with the service provided by Monitor Services, which is supported by the limited number of complaints received regarding the public conveniences. However, we identified that there are administrative elements of the contract that need to be improved, such as obtaining deep clean schedules and minor maintenance records from the contractor at agreed intervals.
101. Our testing confirmed that financial controls over the authorisation and payment of invoices are operating effectively and as designed, and that additional cleans are costed in accordance with the pricing schedule.

Priority 1 (Critical)	Priority 2 (High)	Priority 3 (Med)	Priority 4 (Low)	Advisory
0	0	0	2	0

102. Since completing the review, the Council has acted to fulfil recommendations in line with the agreed timetable. At year end both recommendations are complete.

## XVII: Community Grants (May 2018)

103. The purpose of this short review was to focus solely on the community grants process as it currently operates, testing the controls over three key control areas.
104. Our review has confirmed that community grants are administered and paid in accordance with agreed procedures. The application process in place to support the purpose of the grant is fully documented and grant spend is appropriately monitored to ensure spending of the grant is in accordance with the approved application. Payments are processed and authorised through the Council's Financial Management System (Agresso) in accordance with the Financial Procedure Rules.

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## XVIII: Animal Licenses (May 2018)

105. Our review has confirmed that animal licences are administered effectively and that applicable fees are collected in accordance with agreed procedures. The application process triggers the inspection request which is carried out prior to the licence being issued. Invoices are raised through the Council's Financial Management System (Agresso) for the inspection fee and licence fee which can be paid by instalments on request. Complaints are recorded on Uniform and promptly investigated in line with procedures.

## XIX: Legal Services (June 2018)

106. Our opinion based on our audit work is that the Legal Services has **Sound** controls in place to manage its risks and support achievement of its objectives.
107. We found generally sound processes in place for administering case files and finances within Mid Kent Legal Services. This includes an organised case management system – IKEN – as well as adherence to financial procedures to manage spending and budgets.
108. However, the service must make significant improvements in two areas; retaining signed contracts and information supporting external invoices. The service could locate only half of the contracts we requested in testing and fully support costings for only one of twelve invoices examined.

Priority 1 (Critical)	Priority 2 (High)	Priority 3 (Med)	Priority 4 (Low)	Advisory
0	2	2	3	0

109. All the recommendations fall due for action later in 2018. If the Council follows the agreed timetable, all actions will be complete by October 2018.

## XX: Pre-Application Planning (June 2018)

110. Our opinion based on our audit work is that Planning Services has **Sound** controls in place to manage the Pre-application Planning Advice service.
111. Our review found that pre-application planning advice requests are generally processed in accordance with agreed procedures, with only a few minor areas for improvement identified. Testing confirmed that requests are generally supported by appropriate documentation and that arrangements are in place to monitor officer case load and performance against agreed response targets.

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112. However financial procedures over the reconciliation of income should be improved to ensure all income due to the Council is received, and to identify and resolve any variances. We have also identified a weakness in the controls to authorise refunds where the original payment was made by card.

Priority 1 (Critical)	Priority 2 (High)	Priority 3 (Med)	Priority 4 (Low)	Advisory
0	1	1	3	0

113. All the recommendations fall due for action during 2018/19.

## XXI: HR Policy Compliance (July 2018)

114. Our opinion based on our audit work is the Human Resource Service has **Sound** controls in place to ensure compliance with the three Council policies examined: Home and Mobile Working, Flexible Working and Disciplinary.
115. Our testing confirmed full conformance with the Flexible Working and Disciplinary Policies. Officers within the service keep good records to support decisions taken and provide satisfactory support to managers and employees. We found some improvements needed on record keeping to show conformance with the Home & Mobile Working policy, in particular ensuring managers are aware of insurance requirements.

Priority 1 (Critical)	Priority 2 (High)	Priority 3 (Med)	Priority 4 (Low)	Advisory
0	0	2	0	0

## XXII: Stray Dogs (July 2018)

116. Our opinion based on our audit work is that the Environmental Response Team has **Sound** controls in place to manage the Stray Dog service.
117. Our audit testing has confirmed that the Stray Dog service is being operated in accordance with the Council's Stray Dog policy, whilst also satisfying its statutory obligation in relation stray dogs.
118. We have also established that the Stray Dog service makes wide use of the Council's social media accounts to advertise stray dogs - both lost and found, with a high number of stray dogs being reunited with their owners.

# MID KENT AUDIT

119. However, our audit testing has identified control weaknesses in relation to the recording, referencing and reconciliation of stray dog income received via the kennels, and the issuing, evidencing and following up of enforcement notices issued.

Priority 1 (Critical)	Priority 2 (High)	Priority 3 (Med)	Priority 4 (Low)	Advisory
0	0	1	3	0

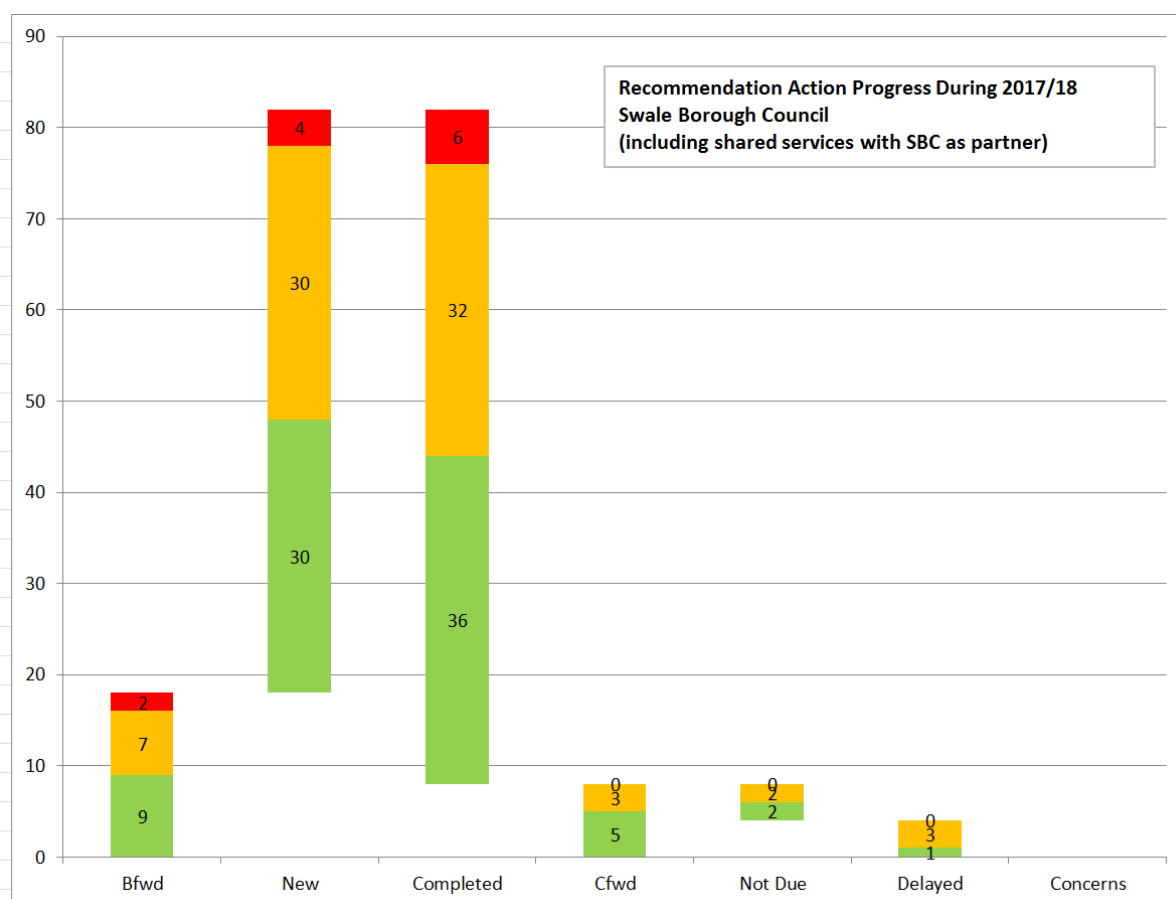
## XXIII: Homelessness Budget Outturn (October 2017)

120. The Head of Finance and Director of Regeneration invited us to review the circumstances leading to an overspend 170% greater at year-end than forecast in January 2017. We looked both at the specific circumstances and sought to find out how the service could potentially achieve more accurate forecasting in future.
121. We found that demand leads the homelessness budget with few fixed costs; with total costs being hard to predict for all authorities. The Council expects budget managers to develop and use forecasting methods suitable to their spending. However, we found the service had relied heavily on the 'straight line' forecast produced automatically by the accounting software that better suits stable predictable budgets such as salary. Because of using this method, the Council missed the effect of a spike in demand across the winter of 2016/17 from its budget forecasts resulting in a large variation.
122. We advised the Council to work towards developing budget forecasting models that take greater account of demand. We also advised strengthening internal communications so the Council can reflect rapid changes to activity in its reporting.
123. As a consultancy review, we did not give this work an assurance rating nor provide recommendations for formal follow-up. However, we will take into consideration our findings from this review while completing our risk assessment ahead of 2018/19 audit planning.

# MID KENT AUDIT

## Following Up Actions

124. Our approach to recommendations is that we follow up each quarter, examining issues that fell due in the previous three months. We take due dates from the action plan agreed with management when we finish our reporting. We report progress on implementation to Strategic Management Team (SMT) each quarter. This includes noting any matters of continuing concern and where we have revisited an assurance rating (typically after action on key recommendations).
125. We summarise in the chart below the current position. The chart shows low priority recommendations (at the foot of each bar) in green, medium priority in amber and high priority (at the top of each bar) in red.



126. Overall we are content with officers' progress on acting to address issues we raise in our reviews. Although we receive periodic requests from officers to defer action, in each case we are content that delays pose no heightened risk to the Council.

# MID KENT AUDIT

## Corporate Governance

- 128. Corporate governance is the rules, practices and processes that direct and control the Council.
- 129. We gain audit evidence to support the Head of Audit Opinion through completion of relevant reviews in the audit plan, as well as specific roles on key project and management groups. We also consider matters brought to our attention by Members or staff through whistleblowing and the Council's counter fraud and corruption arrangements.
- 130. We also help in upholding good governance by providing advice and training to both officers and Members.

## Counter Fraud & Corruption

- 131. We consider counter fraud and corruption risks in all of our audit engagements when considering the effectiveness of control. We also undertake distinct work at assess and support the Council's arrangements.

### *Investigations*

- 132. During 2017/18 we have completed one investigation on a matter referred to us relating to an allegation on irregularities with a council tax support claim. We were satisfied the irregularities were innocent and reported our findings to management.
- 133. We completed a further investigation following information of alleged computer misuse brought to light by information provided by Mid Kent ICT. We were satisfied no breaches of policy had occurred at Swale, and fed back to Mid Kent ICT comments on the computer use policy that arose during our investigation.

### *Whistleblowing and money laundering*

- 134. The Council's whistleblowing policy names internal audit as one route for Members and officers to safely raise concerns on inappropriate or even criminal behaviour.
- 135. We have had one matter raised with us during the year. We completed an investigation and agreed action with management that settled the concern raised by the whistleblower.



# MID KENT AUDIT

136. We have also had no matters raised with us noting concerns that may indicate a breach of money laundering regulations.

## *National Fraud Initiative*

137. We continue to coordinate the Council's response to the National Fraud Initiative (NFI). NFI is a statutory data matching project and we must send in various forms of data to the Cabinet Office who manage the exercise.
138. The Cabinet Office released the 2017 matches in January 2017 as reported to this Committee in June 2017. Most matches (almost 90%) fall to the MKS Revenues & Benefits Compliance team to look into. That team report separately.
139. Of the remaining matches, the Cabinet Office marked 164 as "recommended", around 20% of the total. We have completed review of all recommended matches and noted no cases of fraud or error. We will examine a sample of the remaining matches aiming to reach an overall conclusion of the work within the two year window recommended by the Cabinet Office.

## *Counter Fraud Policy*

140. The Cabinet Office confirmed in March that it plans to launch *Counter Fraud Standards* in July 2018. Although these *Standards* will be mandatory only in central government, the Cabinet Office encourages the view that they will represent a good practice aspiration across the public sector.
141. Once the Cabinet Office publishes we will review the updated *Counter Fraud* and *Whistleblowing* Policies we have currently prepared in draft that have already undergone limited circulation and comment. We will review with a view to incorporating and reflecting the Cabinet Office standards as far as practical.
142. We will then bring forward revised policies for approval later in 2018, along with appropriate training and publicity.

# MID KENT AUDIT

## **Other Audit and Advice Work**

143. We also continue to undertake a broad range of special and scheduled consultancy and advice work for the Council. Examples include our contributions to the Council's Procurement and Commissioning Group and advising on possible approaches to delivering Housing Benefit certification.
144. We remain engaged and flexible in seeking to meet the assurance needs of the Council. We are happy to discuss opportunities large and small where the Council can usefully employ the experience and expertise of the audit team.

# MID KENT AUDIT

## Risk Management

145. Risk management is how the Council identifies, quantifies and controls the risks it faces as it seeks to achieve its objectives.
146. We obtain evidence to support the Head of Audit Opinion through our role as having lead responsibility for risk management for the Council. This role, and safeguards to our independence, is set out in our *audit charter*.
147. The Council implemented a new risk management approach in July 2015. Since then, we have regularly reported key risk information to Officers and Members. Specifically, the Audit Committee received its second annual risk report in [March 2018](#) which provides assurance over the effectiveness of the risk management process.
148. The Council has identified 14 corporate risk issues. The tables bellows shows the ***inherent*** score and the ***residual*** score (which takes into account any actions taken to manage the risk):

Risk Heading	Inherent Risk Score	Residual Risk Score
STC Delivery	12	8
Transport Infrastructure	16	8
Local Plan	15	8
Homelessness	16	12
Skills gap	9	9
Funding Restrictions	12	9
Income Generation	6	6
Emergency Plan	6	4
Recruitment & Retention	4	4
Business Transformation	12	9
Partnerships (internal)	8	8
Cyber Security Incident	16	12
General Data Protection Regulations	16	12
Business Rates	8	4

149. We have regard to these risks specifically when undertaking our audit planning and as part of each audit engagement.
150. We have continued to lead on the risk work for the Council, and will seek out opportunities to enhance the process through 2018/19, and report progress to Members via Informal Cabinet and Audit Committee.

# MID KENT AUDIT

## Audit Quality & Improvement

### Standards and ethical compliance

151. On 1 April 2017 the RIASS<sup>2</sup> published a changed set of Public Sector Internal Audit Standards (the “Standards”). These updates made more than thirty changes and improvements, building on the recently published International Professional Practices Framework.
152. All auditors working in the public sector (including, for instance, health and central government too) must work to these standards for 2017/18. One specific change is the new demand to report to Senior Management and the Board (Audit Committee) on conformance with the Code of Ethics and the Standards.
153. We included the *Code of Ethics* as an appendix to our interim report in [December 2017](#). We have included the Code within our Audit Manual and training for some years. We can report to Members we remain in conformance with the Code.
154. On broader Standards conformance we must each year assess ourselves against those standards and report the results to Members.
155. We underwent an external independent assessment from the IIA in 2014 which confirmed our full conformance with all but 6 of the standards and partial conformance to the rest. In 2015, following action to fulfil the IIA’s recommendations, we achieved full conformance to the standards – the first English local authority audit service to be so assessed by the IIA.
156. In 2018 we undertook a self-assessment against the Standards and confirm to Members we remain in full conformance. We include a summary of that assessment on the next few pages:

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<sup>2</sup> Relevant Internal Audit Standards Setters: A group comprising CIPFA (Chartered Institute of Public Finance & Accountancy), the Department of Health, HM Treasury, the Northern Irish Department of Finance & Personnel and the Welsh and Scottish Governments. The RIASS are advised by the Chartered Institute of Internal Audit (IIA) and the Internal Audit Standards Advisory Board (IASAB).

# MID KENT AUDIT

## Demonstrating Integrity

Assessment	18/19 Developments
<ul style="list-style-type: none"><li>• Code of ethics in place as part of audit manual</li><li>• Professional ethics training for staff</li><li>• Revised advice to staff on conflict of interests</li></ul> <b>Fully conforms</b>	<ul style="list-style-type: none"><li>• Developing policy on pay and reward</li><li>• Revise Charter in light of developing audit role</li></ul>

## Competence & Due Care

Assessment	18/19 Developments
<ul style="list-style-type: none"><li>• Audit procedures manual</li><li>• Robust internal review across all audit stages</li><li>• Average 13 years audit experience</li><li>• 9 of 12 auditors hold or studying for professional qualification</li></ul> <b>Fully conforms</b>	<ul style="list-style-type: none"><li>• Standard, detailed work programmes in new software</li><li>• Personal training &amp; development budgets</li><li>• Group professional memberships</li><li>• Developing training with sector groups in London &amp; Kent</li></ul>

## Objective & Independent

Assessment	18/19 Developments
<ul style="list-style-type: none"><li>• Independence declarations within reviews</li><li>• Cross authority partnership strengthens objectivity</li><li>• Charter clear on accepting advice roles</li></ul> <b>Fully conforms</b>	<ul style="list-style-type: none"><li>• Developing overall policy on independence and managing conflicts</li><li>• Links across London, Kent and Private Sector for independent views where needed.</li></ul>

## Strategic alignment to Council

Assessment	18/19 Developments
<ul style="list-style-type: none"><li>• Approved audit plan based on knowledge of Council objectives</li><li>• Continuing advice and consultancy role with Officers and Members</li><li>• Risk management advice and insight</li></ul> <b>Fully conforms</b>	<ul style="list-style-type: none"><li>• New audit software enables greater tracking and assessment of risk and objectives</li><li>• Improved alignment of risks within individual audit reviews</li><li>• Improved risk reporting</li></ul>

## Positioning & Resourcing

Assessment	18/19 Developments
<ul style="list-style-type: none"><li>• Direct link to Senior Officers and Members</li><li>• Steady overall budget position, with efficiencies</li><li>• Access to reliable contractor support for resource gaps</li></ul> <b>Fully conforms</b>	<ul style="list-style-type: none"><li>• Full team complement for 2018/19.</li><li>• Partnership agreement with LB Croydon.</li><li>• Exploring secondment opportunities through regional groups.</li></ul>

## Quality & Improvement

Assessment	18/19 Developments
<ul style="list-style-type: none"><li>• Strong positive mid-term review.</li><li>• Invited to train new starters at neighbouring authority.</li><li>• Continued good progress toward professional qualifications.</li></ul> <b>Fully conforms</b>	<ul style="list-style-type: none"><li>• Greater standardisation more efficiently in new software.</li><li>• Developing bespoke training with regional groups.</li><li>• Group professional memberships.</li></ul>

# MID KENT AUDIT

## Communicates Effectively

Assessment	18/19 Developments
<ul style="list-style-type: none"> <li>• Clear report formats noted by review feedback.</li> <li>• Audit approach set out in graphics and briefs.</li> </ul>	<ul style="list-style-type: none"> <li>• New software will enable clearer reporting, on risk especially.</li> <li>• Report writing and presenting training in team.</li> </ul>

**Fully conforms**

## Risk Based Assurance

Assessment	18/19 Developments
<ul style="list-style-type: none"> <li>• Priority-rated recommendation reporting.</li> <li>• Engagement with risk registers during specific project planning.</li> <li>• Focus testing on higher risk areas.</li> </ul>	<ul style="list-style-type: none"> <li>• New software enables better collation, use and tracking of risk information.</li> <li>• Clearer 'golden thread' trail from risks to specific audit tests.</li> </ul>

**Fully conforms**

## Insightful, Proactive & Future Focus

Assessment	18/19 Developments
<ul style="list-style-type: none"> <li>• Flexible, adaptive plan leaving space for advice and consultancy.</li> <li>• Practical recommendations aimed at service improvement.</li> </ul>	<ul style="list-style-type: none"> <li>• Greater organisation of past audit results through new software enabling possible thematic/trend reporting.</li> </ul>

**Fully conforms**

## Promotes Improvements

Assessment	18/19 Developments
<ul style="list-style-type: none"> <li>• Contributions and advice to senior management and members.</li> <li>• Briefing and training programmes on governance.</li> </ul>	<ul style="list-style-type: none"> <li>• Continued engagement with broader groups to bring forward ideas for further improvements.</li> </ul>

**Fully conforms**

## Audit Management Software

157. In March 2018 we decided to move from Audit Management Software called *Teammate* – which the partnership had used for more than a decade – to a new product called *Pentana*. Aside from a significant annual saving, *Pentana* offers us significant opportunities in further developing the quality and consistency of our work and reporting. Specific opportunities we are exploring include:

- A greater range of standardised work programmes, allowing for more directed work and expanded audit universe coverage.
- A clearer link to organisational structure, allowing for easier reporting to all levels of the council.
- Greater consistency in recording audit findings, allowing for cross-authority reporting on themes or key issues.

# MID KENT AUDIT

- Better and more organised information on risks and controls to allow clearer focus within individual projects.
- The ability to capture consistently a broader range of information and work to help support our planning and reporting.

158. As noted in the 2018/19 plan, we set aside some time to support familiarisation and training in the new software. However, for 2019/20 onwards we also expect significant efficiencies from internal process improvements.

## Training and Qualifications

159. We continue to offer strong support to the audit team in continuing development and upholding professional competence. In 2017/18 this involved providing individual training budgets and supporting people to follow avenues for development suitable for their career position and ambitions.

160. A key but far from sole part of this approach is supporting professional qualifications. During 2017/18 we supported almost half the team through professional studies and remain pleased with their progress and success. We would like to highlight:

- **Russell Heppleston**, Deputy Head of Audit Partnership, achieved the full professional qualification of the *Institute of Risk Management*.
- **Jen Warrillow**, Senior Auditor, completed the first of three case studies towards becoming a Chartered Member of the Institute of Internal Audit (IIA).
- **Ben Davis**, Trainee Auditor, achieved the full professional qualification of the Chartered Institute of Public Finance and Accounting (CIPFA).
- **Andy Billingham**, Auditor, and **Louise Taylor**, Trainee Auditor, both completed the first of three stages in the Certificate of Internal Audit (CIA) qualification awarded by the IIA.

161. We have also taken the lead in arranging training across regional audit groups as a way of maximising efficiency and tailoring content for local needs. During 2017/18 this included hosting a CIPFA training event attended by auditors across Kent on the basics of counter fraud investigation and legislation. During 2018/19 we will work with the London Audit Group in developing training aimed at helping auditors work towards management roles.

# MID KENT AUDIT

## Performance Indicators

162. Aside from the progress against our audit plan we also report against some specific performance measures designed to oversee the quality of service we deliver to partner authorities. We have monthly update meetings with management to discuss service performance and audit results.

163. Note that all figures are for performance across the Partnership. Given how closely we work together as one team, as well as the fact we examine services shared across authorities, it is not practical to present authority by authority data.

Measure	2014/15 Results	2015/16 Results	2016/17 Results	2017/18 Results
Cost per audit day	Met target	Met target →←	Beat target ↑	Beat target ↑
% projects completed within budgeted number of days	47%	60% ↑	71% ↑	78% ↑
% of chargeable days	75%	63% ↓	74% ↑	74% →←
Full PSIAS conformance	56/56	56/56 →←	56/56 →←	58/58 →←
Audit projects completed within agreed deadlines	41%	76% ↑	81% ↑	87% ↑
% draft reports within ten days of fieldwork concluding	56%	68% ↑	71% ↑	80% ↑
Satisfaction with assurance	100%	100% →←	100% →←	100% →←
Final reports presented within 5 days of closing meeting	89%	92% ↑	94% ↑	96% ↑
Respondents satisfied with auditor conduct	100%	100% →←	100% →←	100% →←
Recommendations fulfilled as agreed	95%	98% ↑	98% →←	97% →←
Exam success	100%	100% →←	85% ↓	85% →←
Respondents satisfied with auditor skill	100%	100% →←	100% →←	100% →←

164. We note the continuing improvement in performance and productivity in our project reviews, while keeping high levels of satisfaction with the service.



# MID KENT AUDIT

165. While we seek comments from a broad range of sources, the driver for the satisfaction numbers is responses to the surveys we circulate with each final report. Response rates to the surveys have varied over the years, but never been high. For 2017/18 we received 41 completed survey responses, including 7 from Swale. This gives a response rate of just under a third. We continue working with audit sponsors, recognising the many draws on their time, developing ways to gain comments on our work.

## **Acknowledgements**

166. We achieve these results through the hard work and dedication of our team and the resilience that comes from working a shared service across four authorities.

167. As a management team in Mid Kent Audit, we wish to send our public thanks to the team for their work through the year so far.

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

# MID KENT AUDIT

## Annex 1: Assurance & Priority level definitions

### Assurance Ratings 2017/18 (Unchanged from 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 2017/18 (unchanged from 2014/15)

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

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

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

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

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