

**MID KENT AUDIT**

# **Interim Internal Audit & Assurance Report**



**November 2018**  
**Swale Borough Council**



# MID KENT AUDIT

## Introduction

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

### 2060 Reporting to Senior Management and the Board

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

#### *Interpretation:*

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

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

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

## Audit Charter

3. This Committee approved our *Audit Charter* in March 2016. The Charter remains effective through the updated standards in April 2017. There is an updated Charter on tonight's agenda.

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## Independence of internal audit

4. Mid Kent Audit works as a shared service between Ashford, Maidstone, Swale and Tunbridge Wells Borough Councils. A Shared Service Board including representatives from each council supervises our work based on our collaboration agreement.
5. Within Swale BC during 2018/19 we have continued to enjoy complete and unfettered access to officers and records to complete our work. On no occasion have officers or Members sought or gained undue influence over our scope or findings.
6. I confirm we have worked with full independence as defined in our Audit Charter and Standard 1100.

## Management response to risk

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

## Resource Requirements

9. We reported in our plan presented to this Committee in March 2018 an assessment on the resources available to the audit partnership for completing work at the Council. That review decided:  
  
*...we believe we have enough resource to deliver the 2018/19 plan*
10. In 2018/19 we drew that conclusion considering setting up new software. That implementation is on track and described further later in this report. Since the plan we have also engaged with Dartford and Sevenoaks Councils to provide support, again described later in this report. Considering extra contractor support available to us through the Apex Contract managed by LB Croydon, we remain content we have enough resource to deliver the 2018/19 plan.

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## Audit Plan Progress

11. This Committee approved our *Annual Audit & Assurance Plan 2018/19* on 14 March 2018. The plan set out an intended number of days devoted to each of various tasks. We began work on the plan during May 2018 and expect completing enough to form our *Annual Opinion* by June 2019.
12. The table below shows progress in total number of days delivered against the plan (figures are up to end of October 2018, about 40% through the audit year).

Category	2018/19 Plan Days	Outturn at Interim	Days Remaining
2017/18 Assurance Projects	0	45	n/a
2018/19 Assurance Projects	345	104	241
Non project assurance work <sup>1</sup>	85	52	33
Unallocated contingency	40	17	23
<b>Totals (18/19 Work Only)</b>	<b>470</b>	<b>173</b>	<b>297</b>

13. Based on resources available to the partnership for the rest of the year we forecast delivery of around 267 further audit days. This creates a forecast total of 440, or 94% of planned days.
14. We detail the specifics, and results, of this progress further within this report.

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<sup>1</sup> Non-assurance project work includes our work in the fields of Risk Management, Counter Fraud and Investigative Support, following up recommendations and annual audit planning.

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## Results of Audit Work

15. The tables below summarise audit project findings and outturn up to the date of this report. Where there are material matters finished between report issue and committee meeting we will provide a verbal update. (\* = days split between partners, SBC only shown).

### Completed Assurance Projects Since Annual Report in June 2018

	Title	Days Spent	Report Issue	Assurance Rating
<b>2017/18 Projects Issued after 1 June 2018</b>				
I	Pre-Application Planning	17	Jun-18	Sound
II	Legal Services	*5	Jun-18	Sound
III	Stray Dogs	16	Jul-18	Sound
IV	HR Policy Compliance	*6	Jul-18	Sound
V	Transformation	15	Nov-18	Sound
<b>2018/19 Projects Issued before Committee Meeting November 2018</b>				
VI	Council Tax Reduction Scheme	20	Sep-18	Sound
VII	Financial Resilience	*6	Sep-18	N/A
VIII	Temporary Accommodation	16	Oct-18	Sound
IX	Insurance	12	Oct-18	Strong
X	Waste Income	16	Oct-18	Sound

### Assurance Projects Underway

Title	Days So Far	Expected Report	Notes / Stage
Revenues & Benefits Compliance	*3	Dec-18	Fieldwork (also MBC/TWBC)
Members' Allowances	13	Dec-18	Fieldwork
Sittingbourne Town Centre	5	Jan-19	Fieldwork
Conservation Planning	4	Jan-19	Fieldwork
Treasury Management	1	Jan-19	Fieldwork
Commissioning & Procurement	2	Feb-19	Planning
Cyber Security	*1	Feb-19	Planning (cross partnership specialist contractor)
Licensing Compliance	3	Feb-19	Planning
Electoral Registration	1	Mar-19	Planning
Absence Management	*1	Mar-19	Planning (also MBC)
Income Management	1	Mar-19	Planning

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## Assurance Projects Yet to Begin

Title	Expected Start	Expected Report	Notes
Waste Contract	Q3	Feb-19	Also ABC & MBC
Recruitment	Q3	Mar-19	Also MBC
Website Management	Q3	Mar-19	
Asset Management	Q3	Apr-19	
IT Technical Support	Q4	Apr-19	Also MBC & TWBC
Regeneration	Q4	May-19	
Universal Credit	Q4	May-19	
General Data Protection Regulations	Q4	Jun-19	Cross partnership
Homelessness Reduction Act	Q4	Jun-19	Cross partnership

16. Our approved plan originally included a project examining *Health & Safety* at the Council. However, following planning discussions with officers, we have agreed to defer to 2019/20. This will allow the service to complete its Health and Safety Strategy and associated compliance programme. We will provide advice and support on the compliance programme as a consultancy engagement.
17. We will continue to keep these projects under review because of our available resources and the changing risk position at the authority.

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## Audit Project Summary Results

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

18. Our opinion based on our audit work is that Planning Services has **Sound** controls in place to manage the Pre-application Planning Advice service.
19. 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.
20. 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

21. The service has acted to fulfil 4 of the 5 recommendations. The remaining 1 falls due before the end of 2018 so we will follow up early in the new year.

### II: Legal Services (June 2018)

22. 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.
23. 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.
24. 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

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25. The service has now acted to fulfil 4 of the 7 recommendations. The remaining 3 fall due before the end of 2018 so we will follow up early in the new-year.

## III: Stray Dogs (July 2018)

26. Our opinion based on our audit work is that the Environmental Response Team has **Sound** controls in place to manage the Stray Dog service.
27. 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.
28. 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.
29. 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 of recs	0	1	3	0

30. The service has already acted to implement all 4 recommendations.

## IV: HR Policy Compliance (July 2018)

31. 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.
32. 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



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33. Both recommendations fall due for action at the end of 2018. We will follow up in the new-year and report to Members in due course.

## **V: Transformation (November 2018)**

34. Our opinion based on our audit work is that the controls in operation over delivery of the Transformation Programme provide a **Sound** level of assurance.
35. The transformation programme runs in its current format until November 2018. Work is already underway to establish how the Council's transformation work may proceed in the future, and this date draws closer. As such, the findings in this review will be used to support the development and delivery of any new arrangement going forward.
36. In this review we have looked at the governance arrangements and also the methods followed as part of delivering individual projects. We have found a number of areas for improvement. As the programme has developed over the last 2 years, the objectives and purpose, when compared to the original business case, have not been revised or updated. As a result, it has been difficult to establish and measure whether the purpose of the programme is on track to deliver the intended benefits. This is made even more difficult as the programme has not adopted or reported against any performance measures or since commencing. Secondly, the work plan has not been updated or reported to the Board on a regular basis, and as such, the plan is not realistic and will not be completed as originally planned.
37. The programme is governed by a project board which includes Senior Officers and Members and follows sound project management principles which includes regular reporting and monitoring. Improved reporting however would further enhance the oversight provided by the Board.
38. Our testing of a sample of individual reviews found that overall compliance is achieved with the agreed methodology, although we have identified some inconsistencies. Our findings seek to enhance the project work going forward, particularly with regards to the tracking of recommendations and delivery of outcomes.
39. We are currently discussing with management the best way forward for our recommendations in the light of decisions pending about the future of the transformation programme.

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## VI: Council Tax Reduction Scheme (September 2018)

40. Our opinion based on our audit work is that the service has **Sound** controls in place to ensure compliance with the Council Tax Reduction Scheme.
41. Our review found that the Council Tax Reduction Scheme is reviewed and approved annually following a consultation process. Procedure notes are updated and issued to staff following any changes, and system parameters are in place to ensure the rules of the Scheme are consistently applied. Minor improvements to the process of checking and testing the system parameters are needed to ensure all changes are updated.
42. The controls in place over the processing and payment of council tax support are adequately designed. Our testing confirmed that new claims and changes of circumstances are processed in accordance with procedures and payments are promptly and accurately paid direct to the council tax account.

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

43. The recommendations fall due for action before the end of 2018/19. We will report the results to Members in our annual report in June 2019.

## VII: Financial Resilience Index (September 2018)

44. CIPFA closed its consultation on a proposed Resilience Index (the “Index”) on 24 August 2018. The stated aim of the index, according to CIPFA is:

*“...to be an authoritative measure of council’s financial resilience, drawing on publicly available information, intended to provide an early warning system where it is needed so that action can be taken at a local level in a timely manner.”*

45. CIPFA published a reasonably detailed explanation of its intended method alongside the consultation on its overall proposal. The core of the method is to take accounts data focusing on RSG reliance, reserve levels and auditor opinions and combine them into a single weighted score. CIPFA will then adjust the scores to set the median at 100. Authorities with a score of greater than 100 show signs associated with greater financial resilience than their peers.
46. Based on the method set out in the consultation, we found all four authorities in the partnership comfortably into or beyond the mid-range with index scores between 98 and 125. However, there is notable range among districts. The top of the index is

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190, far above the median level, with scores falling down to 55. Across Kent we found a range between 87 and 166.

47. CIPFA plan to develop a final version of its Index before the end of the year. We will update our work accordingly and report again to partner authorities.

## VIII: Temporary Accommodation (October 2018)

48. Our opinion based on our audit work is that the Housing Service has **Sound** controls in place to manage its risks and support achievement of its objectives.
49. Our testing confirms the Council meets its statutory responsibility to provide and allocate temporary accommodation to eligible people, but has scope to improve how it documents decisions. The Service currently reports a recurring overspend against budget. We found the financial reporting and monitoring controls in place work well. However, these controls struggle to materially reduce overspends owing to the growing scale of demand. The Council recognises this risk appropriately in its corporate planning.

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

50. According to the agreed schedule, the service will fulfil all recommendations before the end of 2018/19.

## IX: Insurance (October 2018)

51. Our opinion based on our audit work is that the Finance Team has **Strong** controls in place to manage its risks and support achievement of its objectives relating to the provision of managing Insurance.
52. We established that the insurance contract with Zurich Municipal was awarded as a result of a tendering exercise with the final decision being approved by Cabinet. Insurance policies are renewed annually and premium payments reconciled against the Finance Insurance Officer's expectations. The insurance policies covered all significant risks and insured assets were regularly revalued for insurance purposes. Insurance premiums were recorded on a schedule and these payments were correctly authorised. Premiums for 2017/18 were allocated to service budgets. The Council is

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proactive in reducing the risk of insurance claims and claim settlements were monitored by the Finance Insurance Officer. New claims were received with supporting documentation and relevant documentation was provided to Zurich to assist in investigating claims. A spreadsheet was updated detailing claim information and where possible, the Finance Insurance Officer detailed what action Council departments could take to mitigate future claims. Meetings were held twice a year with the insurer to discuss issues and policy renewals, with the option to communicate in-between meetings as needed. Any settled claims were accompanied by a report confirming the payments made.

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

53. The authority has already acted to implement the recommendation.

## X: Waste Income (October 2018)

54. Our opinion based on our audit work is that Contracts and Procurement and Customer Services have **Sound** controls in place to administer and manage bulky waste and garden waste requests.

55. Our review found that bulky waste and garden waste requests are processed by Customer Services and collections are carried out by the Contractor. Testing confirmed that collections are booked and paid for in advance and garden waste bins are promptly delivered on registration. We found cancellations are not currently up to date and there is a risk that collections could be carried when the garden waste service has not been renewed.

56. The controls in place over the receipt and banking of bulky waste and garden waste income are adequately designed. However there is a gap in controls where there are no arrangements in place to reconcile the income due to the income banked to ensure all income due to the Council is received.

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

57. Both recommendations fall due for action before the end of 2018/19. We will report the results to Members in our annual report in June 2019.

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## Recommendation Follow Up Results

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

Project	Total	High Priority	Medium Priority	Low Priority
Recommendations brought into 2018/19	31	0	13	18
New recommendations agreed in 2018/19	26	3	7	16
<b>Total Recommendations Agreed</b>	<b>57</b>	<b>3</b>	<b>20</b>	<b>34</b>
Fulfilled by 30 September 2018	37	1	13	23
<b>Recommendations cfwd past 30 September</b>	<b>20</b>	<b>2</b>	<b>7</b>	<b>11</b>
Not Yet Due	14	2	3	9
Delayed Implementation but no extra risk	6	0	4	2
Delayed Implementation with risk exposure	0	0	0	0

60. The table below gives more detail about the specific audit projects where we are following up recommendations.

Project	Report Issue & Rating	Recs Agreed	Delayed	Not Due	Complete	Full Completion
Complaints	April-17 (Sound)	4	0	0	4	Jun-18
Residents Parking	May-17 (Sound)	8	0	2	6	Mar-19
Safeguarding	July-17 (Strong)	1	0	0	1	Jun-18
Land Charges	Nov-17 (Weak)	5	0	0	5	Jun-18
Corporate Planning	Jan-18 (Strong)	2	0	1	1	Jun-19
Building Maintenance	Feb-18 (Sound)	3	0	1	2	Dec-18
Sports Pitches, etc.	April-18 (Sound)	7	1	0	6	Dec-18

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Project	Report Issue & Rating	Recs Agreed	Delayed	Not Due	Complete	Full Completion
Parking Income	April-18 (Sound)	6	2	0	4	Dec-18
Food Safety	April-18 (Sound)	7	0	0	7	Sep-18
Pre-Application Planning	June-18 (Sound)	5	0	1	4	Dec-18
Legal Services	June-18 (Sound)	7	1	2	4	Dec-18
Stray Dogs	July-18 (Sound)	4	0	0	4	Sep-18
HR Policy Compliance	July-18 (Sound)	2	0	2	0	Dec-18
Council Tax Reduction	Sept-18 (Sound)	2	0	0	2	Mar-19
Temporary Accommodation	Oct-18 (Sound)	3	0	3	0	Mar-19
Waste Income	Oct-18 (Sound)	2	0	2	0	Mar-19
Insurance	Oct-18 (Strong)	1	0	0	1	Sep-18

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## Other Audit Service Work

### Risk Management Update

61. Effective risk management is a core part of the Council's governance, contributing to successful delivery of services and key priorities. Risk management is how the Council identifies, quantifies and manages the risks to its objectives.
62. The Council's agreed its current risk management approach July 2015. Since then we have had lead responsibility for co-ordinating and championing risk management across the Council. Our role includes reporting regular updates to Officers and Members, through the Senior Management Team (SMT), Informal Cabinet and the Audit Committee. We also provide support and training to help officers manage risks effectively.
63. We report the Council's risks twice a year to Informal Cabinet and quarterly to SMT. Audit Committee receive an annual report on the effectiveness of the Council's risk management. We set out the current risk profile below. This profile shows inherent score which accounts for controls already in place.

#### Risk Profile (Inherent Risk)

Likelihood	5						Risk Colour	Oct-18
	4		2	1	4		BLACK	0
	3	1	6	30	6	2	RED	13
	2	2	13	18	12	1	AMBER	69
	1		1	3	2		GREEN	19
		1	2	3	4	5	BLUE	3
Impact							TOTAL	104

64. Risks cover an uncertain future, and we can never remove all doubt. We will therefore continue to report to SMT and Members, and oversee progress over the course of the year to highlight any significant movement of risks over time.
65. The Council must keep its approach up-to-date to keep its value. Our general support to the Council continues and will focus in the coming months on:

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- **Full review of the approach:** The Council approach its approach over 3 years ago. Now is the right time to review and, where necessary, update.
- **Training programme:** We have continued to promote workshops, and deliver risk sessions as and when requested. However, developing the overall knowledge and expertise for risk management across the Council needs 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 to the framework and procedures. Furthermore, we will deliver training to Members.

## Counter Fraud Update

66. 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*

67. During the first half of 2018/19 we have helped officers with investigations referred to us. These include an allegation of theft against an employee. The Council recovered the money and the individual left employment and received a police caution.

### *Whistleblowing*

68. The Council's whistleblowing policy names internal audit as one route through which Members and officers can safely raise concerns on inappropriate or even criminal behaviour.
69. We have so far had no matters raised with us through the Whistleblowing Policy, although note we are still receiving information through other routes.

### *National Fraud Initiative*

70. 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.

### January 2017 Data Matches



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71. Our investigations into the January 2017 matches continue. Most fell to the MKS Revenues and Benefits Compliance team to look into. That team report separately to this Committee.
72. We have looked into matches from non-revenues datasets in line with approved strategies with the focus on 'high risk' matches identified by the Cabinet Office based on previous national results. The Cabinet Office does not expect authorities to look into every match.
73. The table below sets out results for the data sets within Mid Kent Audit's scope:

Dataset	Matches (recommended)	Investigated (recommended)	Frauds	Errors	Value
Creditors History	365 (57)	57 (57)	0	0	0
Creditors Standing Data	242 (0)	0 (0)	0	0	0
Insurance Claims	1 (1)	1 (1)	0	0	0
Procurement	15 (9)	12 (9)	0	0	0
Payroll	15 (0)	0 (0)	0	0	0
Housing Waiting List	102 (97)	102 (97)	0	0	0
<b>Totals</b>	<b>740 (164)</b>	<b>172 (164)</b>	<b>0</b>	<b>0</b>	<b>0</b>

74. We have completed review of all high risk recommended matches and found no frauds or errors.

## January 2019 Data Matches

75. We received notice from the Cabinet Office seeking data for the 2019 exercise in July. Working with services, we have correctly provided the data before the deadline of October 2018. Before submission the Council must complete a Privacy Notice to confirm it has processed data in line with relevant law. We worked with services to ensure the Council met this duty.
76. We expect results from this exercise by the end of January 2019. We will update the Committee next year on findings arising from those matches.

## **Other Audit and Advice Work**

77. We also continue to undertake a broad range of special and scheduled consultancy and advice work for the Council. Examples include our attendance at Information Governance Group and as part of the Strategic Management Team. We have also

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completed specific reviews looking at individual parts of the Council's control environment at the request of officers.

78. We have, at the request of the Mid Kent Services Board, begun a programme of 'mid-term reviews' examining shared services. These reviews follow the model of the Audit Mid-Term Review completed last year and start with a look at the Shared HR Service. We aim to complete that review in early 2019. We will follow with reviews on the Shared Revenues & Benefits and ICT services.
79. 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.

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## Code of Ethics and Standards Compliance

- 80. 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.
- 81. All auditors working in the public sector (including, for instance, health and central government too) must work to these standards.

## Code of Ethics

- 82. We include the full Code at Annex 2. This Code applies specifically to internal auditors, though individuals within the team must comply with similar Codes for their own professional bodies. Also the Standards also direct auditors in the public sector to consider the Committee on Standards in Public Life’s *Seven Principles of Public Life* (the “Nolan Principles”).
- 83. We have included the Code within our Audit Manual and training for some years. We also have policies and guidance in place on certain specifics, such as managing and reporting conflicts of interest.
- 84. We can report to Members we remain in conformance with the Code.

## Public Sector Internal Audit Standards

- 85. Under the Public Sector Internal Audit Standards we must each year assess our conformance to those standards and report the results of that assessment to Members.
- 86. We underwent an external independent assessment from the IIA in 2014 which confirmed our full conformance with all but 5 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.

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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).

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87. The Standards demand a new assessment at least every five years, meaning ours is due before April 2020. Guidance from the Internal Audit Standards Advisory Board advises that Members should play a leading role in the assessment, including acting as sponsor and receiving the findings and recommendations. We will include in our 2019/20 audit plan a proposal for getting the needed assessment but welcome any comments from Members as we prepare that plan.

88. We continue to work in full conformance with the Standards.

## Pentana Audit Software

89. In our Annual Report we confirmed that, after a competitive tender, we had decided to move from *Teammate* to *Pentana* audit software. As well as providing a significant saving in licence costs each year, *Pentana* expands our capacity to organise, use and present the information we gather in completing audits.

90. Our implementation project is nearing completion, with information drawn from *Teammate* and all the team now using *Pentana* for day-to-day work. We hope to make much greater use of its analysis and presentation alternatives in future communications with Members, starting with our 2019/20 audit plan. However, as a sign of the possible uses, the chart below quickly shows comparative coverage of the audit universe of each authority in the partnership in our 2018/19 audit plan.

91. The numbers related to how many audit reviews planned cover that area. Red shading means an area does not feature in our plan. Green means we plan to examine the entire area with shading inbetween showing the proportion covered in year.

	Ashford Borough Council	Maidstone Borough Council	Swale Borough Council	Tunbridge Wells Borough Council	Shared Services
Communications	0	1	1	1	
Community Safety	0	1	1	1	1
Corporate	5	3	3	7	2
Culture & Economy	0	4	2	2	
Democracy	0	0	2	0	
Environment	3	2	2	0	
Environmental Health	1				1
Estate Management	1	1	1	0	
Housing & Landlord	5	2	2	1	
Human Resources	2	0	1	1	3
Information Technology	1			0	3
Parking	1			0	0
Planning	2	3	1	2	0
Revenues & Benefits	1		2		3
Accounting & Finance	3	2	3	3	2

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## Audit Team Update

### *Working with Dartford and Sevenoaks Borough Councils*

92. On 1 August our Deputy Head of Audit Partnership – Russell Heppleston – took up a six-month secondment to the Head of Audit role for the existing partnership between Dartford and Sevenoaks Councils. This secondment, awarded to Russell after a competitive interview, reflects well on his work in the partnership and is a great opportunity for him to lead a service.
93. The temporary move also created opportunities within the audit team in Mid Kent. After interviews, Jo Herrington has moved from Senior Auditor to Audit Manager covering Swale and Tunbridge Wells. Andy Billingham moves from an Auditor role to take Jo's place as a Senior Auditor, again after interviews within the team.
94. This means that, at least until the end of the secondment period, the Mid Kent Audit Management Team comprises:
- Ali Blake: Ashford BC Manager and risk management lead across the partnership
  - Frankie Smith: Maidstone BC Manager, Shared Service Lead plus counter fraud lead across the partnership.
  - Jo Herrington: Swale BC and Tunbridge Wells BC Manager.
95. During November we will begin discussions with Dartford and Sevenoaks on the longer term once the secondment ends in February. We hope to update Members as part of our 2019/20 audit plan.

## Performance Indicators

96. 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. The Shared Service Board (with Mark Green, Director of Finance & Business Improvement as the Council's representative) considers these measures at each quarterly meeting. We also consolidate the results into reports presented to the MKS Board (which includes the Council's Chief Executive and Leader).
97. 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.

# MID KENT AUDIT

Measure	2014/15 Results	2015/16 Results	2016/17 Results	2017/18 Results	2018/19 Q1/2
Cost per audit day	Met target	Met target →←	Beat target ↑	Beat target ↑	Ahead of target ↑
% projects completed within budgeted number of days	47%	60% ↑	71% ↑	78% ↑	80% ↑
% of chargeable days	75%	63% ↓	74% ↑	74% →←	70% <sup>3</sup> →←
Full PSIAS conformance	56/56	56/56 →←	56/56 →←	58/58 ↑	58/58 →←
Audit projects completed within agreed deadlines	41%	76% ↑	81% ↑	87% ↑	80% ↓
% draft reports within ten days of fieldwork concluding	56%	68% ↑	71% ↑	80% ↑	80% →←
Satisfaction with assurance	100%	100% →←	100% →←	100% →←	100% →←
Final reports within 5 days of closing meeting	89%	92% ↑	94% ↑	96% ↑	100% ↑
Respondents satisfied with auditor conduct	100%	100% →←	100% →←	100% →←	100% →←
Recommendations fulfilled as agreed	95%	98% ↑	98% →←	97% →←	100% ↑
Exam success	100%	100% →←	85% ↓	85% →←	100% ↑
Respondents satisfied with auditor skill	100%	100% →←	100% →←	100% →←	100% →←

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

99. We have had the same set of indicators since 2014/15. The choice of those indicators reflects the service at the time and the limits of what we could draw from our audit software. With the powers of our new software and potential further development of the audit service we plan to look again at how best to provide an insight into our performance. We are consulting with the MKS Board and Ashford BC and hope to have a refreshed set of indicators for 2019/20.

<sup>3</sup> Target lowered slightly in 2018/19 to account for project costs on new software implementation. We remain on target with chargeability

# MID KENT AUDIT

## **Acknowledgements**

100. 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.
101. 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.
102. 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: Assurance & Priority level definitions

### Assurance Ratings 2018/19 (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 2018/19 (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.

# MID KENT AUDIT

## Annex 2: Institute of Internal Audit Code of Ethics

### { CODE of ETHICS... }

#### // PRINCIPLES

Internal auditors are expected to apply and uphold the following principles:

- **Integrity**

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.

- **Objectivity**

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.

- **Confidentiality**

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

- **Competency**

Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.

#### // RULES OF CONDUCT

##### 1. **Integrity**

Internal Auditors:

- 1.1. Shall perform their work with honesty, diligence, and responsibility.
- 1.2. Shall observe the law and make disclosures expected by the law and the profession.
- 1.3. Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization.
- 1.4. Shall respect and contribute to the legitimate and ethical objectives of the organization.

##### 2. **Objectivity**

Internal Auditors:

- 2.1. Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization.
- 2.2. Shall not accept anything that may impair or be presumed to impair their professional judgment.
- 2.3. Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

##### 3. **Confidentiality**

Internal Auditors:

- 3.1. Shall be prudent in the use and protection of information acquired in the course of their duties.
- 3.2. Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.

##### 4. **Competency**

Internal Auditors:

- 4.1. Shall engage only in those services for which they have the necessary knowledge, skills, and experience.
- 4.2. Shall perform internal audit services in accordance with the *International Standards for the Professional Practice of Internal Auditing*.
- 4.3. Shall continually improve their proficiency and the effectiveness and quality of their services.



The Institute of Internal Auditors