



Notice of a Meeting, to be held in Council Chamber, Civic Centre, Tannery Lane, Ashford, Kent TN23 1PL on Tuesday 5<sup>th</sup> December 2017 at 7.00 pm.

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The Members of this Committee are:-

Cllr. Waters (Chairman)  
Cllr. Barrett (Vice-Chairman)  
Cllrs. Buchanan, Burgess, Shorter, Sims, Smith, Suddards

**NB: Under the Council's Public Participation Scheme, members of the public can submit a petition to the Cabinet if the issue is within its terms of reference or ask a question or speak concerning any item contained on this Agenda (Procedure Rule 9 refers)**

## Agenda

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| 2. <b>Declarations of Interest:-</b> To declare any interests which fall under the following categories, as explained on the attached document: | (i)              |
| a) Disclosable Pecuniary Interests (DPI)  |                  |
| b) Other Significant Interests (OSI)  |                  |
| c) Voluntary Announcements of Other Interests   |                  |
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KM  
24<sup>th</sup> November 2017

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**Declarations of Interest (see also “Advice to Members” below)**

- (a) **Disclosable Pecuniary Interests (DPI)** under the Localism Act 2011, relating to items on this agenda. The nature as well as the existence of any such interest must be declared, and the agenda item(s) to which it relates must be stated.

A Member who declares a DPI in relation to any item will need to leave the meeting for that item (unless a relevant Dispensation has been granted).

- (b) **Other Significant Interests (OSI)** under the Kent Code of Conduct as adopted by the Council on 19 July 2012, relating to items on this agenda. The nature as well as the existence of any such interest must be declared, and the agenda item(s) to which it relates must be stated.

A Member who declares an OSI in relation to any item will need to leave the meeting before the debate and vote on that item (unless a relevant Dispensation has been granted). However, prior to leaving, the Member may address the Committee in the same way that a member of the public may do so.

- (c) **Voluntary Announcements of Other Interests** not required to be disclosed under (a) and (b), i.e. announcements made for transparency reasons alone, such as:

- Membership of outside bodies that have made representations on agenda items, or
- Where a Member knows a person involved, but does not have a close association with that person, or
- Where an item would affect the well-being of a Member, relative, close associate, employer, etc. but not his/her financial position.

[Note: an effect on the financial position of a Member, relative, close associate, employer, etc; OR an application made by a Member, relative, close associate, employer, etc, would both probably constitute either an OSI or in some cases a DPI].

**Advice to Members on Declarations of Interest:**

- (a) Government Guidance on DPI is available in DCLG’s Guide for Councillors, at [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/240134/Openness\\_and\\_transparency\\_on\\_personal\\_interests.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/240134/Openness_and_transparency_on_personal_interests.pdf)
- (b) The Kent Code of Conduct was adopted by the Full Council on 19 July 2012, with revisions adopted on 17.10.13, and a copy can be found in the Constitution at <http://www.ashford.gov.uk/part-5---codes-and-protocols>
- (c) If any Councillor has any doubt about the existence or nature of any DPI or OSI which he/she may have in any item on this agenda, he/she should seek advice from the Corporate Director (Law and Governance) and Monitoring Officer or from other Solicitors in Legal and Democratic Services as early as possible, and in advance of the Meeting.

## Audit Committee

Minutes of a Meeting of the Audit Committee held in Committee Room No. 2, Civic Centre, Tannery Lane, Ashford on the **28<sup>th</sup> September 2017**.

### **Present:**

Cllr. Waters (Chairman);  
Cllr. Barrett (Vice-Chairman);  
Cllrs. Buchanan, Burgess, Shorter, Smith.

### **Also Present:**

Cllrs. Bradford, Clokie, Mrs Dyer.

Director of Law and Governance, Director of Place and Space, Director of Finance and Economy, Head of Culture, Head of Health, Parking and Community Safety, Head of Audit Partnership, Health, Parking and Community Safety Manager, Policy and Performance Manager, Programme Manager, Resilience Team Leader, Senior Auditor, Senior Policy Performance and Scrutiny Officer, Funding and Partnerships Officer, Senior Member Services Officer.

Elizabeth Jackson - Grant Thornton UK.

## **172 Minutes**

In accordance with Procedure Rule 9.3 Mr Relf, a local resident, said he wanted to speak on Minute No. 83 – Corporate Enforcement Support and Investigations Team Annual Report 2016/17. The Minute stated that areas such as general enforcement, fly tipping, Council Tax and Business Rate fraud and social housing/tenancy fraud would all be areas of focus going forward. He asked how that commendable objective was going to translate in to effective action and if he could be assured that something would actually happen? He said that in the past the Council had been made aware of Business Rate avoidance at a particular address but no action was taken.

The Portfolio Holder for Finance and IT responded that this Council placed a high value on counter fraud and investigation work and it had repeatedly voiced its commitment to the Investigation Teams work. The Council had maintained its investigative resources at a time when nationally these resources had been transferred to the Single Fraud Investigation Service. Some Councils elected not to retain any counter fraud capability, but not Ashford. Not only had the Council maintained its investigators, but they had tasked them with branching out and investigating fraud in new areas beyond their traditional areas of focus. They were members of the Kent Intelligence Network (KIN), that had developed a data hub which allowed Councils to data match to identify potential frauds for further investigation. The Council would continue to use data matching, whether provided by the KIN or its own in house capability to identify potential examples of fraud. They were about to commence a pilot data matching exercise which would further seek to identify businesses who were not paying the correct amount of tax. The Council would continue to investigate all instances of fly tipping. The Environment and Land Management team were working with the Fraud and Investigations team in

investigating waste disposals with a view to taking formal action. To date they had made two prosecutions and were investigating others.

In addition, Ashford Borough Council worked collaboratively with all other Local Authorities in Kent and Kent County Council on matters such as litter and fly tipping through the Kent Resource Partnership. Each year, project funding had been used on various campaigns such as metal matters and plastic recycling. At the most recent Board meeting it was agreed that for the next two years they would fund an intelligence officer post that would be housed at KCC, to be dedicated to collecting and sharing intelligence on environmental crime, most specifically fly tipping, to ensure that waste criminals could be tracked. This was further evidence of their proactive approach to growing resources for enforcement. The success of this had been demonstrated in the annual reports that this Committee had received, which had contained details of the team's activity and they were a matter of public record.

He also said that in the first five months of this year the team had identified, and taken action against fraud to a value of £256,000 - covering a wide range of areas including Council Tax, Business Rates, Housing Benefit and Housing Tenancies. He was therefore pleased to give Mr Relf the assurance he asked for that something would happen, because it was happening now. With reference to the specific site mentioned by Mr Relf, he advised that the Council had investigated the address and passed its findings on to the Valuation Office which was the agency with the statutory responsibility for maintaining the business rates list and they had the duty to decide what action to take with the Council's findings.

**Resolved:**

**That the Minutes of the Meeting of this Committee held on the 11<sup>th</sup> July 2017 be approved and confirmed as a correct record.**

## **173 Business Continuity Planning Audit Report**

The Head of Audit Partnership introduced the report which provided the Committee with a copy of the Business Continuity Planning audit report, issued in August 2017. The conclusion was that the controls offered only 'weak' assurance and needed further support to work consistently at an effective level. Consistent with the approach agreed by this Committee, any audit report receiving a 'weak' or 'poor' rating was reported to the next available meeting of the Audit Committee. He was pleased to advise that findings and recommendations of the audit report had been accepted by Officers and responded to quickly, with a management action plan being completed wherein plans for improvements to the service had been set out. The response so far was therefore commendable and he looked forward to working through the action plan with Officers.

The Head of Health Parking and Community Safety said that first and foremost she would like to apologise on behalf of Management Team for the weak audit rating. They fully accepted the rating and the findings of the report. There was a commitment to putting this right as soon as possible and she hoped the action plan that had been produced demonstrated Management Team's commitment. There had been a lot of good work undertaken on Emergency Planning in the last twelve months and perhaps that focus had seen them lose sight of Business Continuity to

some extent. The recommendations in the action plan reflected what needed to be done to achieve best practice, so whilst the function could certainly “raise its game”, it was also fair to say that it was not significantly failing. She advised that the significant findings in the report were: - Services had not updated their own Business Continuity Plans and these needed more detail; not enough testing of the plans had taken place; and Business Continuity as a whole did not appear to be embedded across the organisation. In terms of moving forward, there was a clear focus on what needed to be done and some important steps had already been undertaken. The aim was to get a high rating in the future and for the Council to be a leader in this issue. In terms of the dates in the action plan, the Head of Health, Parking and Community Safety advised that they would like to push some of the dates back to December 2017 which would allow her small team to properly analyse the Business Continuity plans submitted by Services and for the next meeting of this Committee to look at them ahead of a Management Team signoff in December.

The item was then opened up for discussion and the following responses were given to questions/comments: -

- The Council’s overarching Business Continuity Plan was not currently governed by a policy. One had been drafted and this would be coming to Cabinet/Council for adoption in October. This would set out the responsibilities of everyone at the Council, including Members.
- The identification of an alternative site as a back-up facility for the Council to provide its key services from in the event of an emergency had been rated as a Priority 2 recommendation. Alternative sites had been identified but they would need to find something that suited the needs of the various teams within the Council. The Council’s IT back-up arrangements had also recently been reviewed and assessed as ‘good’, so that had moved on over the last three years.
- The Committee was pleased to agree the extended timescale of December. They wanted the implementation dates to be realistic and they would clearly now fit in to a wider framework.
- Internal Audit expected the Council to act on all recommendations, regardless of rating level, but they had to prioritise each in terms of actions needed and immediacy. A recommendation which was a ‘low’ priority would still need to be dealt with, but there may be multiple ways to address the issue and timescales may not be quite so critical.
- A Business Continuity Steering Group would be re-established. The terms of reference were currently being updated and membership reviewed. The first meeting would be held in November and Steering Group members would be drawn from Management Team. Emergency Planning and Business Continuity would also be on Management Team agendas on a three monthly cycle.
- In response to a question about resources and whether the team had sufficient staff and budget to deal with the additional workload, the Health, Parking and Community Safety Manager said that they did want to take some time to review this matter. Over the next six months they planned to review

the whole process with a view to understanding exactly what resources would be needed going forward.

The Chairman said that the outcome of the audit was disappointing. Business Continuity Planning had received a similar rating back in 2014. It was therefore particularly disappointing that the corrective action taken then appeared to have been allowed to 'fall off' the agenda and this did not reflect well on Management Team, particularly as some of the same Management Team members remained. He thought the generator failure in 2015 should have been the trigger to spark a closer look at arrangements. In his view there needed to be more of a buy in from senior management to the importance of business continuity and a cultural change across the organisation. The results of the questionnaire undertaken as part of the audit showed that the majority of respondents did not know who their Lead Officer for business continuity was and that was concerning. He proposed that Internal Audit should use some of their contingency days to review Management Team agendas to assess why this had dropped off and if it was likely to be a problem going forward.

In terms of the specific individuals referred to in the report who had gone above and beyond to minimise the impact to the Council during the generator failure, the Chairman said he wanted to acknowledge them and thank them for their efforts.

The Chairman asked that going forward reports include the job titles as well as names for responsible Officers for ease of reference.

The Director of Law and Governance said that on behalf of Management Team, there was an acceptance from the top down that Business Continuity had not received the attention or priority that it deserved. Management Team now had a very different style and way of working, with much more structured agendas and a forward planning process, and topics such as Emergency Planning, Business Continuity and other corporate governance matters were reviewed routinely. He would be happy for Internal Audit to review this, but he was confident they would find a vastly improved position.

**Resolved:**

- That**
- (i) the Business Continuity Planning report and the planned actions by Officers to address its findings be noted.**
  - (ii) the request for extended implementation dates to December 2017 be supported and Committee Members receive a copy of the updated Action Plan.**
  - (iii) Internal Audit add a review of Management Team Agendas to their forward work programme to provide assurance over the issue of Business Continuity going forward.**

## **174 Presentations from Strategic Risk Owners**

The Chairman explained that these would be the next in a series of regular updates from Risk Owners that would form part of the training and interaction process for this Committee.

The Head of Culture and the Funding and Partnerships Officer gave a presentation on the risk theme – Community Capacity, focusing on the Voluntary Sector. The presentation covered: - voluntary sector capacity; risk and consequence; controls in place; challenges; and further action.

The Chairman then opened the item up to the Committee and the following responses were given to questions/comments: -

- The chief concern was to make sure that current volunteers were supported in their role, but there was also clearly a risk that new volunteers could not be found.
- The Council did publish details of the Member grants it paid, but they did not publish percentage uptake levels. The Chairman considered it may be a useful exercise to advise Members who had any grant remaining of their balance each January, and the need to spend it before year end.
- There was some discussion on the application of the Ward Member fund and whether it needed to be spent directly in a Member's Ward. The Funding and Partnerships Officer advised that the wording was "for projects that benefit constituents in your Ward" and she did try to apply that criteria as inclusively as she could. Some Members said perhaps the criteria should be reviewed to include anyone in the Borough, particularly in the spirit of the Localism Act.
- At times, the application process for the various grants was quite demanding with all of the paperwork and administration involved, particularly for some of the smaller voluntary groups. The Funding and Partnerships Officer said she would always assist where she could and it was worth putting the time in to help some of these groups unlock funding pots. She could assist with template policies, constitutions, guidance or simply general advice.

The Director of Place and Space gave a presentation on the risk theme – Housing and Infrastructure, focusing on the risk that the pace of Infrastructure did not keep up with the pace of Housing delivery. The presentation covered: - the issues at hand; strategic infrastructure; partner agencies; local infrastructure; and a summing up of future goals (including the implementation of Community Infrastructure Levy (CIL), working with other organisations, exploring other sources of funding and more partnership working with Kent County Council and other strategic partners through the Ashford Strategic Delivery Board).

The Chairman thanked Officers for both presentations which the Committee had found extremely useful.

**Resolved:**

**That the presentations be received and noted.**

## **175 Annual Governance Statement – Progress on Remedying Exceptions**

The report updated on the progress made towards the three areas of review highlighted by the 2016/17 Annual Governance Statement. The Senior Policy, Performance and Scrutiny Officer introduced the report and gave an update on delivery dates for the three areas.

The Chairman said that once all of the elements of the Transparency Code had been signed off as fully compliant, he would appreciate a spreadsheet which showed the full picture.

### **Resolved:**

**That the progress made towards the areas of review highlighted by the Annual Governance Statement as detailed in the report be noted.**

## **176 Strategic Risk Management – Update Report**

The Policy and Performance Manager introduced the report which asked the Committee to consider the Council's Strategic Risks, to note the updated assessments and to agree the adequacy of key controls and the mechanisms for monitoring and mitigation. She advised that since agreement and adoption of the current risk approach in 2015, monitoring and assessment of Strategic Risk had been an evolving process. Therefore some of the risk titles and descriptors had been amended to better reflect the risk factors. A more major review of the risk framework had now been proposed and therefore this would be the last time risk would be presented in this form to the Committee. A new framework was currently being developed by the Internal Audit Partnership in tandem with Officers at the Council and was scheduled to be presented to the Audit Committee at its meeting in March 2018. There would also be a presentation on this as part of the next Agenda item. She said that one issue worth drawing attention to was the proposal to include Emergency Planning and Business Continuity as a further Strategic Risk.

The Chairman said he was pleased to note the successful recruitment of four new senior members of staff, including three individuals from outside the Council. With a pay and reward project planned for later in the year, he considered this demonstrated that this Council was not too far off with what it was offering. The Portfolio Holder for Finance and IT said that whilst he would generally agree with that statement, there were more specialist roles where the Council did often find it difficult to recruit to. The Chairman asked to be supplied with an updated Council organogram once the new recruits were in post.

### **Resolved:**

**That (i) the assessments of the updated risk factors, adequacy of the key controls and the mechanisms for monitoring and mitigation be agreed.**

- (ii) **the proposal to include a further Strategic Risk on Emergency Planning and Business Continuity be noted.**
  
- (iii) **it be noted that a new risk framework was being developed to improve risk management arrangements and would be presented to the Audit Committee in March 2018.**

## **177 Strategic Risk Management Training**

Following the previous agenda item, the Committee received a presentation from the Head of Audit Partnership and Programme Manager. This would form part of the ongoing training and interaction process for this Committee.

The Head of Audit Partnership ran through the Risk Management process from the Council's perspective, monitoring and reporting and the next steps in terms of reviewing and updating the process. He stressed the multiple benefits to the Council of strong Risk Management arrangements, explained the principles of the existing Risk Management framework adopted in July 2015 including the recently renamed 'Pentana' system (previously Covalent) and outlined the Risk Management process step by step.

The Programme Manager focused on continuous improvement and the refresh of the current Risk Management system. She explained that work was ongoing and by the end of October they wanted to begin to put forward a system that better reflected the current Service Plans of the Council and to better define the areas that the Council wanted to monitor. It was hoped that this would allow the Council to keep a closer eye on things corporately and potentially become aware of issues prior to receiving weak audit reports. This was planned to be trialled through this year's budget scrutiny process. They were also aiming to update all Risk Registers by December 2017 and themes and Strategic Risks during early 2018. A key element of this would be a better and more accurate reporting mechanism for risk information inspired by best practice from the *John Lewis* model. She hoped to bring all of this together in an update for this Committee at its March 2018 meeting.

The Chairman then opened the item up to the Committee and the following points were raised: -

- Ultimately Risk Management was about projection, assumptions and even some guess work. It was a process that should be kept constantly under review and whilst risk owners were ultimately responsible for this, a good Risk Management framework meant that there was always more than 'one set of eyes' on an issue. If risks were tightly defined from the outset it should avoid a situation where application of the framework could be influenced or 'watered down'.
  
- Risk appetite was an important consideration. There may be certain risks that the Council was happy to accept and tolerate, even in red areas of a matrix, particularly as the Council became more commercial and entrepreneurial.
  
- There had been some suggestion that Reputational Risk could be dropped as a Strategic Risk area. The Portfolio Holder for Finance and IT said that he would challenge this suggestion because as the Council became more

entrepreneurial in its approach, working with partners and in joint ventures, the Council's reputation would be all important and fundamental to its success.

- Multiple layers of checking or sign off in a process did not necessarily make it more secure. It often meant that no one person took ultimate responsibility and one person being in charge was the best way to ensure you were covered.

**Resolved:**

**That the presentation be received and noted.**

## **178 External Audit Progress Report**

Elizabeth Jackson introduced the report which included a summary of ongoing audit work at Ashford and some other general points of interest. She advised that this was her last meeting before a period of Maternity Leave and a new Engagement Manager for Ashford and her own replacement as Engagement Lead would be introduced to the Council during October.

The Director of Finance and Economy said that following the recent procurement exercise he was delighted to announce that Grant Thornton had been re-appointed as the Council's External Auditor for 2018/19. The Council would be seeking a quote for the 2018/19 Housing Benefit (Subsidy) Assurance audit in the coming weeks, and that would be shared with the Chairman.

The Chairman said that as part of his desire for reports for this Committee to be more interactive and easier to read, he would ask Grant Thornton to make future Progress Reports more user friendly, including bullet points where possible and perhaps some of the detail behind the web links referred to. Audit Committee Members were a diverse group of people, with varying backgrounds and skillsets, and he considered that the reports had to be targeted as such.

**Resolved:**

**That the progress report be received and noted.**

## **179 Report Tracker and Future Meetings**

**Resolved:**

**That the report be received and noted.**

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Telephone: 01233 330349 Email: [danny.sheppard@ashford.gov.uk](mailto:danny.sheppard@ashford.gov.uk)  
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**AUDIT COMMITTEE**

**5<sup>th</sup> December 2017**

**BUSINESS CONTINUITY PLANNING – AUDIT FOLLOW UP**

Following discussion at the last meeting of the Committee on 28<sup>th</sup> September 2017 at which the Committee was advised that the Business Continuity Planning audit report, issued in August 2017, concluded that the controls offered only 'weak' assurance, Officers would give a verbal update to the meeting on progress made on remedying this.

**Agenda Item No:** 5

**Report To:** Audit Committee

**Date of Meeting:** 5<sup>th</sup> December 2017

**Report Title:** Annual Governance Statement – Progress on Remedying Exceptions

**Report Author & Job Title:** Lorna Ford, Head of Corporate Policy, Economic Development & Communications

**Portfolio Holder** Cllr. Shorter  
**Portfolio Holder for:** Finance & IT

**Summary:** This report updates on the progress made towards the areas of review highlighted by the 2016-2017 Annual Governance Statement

**Key Decision:** NO

**Significantly Affected Wards:** N/A

**Recommendations:** **The Audit Committee is asked to:-**

- I. Note progress made towards the areas of review highlighted by the Annual Governance Statement as detailed in this report**

**Policy Overview:** Each year the council must produce and approve an Annual Governance Statement (AGS). AGS are designed to summarise for members and residents the council's approach to governance and show how the council fulfils the principles for good corporate governance in the public sector.

**Financial Implications:** None

**Legal Implications** None

**Equalities Impact Assessment** N/A

**Other Material Implications:** None

**Exempt from Publication:** NO

**Contact:** Lorna.Ford@ashford.gov.uk (01233 330413)

## Report Title: Annual Governance Statement – Progress on Remedying Exceptions

### Introduction and Background

1. Each year the council must produce and approve an Annual Governance Statement (AGS). AGS are designed to summarise for Members and residents the council's approach to governance and show how the council fulfils the principles for good corporate governance in the public sector. The AGS needs to draw conclusions, based on evidence throughout the past year, about the effectiveness of the council's arrangements.
2. The 2016-2017 Annual Governance Statement (AGS) was agreed by the June 2017 meeting of the Audit Committee and identified three areas for continued work and review -

Governance Area	Responsible Department	To be delivered by
Modern.Gov	Legal and Democratic Services	March 2018 (as set out in PID)
Peer Challenge	Directors / Management Team	January 2018
Compliance with the Transparency Code	Corporate Policy and Performance	March 2018

3. This report updates on the progress made towards these areas of review highlighted by the 2016-2017 Annual Governance Statement.

### Purpose of this report

4. To update on the progress made towards the areas of review highlighted by the 2016-2017 Annual Governance Statement, and builds upon a similar update provided to the September 2017 meeting of the committee.

### Progress to Date

#### Modern Gov

5. Work is ongoing to embed the new processes in Management Team and the 'early-adopter' cohort. Work has particularly focused this quarter on the necessary background work of uploading previous committees' agenda, minutes and other documents in order to create the requisite archive to support the full rollout.

## Peer Challenge

6. Peer challenge is a process by which a small team of senior councillors and officers from other local authorities are invited to look at the council's systems, processes and outcomes, and to make recommendations about what might be further reinforced or improved. Just over two-thirds of councils have commissioned a peer challenge.
7. Following discussions with the LGA over their availability, a **Corporate** peer challenge is currently scheduled for the week commencing the **16<sup>th</sup> April 2018**. The review will be carried out to the Council's specification – focussing on what is of most importance to Ashford
8. Accordingly, the peer challenge with focus on areas including leadership, governance, corporate capacity and financial resilience. The peer challenge team will be in situ for 3-5 days, including meetings with political leaders, senior managers and discussion groups including with staff and partners.
9. A second, **service-based** peer challenge is also scheduled for the **14<sup>th</sup>-16<sup>th</sup> February 2018**, with a focus on **Planning**, specifically –
  - a. The enforcement function
  - b. The balance of resources
  - c. Joint working between policy and development teams
  - d. Joint working between the council and external partners
  - e. Customer satisfaction

## Compliance with the Transparency Code

10. Compliance with the Code is an ongoing item of the council's operations, and as noted in the previous update a four-way best practice governance audit<sup>1</sup> - whilst confirming that no fundamental improvement was needed to the council's transparency arrangements - did highlight a small number of areas with partial compliance. This was either due to out of date information, or information being partially published.
11. Efforts continue with the relevant departments to close these gaps. The table below summarises the progress made on each identified area following the review. It should be noted that as some of this data is published annually (i.e. by the end of each financial year) the overall due date for closing this governance exception is March 2018 –

Area	Reason for not being fully compliant	Progress (to December 2017)
<b>Procurement – Tenders &amp; Contracts</b>	Information does not include all required fields	Findings have been discussed with Procurement Officer; as contracts are renewed, the additional information will be sourced and uploaded

<sup>1</sup> conducted across the Mid-Kent Audit Partnership

<b>Local Authority land</b>	Information not uploaded	Information needed to be drawn directly from the GIS database. This work has been completed, the data cleansed (for duplicate records etc.) and will be uploaded by the end of this month
<b>Grants to voluntary and community organisations</b>	Whilst Information already available through financial records, the audit review recommended that a separate list be created	New list template has been agreed, is currently being populated and will be published for the 2017/18 reporting period onwards
<b>Fraud</b>	Information out of date	Information updated
<b>Social Housing</b>	Information out of date	Findings have been discussed with the relevant officer, and the information is currently being updated

## Conclusion and Next Steps

12. Work is still required in each of the three areas identified in the AGS in order to complete the areas of further governance work identified. This is to be expected – being the second quarterly update against the council’s compliance (and still in advance of each area’s ‘to be delivered by’ date).
13. As such, a further update on each area will be provided at the next quarterly update.

## Contact and Email

14. Lorna Ford, Head of Corporate Policy, Economic Development & Communications
15. [Lorna.Ford@ashford.gov.uk](mailto:Lorna.Ford@ashford.gov.uk)

# The Annual Audit Letter for Ashford Borough Council

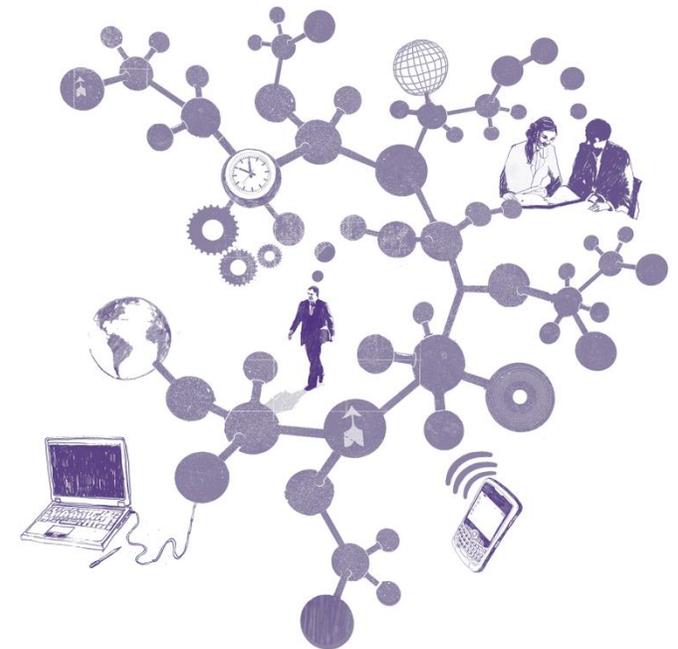
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**Year ended 31 March 2017**

October 2017

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# Executive summary

## **Purpose of this letter**

Our Annual Audit Letter (Letter) summarises the key findings arising from the work we have carried out at Ashford Borough Council (the Council) for the year ended 31 March 2017.

This Letter provides a commentary on the results of our work to the Council and its external stakeholders, and highlights issues we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Council's Audit Committee (as those charged with governance) in our Audit Findings Report on 11 July 2017.

## **Our responsibilities**

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

## **Our work**

### **Financial statements opinion**

We gave an unqualified opinion on the Council's financial statements on 15 July 2017.

### **Value for money conclusion**

We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2017. We reflected this in our audit opinion on 15 July 2017.

### **Use of additional powers and duties**

We are required under the Act to give electors the opportunity to raise questions about the Council's accounts and we consider and decide upon objections received in relation to the accounts. We received one objection to the accounts and are currently finalising this work.

### **Certificate**

We are currently unable to certify that we have completed the audit of the accounts of Ashford Borough Council as we have not yet completed work in respect of an objection received.

### **Certification of grants**

We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2017. We will report the results of this work to the Audit Committee in our Annual Certification Letter.

### **Working with the Council/Authority**

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

**Grant Thornton UK LLP**  
**October 2017**

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# Audit of the accounts

## **Our audit approach**

### **Materiality**

In our audit of the Council's accounts, we applied the concept of materiality to determine the nature, timing and extent of our work, and to evaluate the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of the Council's accounts to be £1.7 million, which is 2% of the Council's gross revenue expenditure. We used this benchmark, as in our view, users of the Council's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

We set a lower threshold of £86,000, above which we reported errors to the Audit Committee in our Audit Findings Report.

### **The scope of our audit**

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the Council's accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by the Chief Finance Officer are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Council and with the accounts included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

# Audit of the accounts

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Valuation of pension fund net liability</b></p> <p>The Council's pension fund net liability, as reflected in its balance sheet, represents a significant estimate in the financial statements.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> <li>identified the controls put in place by management to ensure that the pension fund liability was not materially misstated. We also assessed whether these controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement.</li> <li>reviewed the competence, expertise and objectivity of the actuary who carried out the pension fund valuation</li> <li>gained an understanding of the basis on which the valuation was carried out</li> <li>carried out procedures to confirm the reasonableness of the actuarial assumptions made</li> <li>reviewed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the report from your actuary.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p> <p>However, our audit work identified that the discount rate factor used by the actuary, Barnett Waddingham, is outside of the auditors expert assessment and additional procedures will be required to confirm the factor used and variance is reasonable.</p>
<p><b>Valuation of property plant and equipment</b></p> <p>The Council revalues its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> <li>undertaken a walkthrough of the council's processes and controls over this area to gain an understanding of these</li> <li>reviewed management's processes and assumptions for the calculation of the estimate</li> <li>reviewed the competence, expertise and objectivity of any management experts used</li> <li>reviewed the instructions issued to valuation experts and the scope of their work</li> <li>held discussions with the valuer about the basis on which the valuation is carried out and challenge of the key assumptions</li> <li>review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding</li> <li>tested revaluations made during the year to ensure they are input correctly into the Council's asset register</li> <li>evaluated the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these are not materially different to current value.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p> <p>However, we agreed a number of amendments to Note 14 Property, Plant and Equipment to improve and simplify the disclosures on the value of the Council's assets.</p>

# Audit of the accounts continued

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>CIPFA Code – ‘Telling the Story’</b> New requirements in the CIPFA code require restatement of Comprehensive Income and Expenditure Statement (CIES) and Movement in Reserves Statement (MIRS), plus additional note disclosures.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> <li>• reviewed the restated CIES and MIRS</li> <li>• verified that all additional note disclosures are included correctly</li> <li>• carried out a comprehensive review of the draft financial statements for compliance with the CIPFA Code.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p> <p>However, we have requested that management move the EFA disclosure for the prior year restatement in the draft accounts to be a note to the accounts and not be shown as part of the Comprehensive Income and Expenditure Statement.</p>

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# Audit of the accounts

## **Audit opinion**

We gave an unqualified opinion on the Council's accounts on 15 July 2017, in advance of the 30 September 2017 national deadline.

The Council produced a good quality set of accounts on 22 May 2017 supported by well prepared working papers. Staff responded quickly and helpfully to queries and have done well to continue to bring forward the timetable for accounts preparation.

## **Issues arising from the audit of the accounts**

We reported the key issues from our audit of the accounts of the Council to the Council's Audit Committee on 11 July 2017. We did not identify any adjustments affecting the group and Council's reported financial position.

## **Annual Governance Statement and Narrative Report**

We are required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website with the draft accounts in line with the national deadlines.

Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by the Council and with our knowledge of the Council.

## **Other statutory duties**

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts.

We received one objection to the accounts and are currently finalising this work.

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# Value for Money conclusion

## **Background**

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2016 which specified the criterion for auditors to evaluate:

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

## **Key findings**

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risk we identified and the work we performed is set out overleaf.

## **Overall VfM conclusion**

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017.

# Value for Money

## Value for money risks

Risk identified	Work carried out	Findings and conclusions
<p><b>Management capacity</b> The Council put in place succession plans to address the loss of Council knowledge and experience as senior managers retired or departed during the 2015/16 financial year. This a continuous process for the Council as new roles are developed to ensure that all key roles are covered and the new management team works cohesively to drive the Council forward.</p>	<p>Review the implementation of the Council's succession plans to gain assurance over how the Council is identifying, managing and monitoring the impact of changes to the management team during the prior year to ensure arrangements are in place to deliver the Council's objectives.</p>	<p>As noted in our Audit Plan, succession planning to address the loss of Council knowledge and experience through the departure of a number of key senior managers has been a continuous process, and we included this issue as a significant risk in our 2015/16 VFM risk assessment.</p> <p>Our findings, as reported in the 2015/16 AFR, were as follows: <i>'The Council has a clear approach to succession planning, with proposals agreed at Cabinet meetings. It has a leadership and management development programme across Heads of Services in the Council. The majority of the changes in senior managers have been expected and transition arrangements well planned. These changes have allowed for the Council to reassess its directorate structure, alongside its member portfolios. Changes have been well communicated throughout teams with the introduction of regular Chief Executive walkabouts which include presentation of key Council issues and developments.'</i></p> <p>On this basis we concluded that the risk was sufficiently mitigated and the Council had proper arrangements.</p> <p>Since we reported the above findings in July 2016, the Council has continue to take measure to address the impact of senior departures on its management capacity. The Council's current approach to Strategic Risk Management has identified seven key themes. The first was initially entitled 'Workforce skills &amp; capacity', and has subsequently been revised to 'Organisational Skills &amp; Capacity to Deliver' to reflect that the Council frequently needs to work in partnership with Members and partner organisations, private companies and other public sector providers. This theme clearly encompasses the risk of loss of knowledge and experience from senior management departures, and is 'owned' at senior level by the Director of Law and Governance.</p> <p>Key controls identified for this risk include succession planning, a flexible resourcing framework that gives ability to access to short term skilled staff, and business continuity plans. The need for an integrated approach to succession planning with the medium term financial plan and the Council's wider programme management processes has been identified as a key area for oversight by Directors and the Management Team.</p> <p>The Council's initial response to the prospect of a number of key senior level retirements was to establish a leadership development programme, and a number of programmes to prepare officers and the organisation for future roles were completed between 2013 and 2016.</p> <p>[Continued over....]</p>

# Value for Money continued

Risk identified	Work carried out	Findings and conclusions
Management capacity (continued)	Continued from above	<p>When the then Chief Executive left the Council in February 2016, the current Chief Executive took this role on an interim basis pending the outcome of discussions on a county and regional basis on potential devolution and mergers. However, in January 2017 the Council came to the view that a merged Council in East Kent was not appropriate for Ashford and chose not to progress with this.</p> <p>The Council therefore determined that it was appropriate to ratify the appointment of the Chief Executive on a permanent basis, and this occurred at the Full Council meeting on 20th April 2017. This in turn allowed a revision of the Council's senior management structure on a permanent basis to commence, moving to a structure with three Directors and 10 Heads of Service, which was approved by Cabinet in April 2017. Four vacant senior posts in the structure have now been through the Member Appointments Committee process and have been advertised for both external and internal candidates, with interviews scheduled for July 2017.</p> <p>Alongside this, the Council has also sought to strengthen its programme management and project initiation arrangements, in order to better identify the capacity required to deliver its key projects. This in turn has helped to determine the senior leadership structure needed to deliver the Council's objectives.</p> <p><b>The Council has put in place adequate temporary appointments during 2016/17 to provide senior leadership pending resolution of the East Kent Council merger discussions. Once the Council took the decision to withdraw from the East Kent discussions in January, it took effective action to start a senior manager restructure which is approaching completion. We are satisfied that the Council maintained proper arrangements to ensure sufficient senior capacity to deliver its objectives.</b></p>

# Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and provision of non-audit services.

## Fees

	Proposed fee £	Actual fees £	2015/16 fees £
Statutory audit of Council	60,311	60,311	60,311
Audit of subsidiary company – A Better Choice for Property Limited	10,000	TBC	10,000
Audit of subsidiary company – A Better Choice for Building Consultancy Limited	6,000	TBC	6,000
Housing Benefit Grant Certification	10,650	TBC	8,112
<b>Total fees (excluding VAT)</b>	<b>86,961</b>	<b>TBC</b>	<b>84,423</b>

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

We have not yet concluded our work on the two company audits or the Housing Benefit grant certification and will report actual fees to the Council once work is completed.

## Reports issued

Report	Date issued
Audit Plan	21 March 2017
Audit Findings Report	11 July 2017
Annual Audit Letter	October 2017

## Fees for other services

Service	Fees £
<b>Audit related services:</b>	
• Certification of housing pooling capital receipts return	2,000
<b>Non-audit services</b>	0

### Non- audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table above summarises all other services which were identified.
- We have considered whether other services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place, as set in the table on the next page.

# Reports issued and fees continued

We have considered whether other services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards have been applied to mitigate these risks.

	Service provided to	Fees	Threat identified	Safeguards
<b>Audit related services</b>				
Pooling of housing capital receipts return	Ashford Borough Council	2,000	<ul style="list-style-type: none"> <li>Self-interest</li> </ul>	This is a recurring fee and therefore a self-interest threat exists. However, the level of this recurring fee taken on its own is not considered to be a significant threat to independence as the fee for this work in comparison to the total fee for the audit (£60,311) for the Council, and in particular to Grant Thornton UK LLP overall turnover. Furthermore, the work relates to audit related services for which there is a fixed fee and no contingent element to the fee. These factors are deemed to adequately mitigate the perceived self-interest threat to an acceptable level.
	<b>TOTAL</b>	<b>£2,000</b>		

The above non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor and have been approved by the Audit Committee.



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**Agenda Item No:** 7  
**Report To:** Audit Committee  
**Date:** 5 December 2017  
**Report Title:** Interim Internal Audit & Assurance Report 2017/18  
**Report Author:** Rich Clarke – Head of Audit Partnership



**Summary:** The report summarises to the Committee progress and results so far against the Audit & Assurance plan for 2017/18 agreed earlier this year. Except for a couple of matters already brought to the Committee's attention, the results show the Council upholding an effective control environment.

**Key Decision:** NO

**Affected Wards:** All

**Recommendations:** 1. To **note** progress against the 2017/18 Internal Audit & Assurance Plan and findings so far.

**Policy Overview:** N/A

**Finance:** N/A

**Risk Assessment** N/A

**EIA** N/A

**Other Matters:** N/A

**Exemption Clauses:** N/A

**Background Papers:** Interim Internal Audit & Assurance Report 2017/18 (attached as Appendix A)

**Contacts:** [rich.clarke@midkent.gov.uk](mailto:rich.clarke@midkent.gov.uk) Tel: (01233) 330442

## Report Title: Interim Internal Audit & Assurance Report 2017/18

### Purpose of the Report

1. The report provides to Members an update on progress so far towards completing the 2017/18 Internal Audit & Assurance Plan. It also provides the update information needed by Audit Standards including an assessment of available audit time, results of audit work and commentary on performance of the audit service.
2. Our results so far in 2017/18 have yielded mainly positive assurance ratings except for of our work on the *Property Management* and *Business Continuity* as detailed in the report and previously reported to Members. In both instances officers have responded swiftly to begin addressing the matters raised and so there are no matters of broader concern we wish to bring to Members' attention.

### Background

3. The report provides an update for Members on progress against the 2017/18 Internal Audit & Assurance plan approved by this Committee earlier this year. The report also meets our duties under Public Sector Internal Audit Standard 2060 to report to Members on:
  - Our audit charter,
  - The independence of internal audit,
  - Audit plan changes and progress against the plan,
  - Resource needs of the audit service,
  - Results of audit work so far,
  - Affirming conformance with the Standards and Code of Ethics, and
  - Details of risks taken by management that, in the Head of Audit Partnership's judgement, may be unacceptable to the authority.
4. We have made good progress through the plan so far, although highlight to Members a continuing absence in the team which may result in a small under-delivery at year end. Nevertheless, by continuing to adjust our plans according to the Council's risk profile, we remain confident of delivering a robust audit opinion by year end.
5. We note good levels of delivery for officers acting to address audit recommendations.
6. We also report our continuing conformance with the Standards (including independence) and the Code of Ethics. We also show our continued strong results on performance measures and the recent award of *Swale Stars Team of The Year* received by Mid Kent Audit.

## **Risk Assessment**

7. N/A

## **Equalities Impact Assessment**

8. N/A

## **Other Options Considered**

9. N/A.

## **Consultation**

10. We discuss results of audit work with responsible officers within the authority before issuing as final. We remain pleased to record to Members continuing strong levels of co-operation from officers who have accepted all recommendations made so far in 2017/18.

11. We discussed the working draft of this report in full with the Cabinet Member earlier last month. We have reflected his comments in the attached report.

12. The report builds on Committee comments from previous similar reports.

## **Implications Assessment**

13. N/A

## **Handling**

14. N/A

## **Conclusion**

15. Except for of a couple of matters already brought to the Committee's attention, the results show the Council upholding an effective control environment. The report also notes the continuing strong performance of Mid Kent Audit.

## **Portfolio Holder's Views**

16. N/A

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# MID KENT AUDIT

## Interim Internal Audit & Assurance Report



December 2017

Ashford 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. We will consider whether to recommend updates alongside our 2018/19 audit plan.

# MID KENT AUDIT

## 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 Ashford 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.
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 2017 an assessment on the resources available to the audit partnership for completing work at the Council. That review decided:  
  
*We feel on current assessment the Audit Partnership has enough resources in both quantity and ability to deliver the audit plan and a robust overall audit opinion.*
10. Since that review we have seen various changes to our current and projected position. First we report with pleasure that one of our audit trainees, Ben Davis, has accepted an offer to continue as a permanent auditor on completing his qualification in 2018. When we began the training scheme in 2014 it was with the hope we would eventually develop our own qualified people who could continue contributing to our success. We take great pride in beginning to realise that hope. This move will increase the number of audit days available to the partnership.

# MID KENT AUDIT

11. However, we also continue dealing with long-term sickness absence of a senior member of the audit team. While in 2016/17 we were largely able to compensate for the absence through use of contractors and increased general productivity we are less able to cover the gap in 2017/18. In the spirit of greater resilience from working in partnership, no single authority will see a material loss but we do expect each will see some fall in available days.
12. Finally, we will look later in the year at our audit software. Originally through the efforts of the then Ashford team, Mid Kent have pioneered the use of “e-audit”. We were one of the first local authority teams to adopt electronic working when we began using Teammate software in 2001. Since then, though obviously upgraded, we have stuck with Teammate.
13. However, the increasing need to examine our costs carefully – the licence fees are by far our largest non-staff expense – have led us back to market. We will seek to establish the market, possibly jointly with Kent County Council, early in the New Year. This exercise and associated training if we buy new software will impact on the 2017/18 audit plan. However, we are confident that we will realise efficiencies in both cost and auditor time from 2018/19 onwards.
14. The result of these changes is a good chance we will not deliver in full the number of audit days set out in the 2017/18 plan. However, by continuing to focus on productivity and risk, we are confident that we will be in a position to deliver a robust overall opinion at year end.

## **Audit Plan Progress**

15. 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 May 2017 and expect completing enough to form our *Annual Opinion* by June 2018.
16. The table below shows progress in total number of days delivered against the plan (figures are to end of October 2017, about 42% through the audit year).

# MID KENT AUDIT

Category	2017/18 Plan Days	Outturn at Interim	Days Remaining
2016/17 Assurance Projects	0	59	n/a
2017/18 Assurance Projects	290	109	181
Risk Management	35	10	25
Counter Fraud Support	5	2	3
Member Support	15	11	4
Recommendation Follow-Up	30	18	12
Audit Planning	10	4	6
Contingency and Consultancy	35	10	25
<b>Totals (17/18 Work Only)</b>	<b>420</b>	<b>164</b>	<b>256</b>

17. Based on resources available to the partnership for the rest of the year we forecast delivery of around 404 audit days. This is 96% of planned days.
18. We detail the specifics, and results, of this progress further within this report.

# MID KENT AUDIT

## Results of Audit Work

19. 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, ABC only shown).

### Completed Assurance Projects

	Title	Plan Days	Actual Days	Report Issue	Assurance Rating	Notes
<b>2016/17 Assurance Projects Completed After 1 April 2017</b>						
	Create Festival	8	9	Apr-17	Sound	Reported to Members June-17
	Property Management	12	12	May-17	Weak	Reported to Members June-17
	Appraisal System	12	12	May-17	Strong	Reported to Members June-17
	Bank Reconciliations	9	9	May-17	Sound	Reported to Members June-17
	Budgetary Control	14	14	May-17	Sound	Reported to Members June-17
	Social Media Access Controls	9	11	May-17	Sound	Reported to Members June-17
	ICT Network Controls	15	15	May-17	Sound	Reported to Members June-17
I	General Ledger Controls	9	9	Jun-17	Sound	
II	Accounts Payable	12	12	Jun-17	Sound	

# MID KENT AUDIT

	Title	Plan Days	Actual Days	Report Issue	Assurance Rating	Notes
III	HR Policy Compliance	15	15	Jul-17	Sound	
IV	Corporate Governance	5*	5*	Jul-17	Not Rated	
V	Business Continuity Planning	15	16	Aug-17	Weak	
VI	Counter Fraud Risk Assessment	10	12	Oct-17	Not Rated	
<b>Planned 2017/18 Assurance Projects Completed so far</b>						
VII	Housing Benefit	15	17	Sep-17	Strong	
VIII	Treasury Management	10	11	Sep-17	Sound	
IX	Residents' Parking	12	13	Sep-17	Sound	
X	Monitoring Centre	12	15	Oct-17	Sound	
XI	ABC Lettings	15	14	Nov-17	Sound	
XII	Rent Accounting	15	13	Nov-17	Strong	
<b>Assurance Projects Added to the 2017/18 Plan and Completed</b>						
	Mid Kent Audit Mid Term Review	n/a	4*	Aug-17	N/A	See "Standards Compliance" section

## Assurance Projects Awaiting Completion

	Title	Plan Days	Days So Far	Expected Report Issue	Notes
<b>Planned 2017/18 Assurance Projects In Progress</b>					
	IT Disaster Recovery	15	7	Dec-17	Draft Report stage
	Freedom of Information	15	3	Feb-18	Fieldwork stage
	Recruitment	10	3	Feb-18	Planning stage

# MID KENT AUDIT

	Title	Plan Days	Days So Far	Expected Report Issue	Notes
	Home Improvement Grants	15	4	Feb-18	Planning stage
	Accounts Receivable	10	2	Mar-18	Planning stage
	Payroll	12	2	Mar-18	Planning stage
	Development Management	15	1	Mar-18	Planning stage
<b>Planned 2017/18 Assurance Projects Yet To Begin</b>					
	Financial Planning	7*	0	Q4	
	Workforce Planning	15	0	Q4	
	Grounds Maintenance	15	0	Q4	
	Project Management	15	0	Q4	
	Building Control	12	0	Q4	
	Contract Management	15	0	Q4	
	Corporate Governance	5*	0	Q4+	
	Insurance	10	0	Q4+	
	Single Grants Gateway	15	0	Q4+	
<b>Assurance Projects Added to 2017/18 Plan Not Yet Complete</b>					
	Electrical DSO	15	0	Q4	
	Management Board Agenda Setting	10	0	Q4	

We will continue to keep these projects under review in the light of our available resources and the changing risk position at the authority.

# MID KENT AUDIT

## Assurance Projects Removed from 2017/18 Plan

	Title	Plan Days	Days Spent	Postponed or cancelled?	Rationale and alternative assurance sources
<b>Planned 2017/18 Assurance Projects Postponed or Cancelled</b>					
	Food Safety	15	0	Postponed	At request of service as they manage staffing shortages. We have reviewed Food Safety Agency performance indicator data for interim assurance ahead of completing review in 2018/19.

# MID KENT AUDIT

## Audit Project Summary Results

### I: General Ledger – Journals (June 2017)

20. Our opinion based on our audit work is that there are **Sound** controls in place to manage the Council’s Journals and its risks to support achievement of its objectives.
21. Access to process journals on the eFinancials System (the System) is appropriately restricted to officers in Finance Team. The System captures details of journals raised and sequentially numbers them. Our testing confirmed that journals raised contain sufficient information, and are processed appropriately. Furthermore adequate documentation is kept in support of the journals. However, there is no segregation of duties in the processing of journals, so the system could be enhanced through the introduction of periodic reviews or spot checks.

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

22. The Council has since acted to address both matters arising. This report is now closed.

### II: Accounts Payable (June 2017)

23. Our opinion based on our audit work is that the Council has **Sound** Accounts Payment controls in place to manage its risks and support achievement of its objectives.
24. Roles and responsibilities for processing payments to creditors are defined and understood. New suppliers are set up on receipt of valid requests and completion of appropriate checks, with further checks completed during pay run.
25. Requests to change supplier bank details are verified via telephone or email with the supplier. However, changes to supplier contact details are not checked creating the risk that requests to amend bank account details may be verified to incorrectly amended contact details.
26. Our testing confirmed that invoices were supported by valid purchase orders, and appropriate segregation of duties was evidenced, goods were appropriately certified and invoices were paid in a timely manner. We confirmed that refunds/credit notes were processed on receipt of appropriate notification and

# MID KENT AUDIT

an appropriate segregation of duties was evidenced. Although we identified one instance where a temporary increase in authorisation limit was granted, without any documented approval of this increase.

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

27. The Council has acted to address five of the six matters identified. The sixth is on track for completion in December 2017 and we will follow-up early in 2018.

### III: HR Policy Compliance (July 2017)

28. Our opinion based on our audit work is that the Human Resources service has **Strong** controls in place to ensure compliance with the three Council policies examined: Sickness policy, the Managing Poor Performance (Capability) Procedure and the Disciplinary Procedure.
29. We found that the Human Resources team offer significant support to managers and employees to ensure that the policies are complied with. Our testing confirmed that, in practice, the procedures set out in the policies are followed. We also found that the records maintained allows for the decisions and actions taken to be understood.
30. Human Resources are planning to review these policies in 2017/18, after which they intend to produce toolkits for management. These will encompass and add to the existing document templates and include step by step guides to supplement the policies. This continued development of the service will help to ensure that the Council's HR Policies are complied with.
31. We raised no matters for improvement from our review, so this report is closed.

### IV: Governance Review (July 2017)

32. The purpose of this review was to focus on the transparency arrangements in place at Ashford, Maidstone, Swale and Tunbridge Wells Borough Council, against the requirements set out in Principle G of the [Good Governance Framework](#) (the Framework) and the [Local Government Transparency Code 2015](#) (the Code).
33. Our review has confirmed that all 4 Councils are fulfilling all transparency requirements. However, we have identified some areas where further consideration is needed to ensure full compliance with the Framework and Code.

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Authority	Notable practice	Areas for improvement
Ashford	<ul style="list-style-type: none"> <li>- Compilation of Annual Performance Report and Governance Statement</li> <li>- Ability to download &amp; view individual elements of the constitution</li> <li>- Clear and well understood reporting cycle to Management and Members</li> </ul>	<ul style="list-style-type: none"> <li>- Completeness of contract register information and garage data</li> <li>- Some information out of date – in particular social housing assets</li> </ul>
Maidstone	<ul style="list-style-type: none"> <li>- Centralised approach to consultations and analysis of results</li> </ul>	<ul style="list-style-type: none"> <li>- Inconsistent monitoring of transparency compliance</li> <li>- Some information incomplete or missing</li> </ul>
Swale	<ul style="list-style-type: none"> <li>- Good knowledge and monitoring of transparency requirements</li> <li>- Central transparency webpage</li> <li>- Benchmarking of performance data</li> <li>- Annual Governance Statement and Annual Performance Report</li> </ul>	<ul style="list-style-type: none"> <li>- Consultation</li> <li>- Publication of tender opportunities over £5k and the contracts register</li> <li>- Publication of local authority land information, parking spaces, staffing and Trade Union</li> </ul>
Tunbridge Wells	<ul style="list-style-type: none"> <li>- Consultation framework</li> </ul>	<ul style="list-style-type: none"> <li>- Co-ordination and monitoring of transparency obligations</li> <li>- No central transparency webpage</li> </ul>

34. The following table summarises some of the good practice and areas for improvement identified during the audit:

35. The table below summarises the transparency requirements considered during the audit and our assessment for each element. An assessment key and a summary of the key findings are also provided below:

Good Governance Framework	Ashford	Maidstone	Swale	Tunbridge Wells
Officers' awareness of transparency requirements	COMPLIANT	COMPLIANT	COMPLIANT	PARTIAL
Monitoring compliance	COMPLIANT	PARTIAL	COMPLIANT	NOT COMPLIANT
Accessibility of Council information	COMPLIANT	COMPLIANT	COMPLIANT	COMPLIANT
Service delivery	COMPLIANT	COMPLIANT	PARTIAL	COMPLIANT
Policy and strategy development	COMPLIANT	COMPLIANT	PARTIAL	COMPLIANT
Decision making	COMPLIANT	COMPLIANT	COMPLIANT	COMPLIANT
Reporting	COMPLIANT	COMPLIANT	COMPLIANT	COMPLIANT
Annual Performance Reporting	COMPLIANT	COMPLIANT	COMPLIANT	PARTIAL
Financial statements	COMPLIANT	COMPLIANT	COMPLIANT	COMPLIANT
Conclusion	COMPLIANT	PART COMPLIANT	PART COMPLIANT	IMPROVEMENT NEEDED

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## V: Business Continuity Planning (August 2017)

36. Our opinion based on our audit work is the Council has **Weak** controls in place for Business Continuity across the Council as a whole. This means the arrangements place the Council in excess risk and need remedial action to consistently perform effectively.
37. During our work we recognised the Council has recently had practical experience in dealing with business continuity events, such as the generator failure in January 2016. While the Council had some success in managing recent events, we found this is more down to goodwill and dedication of staff than application of an effective business continuity approach.
38. In reviewing the Council's plan, we identified it is out of date from July 2015 and not connected to any policy statement. While some of the needed updates are mechanical, the plan is also defective in describing some arrangements that no longer work, for instance in IT recovery. The result is the Council has a plan which would fail if put into place as written.
39. At a service level we found a more mixed picture, with some detailed and tested plans. However, there are some key services, such as housing, whose plans lack testing or important detail. We also found that, despite extensive efforts of the resilience team, general awareness of business continuity arrangements through the Council remains limited.

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

40. Only one recommendation has so far become due for action. In our most recent review we confirmed the Council had created new templates and guidance on completing business continuity documents. Management presented revised implementation following the last Audit Committee, including three now due in our next follow-up exercise early in 2018.
41. We are satisfied with the initial early progress the service has made in implementing the audit recommendations and have no ongoing areas of concern.

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## VI: Counter Fraud Risk Assessment (October 2017)

42. The Council has a proven and widespread anti-fraud culture and good arrangements for dealing with fraud when it occurs. It displays this culture within a suite of policies available and a strong anti-fraud message in high-level documents such as its constitution.
43. However, the Council does not separately assess or document fraud risks. The strategy is also out of date and does not reflect the current counter fraud arrangements within the Council. The table below summarises the review:

Section	No. of Criteria	Fully Demonstrates	Partially Demonstrates	Does Not Demonstrate	Not Applicable
Acknowledge Responsibility	11	4	6	1	0
Identify Risks	13	1	4	8	0
Develop a Strategy	15	4	8	3	0
Provide Resources	10	5	2	0	3
Take Action	19	14	4	1	0
<b>Total</b>	<b>68</b>	<b>28</b>	<b>24</b>	<b>13</b>	<b>3</b>

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

44. Our recommendations begin to fall due for action in early 2018 will full completion anticipated by the summer. We will follow up actions as part of our usual process.

## VII: Housing Benefit Payments (September 2017)

45. Our opinion based on our audit work is the Housing Benefit service has **Strong** controls in place to manage the risks and support achievement of its objectives when making payments.
46. The Council has designed its payment and overpayment approach to mitigate significant risks and help achieve efficiency. Notable controls include comprehensive settlements between information sources and separate review

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of large individual payments. We found in our testing that controls work successfully to deliver accurate and timely payments to claimants.

47. Where overpayments occur, we found the Council's software helps correct classification. When seeking recovery we identified notable practice, including engaging specialist companies to trace large debtors.
48. We raised no matters for improvement from our review, so this report is closed.

## VIII: Treasury Management (September 2017)

49. Our opinion based on our audit work is the Treasury Management service has **Sound** controls in place to ensure overall compliance with CIPFA's Code of Practice and the Council's Treasury Management Strategy.
50. The Service has a Treasury Management Strategy in place which sets out the Council's strategy in relation to investments and borrowing, and also defines the roles and responsibilities of those with authority to conduct transactions. Our testing of investment transactions confirmed the appropriate authorisations were in place.
51. We have however, identified instances where the counter party limits detailed in the strategy had been breached. These instances had not been identified and reported at the time, and occurred as a result of a lack of real-time monitoring and no defined reporting process. The introduction of a clearer process for reporting breaches, along with a newly implemented Treasury Management system, will provide the level of control that had been previously lacking.
52. The agreement with Arlingclose, the Council's treasury management advisors, ended in November 2014, however since that time the service has continued on a rolling basis. The current arrangements therefore are not compliant with the Council's Contract Standing Orders which requires that a new procurement exercise is undertaken or a single supplier sourcing form is approved to demonstrate the Council has secured appropriate value for money.

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

53. The Council has acted to address the one matter falling due to date, with the remainder expected for action early in 2018. We will follow-up on that action in line with our usual process.

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## IX: Residents' Parking (September 2017)

54. Our opinion based on our audit work is that the service has **Sound** controls in place for the administration of and payment from residents' permits.
55. We found that the service has well documented procedures. Our testing confirmed that these procedures are embedded, understood and result in the accurate and timely issuing of residents' permits. Furthermore, our review and testing of the payments procedures found these to be sound.
56. Evidence to support applications (i.e. proof of residence and vehicle ownership) was obtained and retained for all the cases we tested. However, we identified that access to this information is not appropriately restricted, and data retention processes need to be introduced to ensure compliance with the Data Protection Act.

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

57. All of our recommendations on this review fall due for action before the end of 2017. We will follow-up early in 2018 in line with our usual process.

## X: Monitoring Centre - Telecare and Private CCTV (October 2017)

58. Our opinion based on our audit work is that the Monitoring Centre has **Sound** controls in place to manage its risks and support achievement of its objectives for the areas we have considered (Telecare and private CCTV monitoring). This means we believe they are designed and operate effectively, although we have identified areas for improvement.
59. Our work found the service has well defined procedures for the administration of private client telecare applications, and testing confirmed operational effectiveness. The Council holds full accreditation with the Telecare Services Association, including maintaining a comprehensive Quality Management System.
60. While we note progress to date in establishing full contractual terms and charging arrangements for private clients, though, the Council still needs to make progress on these exercises. At present the Council retains some vulnerability in unclear contract terms and potentially a loss of income, but the risks involved are relatively minor when considered within the Council's overall risk appetite.

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

61. Our recommendations on this review fall due for action over the course of the next year. We will follow-up during 2018 in line with our usual process.

## XI: ABC Lettings

62. Our opinion based on our audit work is that the Housing Service has **SOUND** controls in place over the operation and management of ABC Lettings.
63. We found that there are sufficient procedures in place for the administration and management of properties. Our testing confirmed that adequate property and tenancy records are maintained and that relevant checks are carried out in accordance with agreed procedures. We also note that management fees and charges are applied in accordance with the terms and conditions.
64. Our testing established that financial controls over the receipt and banking of income are operating effectively as designed, and landlords are accurately and promptly paid. However, procedures over the reconciliation of management fees should be improved to identify and resolve any discrepancies.

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

65. The recommendations in this review fall due for action in February 2018. We will follow up their implementation next spring.

## XII: Rent Accounting

66. Our opinion based on our audit work is that there are **Strong** controls in place within the Rents system to manage its risks and support achievement of its objectives.
67. The controls within the Rents system are well designed and operate effectively. The process as a whole is well controlled to properly account for housing rents and to manage the risk of fraud and error.
68. Our testing confirmed that the controls work successfully to properly record and account for income from housing rents. In particular we identified notable practice with regards to the reconciliation processes.

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## Recommendation Follow Up Results

69. 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 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).

70. 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 forward into 2017/18	15	1	8	6
New recommendations agreed in 2017/18	72	8	31	33
<b>Total Recommendations Agreed</b>	<b>87</b>	<b>9</b>	<b>39</b>	<b>39</b>
Fulfilled by 30 September 2017	34	1	19	14
<b>Recommendations cfwd past 30 September</b>	<b>53</b>	<b>8</b>	<b>20</b>	<b>25</b>
Not Yet Due	48	7	19	22
Delayed Implementation but no extra risk	5	1	4	0
Delayed Implementation with risk exposure	0	0	0	0

71. We describe our priority ratings in Annex 1. In the table below we summarise progress against all reports with recommendations that fell due during 2017/18. The table excludes reports that raised no risk-rated recommendations for follow-up:

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Project	Report Issue Date & Rating	Recs Agreed	Delayed & Risk exposure	Delays but no extra risk	On track but not due	Completed	Full Completion date
Data Protection	Feb 2016 (Weak)	9	0	0	0	9	October 2017
Procurement	Aug 2016 (Sound)	10	0	2	0	8	December 2017
Street Cleansing	Oct 2016 (Sound)	2	0	2	0	0	December 2017
IT Developments	Dec 2016 (Sound)	3	0	1	0	2	December 2017
Public Sector Equalities Duty	Jan 2017 (Sound)	6	0	0	2	4	March 2018
Customer Services	Feb 2017 (Sound)	2	0	0	1	1	December 2017
Business Rates – Recovery and Write Off	Mar 2017 (Strong)	1	0	0	0	1	July 2017
Create Festival	Apr 2017 (Sound)	4	0	0	1	3	December 2017
Property Management	May 2017 (Weak)	9	0	0	4	5	December 2017
Social Media Access Controls	May 2017 (Sound)	5	0	0	5	0	March 2018
Bank Reconciliation	May 2017 (Sound)	5	0	0	0	5	October 2017
ICT Network Controls	May 2017 (Sound)	4	0	0	0	4	July 2017

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Project	Report Issue Date & Rating	Recs Agreed	Delayed & Risk exposure	Delays but no extra risk	On track but not due	Completed	Full Completion date
Budgetary Control	May 2017 (Sound)	2	0	0	1	1	December 2017
General Ledger	Jun 2017 (Sound)	2	0	0	0	2	October 2017
Accounts Payable	Jun 2017 (Sound)	6	0	0	1	5	December 2017
Business Continuity Planning	Aug 2017 (Weak)	10	0	0	9	1	March 2018
Treasury Management	Sept 2017 (Sound)	4	0	0	3	1	March 2018
Residents Parking	Sept 2017 (Sound)	4	0	0	4	0	December 2017
Counter Fraud Risk Assessment	Oct 2017 (N/R)	8	0	0	8	0	July 2018
Monitoring Centre	Oct 2017 (Sound)	9	0	0	9	0	December 2018

## Delayed Implementation Details

72. Members will note that our *Data Protection* review, previously reported to this Committee in detail, is now complete. We are satisfied the remaining delayed recommendations are in hand and have no matters of concern to report. For instance, on the high priority recommendation (within the *IT Development* review) the Council decided to first develop an overarching digital strategy – approved by Cabinet recently – before embarking specifically on an IT Development strategy.

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## Other Audit Activity Results

### Risk Management Update

73. Risk management is how the Council identifies, quantifies and controls the risks it faces as it seeks to achieve its objectives.
74. The Council set up a new risk management approach, approved by this Committee in September 2015. Since then, the Committee has received regular update reports from Officers on managing specific strategic risks. This creates a greater understanding of key risk issues, and allows robust challenge of how the Council responds.
75. The Committee considered the strategic risks most recently in [March 2017](#). Strategic risks inherently have a greater impact on the Council, and potentially affect multiple services. They are the key risks that link direct to achieving Council priorities. The Council continuously oversees these risks, including reports on their management and updates to reflect actions the Council takes. Also, our audit work (and audit plans) considers key risk issues.
76. The table below shows a summary of the strategic risks for the Council with the overall risk score, when considering likelihood and impact:

Ref.	Risk Heading	Score
a	Organisational skills and capacity to deliver	6
b	Housing infrastructure	6
c	Key project failure	15
d	Resource limitations	9
e	Collaborative working	4
f	Community capacity	4
g	Reputation	6

77. We have an advisory role in the Council's arrangements. Most recently we have worked with Officers to review and update the risk management guidance, and this will come to the Committee later in the year. This work seeks to better connect strategic and operational level risks across the Council. We will continue to work with Officers over the coming year to provide risk support where needed.

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## Counter Fraud Update

78. The Council keeps a well-regarded investigative team who undertake the direct work in managing its fraud risks. We consider counter fraud and corruption risks in all of our audit engagements when considering the effectiveness of control. We also undertake distinct work to assess and support the Council's arrangements.
79. The most prominent work we have undertaken here is our review of the Council's Counter Fraud approach as reported earlier in this document. However, we also have roles in Anti-Money Laundering Reporting and Whistleblowing.
80. In our Anti-Money Laundering role we have worked with the Council to help adapt its approach in examining how applicants finance Right To Buy applications. We have worked with the Council, including seeking advice from authorities across England, to lessen the risk of people using Council assets in money laundering schemes.
81. 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. So far we have had no matters of concern raised with us. However, we know others have examined matters raised by complainants. We believe the Council has looked into the concerns suitably.

## Other Audit and Advice Work

82. We also continue to undertake a broad range of special and scheduled consultancy and advice work for the Council. Examples include advising on creation of an Information Governance Group, developing briefing sessions for Members and as part of the Management Team.
83. 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

84. On 1 April 2017 the RIASS<sup>1</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.
85. 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.

## Code of Ethics

86. We include the full Code at Annex 2. Although a new document, similar codes were already part of the profession especially for people holding membership of professional institutions. We have included the Code within our Audit Manual and training for some years.
87. We can report to Members we remain in conformance with the Code. For further assurance, the chart below describes some of the working practices and controls we use to encourage and oversee continuing adherence.

<b>Integrity</b>	<ul style="list-style-type: none"><li>• Code of ethics within manual and part of basic training</li><li>• Working within ethical codes of profession and authorities</li></ul>
<b>Objectivity</b>	<ul style="list-style-type: none"><li>• Separate independence declarations globally and on specific work</li><li>• Auditors mobile between authorities in partnership</li></ul>
<b>Confidentiality</b>	<ul style="list-style-type: none"><li>• Guidance for auditors on minimal retention of personal data in audit files</li><li>• Information not of continuing use deleted on completing audit review</li></ul>
<b>Competency</b>	<ul style="list-style-type: none"><li>• Need to consider competence before accepting engagements within Audit Charter</li><li>• Dedicated personal training budgets to support continuing professional development</li></ul>

<sup>1</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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## Public Sector Internal Audit Standards

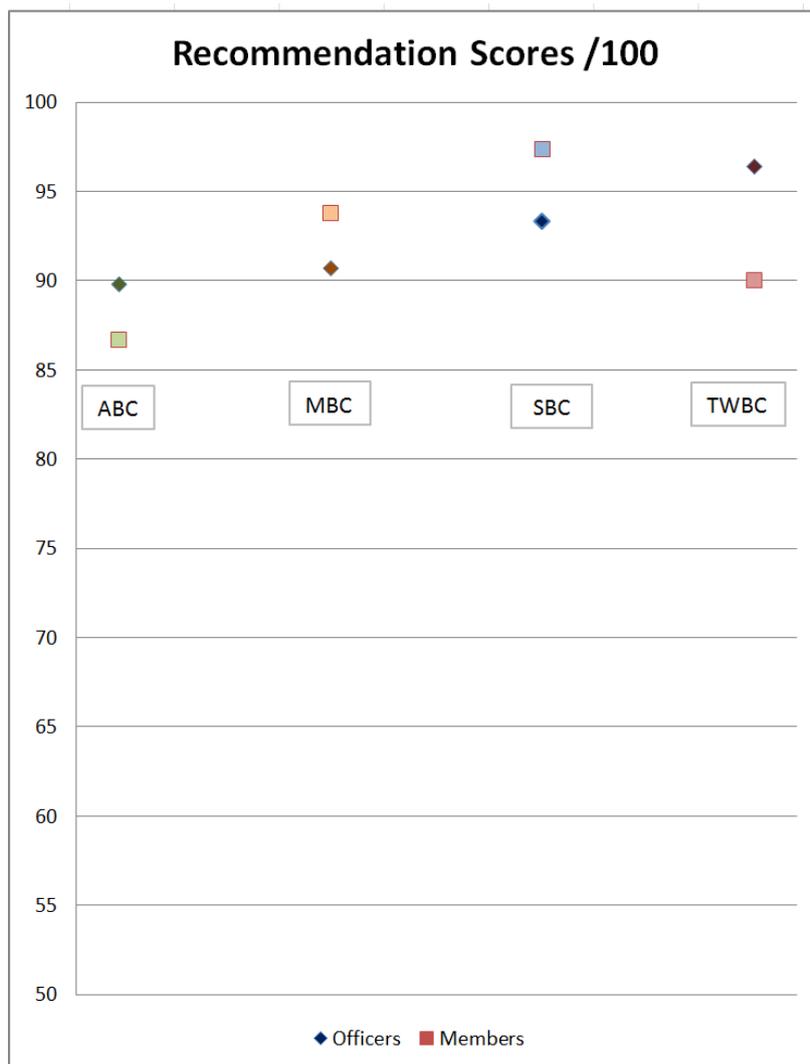
88. Under the Public Sector Internal Audit Standards we must each year assess our conformance to those standards and report the results of that assessment to Members.
89. We underwent an external independent assessment from the IIA in 2014 which confirmed our full conformance with all but 6 of the standards 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.
90. In 2017 we undertook a self-assessment against the Standards and confirm to Members we remain in full conformance. We will undertake a new self-assessment in 2018 alongside our annual opinion. However, including considering the changes to Standards published for 2017/18, we are confident we remain in full conformance. Our next external assessment is due before 2020.

## Mid-Term Review

91. The collaboration agreement between the four authorities demands the service undergo a 'mid-term review' before January 2018. The aim of the review is to ensure the authorities continue to draw the benefits they expect from working together and point towards how the partnership can continue to improve.
92. We undertook this review principally as a self-assessment during late summer 2017. However, we also sought a wide range of qualitative and quantitative evidence including a survey sent to more than a hundred members and officers and face-to-face discussions with key individuals.
93. The overall picture of Mid Kent Audit that emerged from the review is of a service working well and delivering above expectations. Several participants also remarked how much those expectations have risen in recent years, focusing on the clarity of our reporting and the increasing value of advice and wider governance work. Authorities place great value in Mid Kent Audit as a template of how partnership working can deliver improved expertise, resilience and learning unavailable from a single-authority enterprise. As a result, all four authorities show a strong wish to continue the arrangement beyond 2019. They also encourage Mid Kent Audit to take on extra roles and work outside the partnership where doing so can continue delivering benefits to the authorities.

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94. We found the current collaboration agreement contains various sections related to the detail of service delivery that do not work as intended. However, we noted councils did not consider the variations important and most were unaware of them. Essentially, while satisfaction is high, councils have not inquired deeply into the detail. This gives strong support for the future agreement to focus more narrowly on governance with questions of service delivery for agreement with individual authorities through audit plans and charters.
95. The full report goes into detail on the governance and survey results but we'd like to highlight one area. The final question of the survey invited participants to score on a scale of 0-100 the question of how likely they would be, if asked, to recommend Mid Kent Audit to another authority. The results showed a strong positive response to the audit service remaining consistent across members, officers and authorities.



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## 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 Audit Board (with Ben Lockwood, Director of Finance and Economy, as the Council's representative) considers these measures at each quarterly meeting. We also have monthly update meetings with management to discuss service performance and audit results.
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.

Measure	2014/15 Results	2015/16 Results	2016/17 Results	2017/18 Q2 Results
Cost per audit day	Met target	Met target →←	Beat target ↑	Beating target ↑
% projects completed within budgeted number of days	47%	60% ↑	71% ↑	77% ↑
% of chargeable days	75%	63% ↓	74% ↑	75% ↑
Full PSIAS conformance	56/56	56/56 →←	56/56 →←	58/58 ↑
Audit projects completed within agreed deadlines	41%	76% ↑	81% ↑	85% ↑
% draft reports within ten days of fieldwork concluding	56%	68% ↑	71% ↑	77% ↑
Satisfaction with assurance	100%	100% →←	100% →←	100% →←
Final reports presented within 5 days of closing meeting	89%	92% ↑	94% ↑	100% ↑
Respondents satisfied with auditor conduct	100%	100% →←	100% →←	100% →←
Recommendations fulfilled as agreed	95%	98% ↑	98% ↑	95% →←
Exam success	100%	100% →←	85% ↓	67% ↓

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Measure	2014/15 Results	2015/16 Results	2016/17 Results	2017/18 Q2 Results
Respondents satisfied with auditor skill	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. 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. The response rate at this authority is 60% for 2017/18, the highest in the partnership by some way. We continue working with audit sponsors, recognising the many draws on their time, developing ways to gain comments on our work.
100. On exam success, we continue to see the influence of the IIA's change to its qualification that has depressed pass rates across the country. Our results remain above the national average and our people continue to gain success at a retake.



## Swale Stars Team of the Year 2017

101. We report with delight that we received “Team of the Year” at the *Swale Stars* awards earlier this year. As a purely internal service with no public facing role we are aware that audit is often, understandably, overlooked for awards so take great pride in this honour. Beyond the performance data and results noted above we believe firmly that an effective audit service is one that creates and nurtures close working with our clients. It is only by that close working that we can fulfil the mission of internal audit to provide effective, insightful and future focused support.
102. Our integrated working means almost the entire team has spent some time at Swale and so contributed to our achievement. However we'd like to praise the individuals who work most closely with the Council; Frankie Smith and Jo Herrington.

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## Acknowledgements

103. 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.

104. 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.

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

## 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.

# 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.

<sup>i</sup> Photograph of the Great Stour near Victoria Park from <http://www.geograph.org.uk/photo/1279115>

**AUDIT COMMITTEE**

**5<sup>th</sup> December 2017**

**MEMBER BRIEFING ON AUDIT PLANNING FOR 2018/19**

Rich Clarke will deliver a presentation on Audit Planning for the financial year 2018/19.

**AUDIT COMMITTEE**

**5<sup>th</sup> December 2017**

**EXTERNAL AUDIT PROGRESS REPORT**

Grant Thornton will provide a verbal update on the progress made to date on the External Audit.

**Audit Committee - Future Meetings**

<b>Dates to Note</b>			
Date of Meeting	<b>05/12/2017</b>		
Publication of Agenda Date	24/11/17		
Reports to Management Team	16/11/17		
Full Council	14/12/17		
<b>Items for Inclusion on the Audit Agenda</b>			
<b>Part I - For Decision</b>			
1	Business Continuity Planning – Audit Follow Up	RC/SD	
2	Annual Governance Statement – Progress on Remediating Exceptions	NC-P/LF	
<b>Part II - Monitoring/Information Items</b>			
3	Annual Audit Letter 2016/17	Gr Th	
4	Internal Audit Interim Report	RC	
5	Member Briefing on Audit Planning for 2018/19		
6	External Audit Progress Report	Gr Th	
6	Report Tracker & Future Meetings	KM	

<b>Dates to Note</b>			
Date of Meeting	<b>20/03/2018</b>		
Publication of Agenda Date	09/03/18		
Reports to Management Team	01/03/18		
Full Council	19/04/18		
<b>Items for Inclusion on the Audit Agenda</b>			
<b>Part I - For Decision</b>			
1	Certification of Grant Claims – Annual Report	Gr Th (cover by ABC)	
2	Presentation of Financial Statements	MS	
3	Strategic Risk Management	LF	
4	Annual Governance Statement – Progress on Remediating Exceptions	LF	
5	Internal Audit Charter	RC	
6	Internal Audit and Assurance Plan 2018/19	RC	
<b>Part II - Monitoring/Information Items</b>			
7	External Audit Progress Report	Gr Th	
8	Report Tracker for Future Meetings	KM	

<b>Dates to Note</b>			
Date of Meeting	<b>19/06/2018</b>		
Publication of Agenda Date	08/06/18		
Reports to Management Team	07/06/18		
Full Council	19/07/18		
<b>Items for Inclusion on the Audit Agenda</b>			
<b>Part I - For Decision</b>			
1	An Early Look at the Statement of Accounts for 2017/18 (including member training)	MS	
2	Internal Audit Annual Report 2017/18	RC	
3	Annual Report of the Audit Committee 2017/18	RC	
4	Approval of Annual Governance Statement 2017/18	LF	
<b>Part II - Monitoring/Information Items</b>			
5	External Audit Fee Letter	Gr Th	
6	External Audit Progress Report	Gr Th	
7	Report Tracker for Future Meetings	KM	

<b>Dates to Note</b>			
Date of Meeting	<b>10/07/2018</b>		
Publication of Agenda Date	29/06/18		
Reports to Management Team	21/06/18		
Full Council	19/07/18		
<b>Items for Inclusion on the Audit Agenda</b>			
<b>Part I - For Decision</b>			
1	Statement of Accounts 2016/17 and the External Auditor's Audit Findings Report	Gr Th (cover by ABC)	
2	2016/17 Financial Statements – Letters of Assurance to External Auditors	BL	
3	Corporate Enforcement Support & Investigations Team Annual Report 2016/17	DD	
<b>Part II - Monitoring/Information Items</b>			
4	The External Audit Work Plan for Ashford Borough Council	Gr Th (cover by ABC)	
5	Report Tracker & Future Meetings	KM	

<b>Dates to Note</b>			
Date of Meeting	<b>27/09/2017</b>		
Publication of Agenda Date	19/09/17		
Reports to Management Team	07/0918		
Full Council	19/10/17		
<b>Items for Inclusion on the Audit Agenda</b>			
<b>Part I - For Decision</b>			
1	Annual Governance Statement – Progress on Remediating Exceptions	LF	
2	Strategic Risk Management	LF	
<b>Part II - Monitoring/Information Items</b>			
3	External Audit Progress Report	Gr Th	
4	Report Tracker & Future Meetings	KM	

24/11/2017