

**MID KENT AUDIT**

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



**June 2018  
Ashford Borough Council**



# MID KENT AUDIT

## Introduction

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

### 2450 Overall Opinions

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

#### *Interpretation:*

The communication will include:

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

The reasons for an unfavourable overall opinion must be stated.

### Public sector requirement

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

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

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

## Independence of internal audit

3. Mid Kent Audit works as a shared service between Ashford, Maidstone, Swale and Tunbridge Wells Borough Councils. A Shared Service Board including representatives from each council supervises our work based on our collaboration agreement.
4. Within 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.

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5. I confirm we have worked with full independence as defined in our Audit Charter and Standard 1100.

## Head of Internal Audit Opinion

### Scope and time period

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

### Scope limits

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

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

10. I have drawn my opinion from the work completed during the year. I first set out the work in the plan approved by Members on [21 March 2017](#) and later developed it in line with emerging risks and priorities. I set out in this report the extent and findings from our work in greater detail.
11. In completing my work I have placed some specific reliance on two external sources. The Council commissioned work from SCMG to assess its contract management arrangements. The Council accepted that report's conclusions and have resolved to act on its recommendations. As a result we did not continue with our planned work on contract management. Instead we will examine contract management once the Council has changed its arrangements.

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12. I also placed partial reliance on the peer review undertaken by the Local Government Association in April 2018 in opting to defer planned work examining Workforce Planning into the 2018/19 audit year.

## Information supporting the opinion

13. The rest of this report summarises the work completed in delivering the internal audit plan through 2017/18.
14. My opinion draws on the work carried out by Mid Kent Audit during the year on the effectiveness of managing those risks identified by the Council and covered by the audit programme or associated assurance. Not all risks fall within our work programme. For risks not directly examined I am satisfied an assurance approach exists to provide reasonable assurance on effective management.

## Risk and control

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

## Conformance with standards

19. Mid Kent Audit has conducted its work following the Standards and good practice as represented in our internal quality assurance. This includes include working to an agreed audit manual with satisfactory supervision and review.

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20. Our annual review confirms the service remains in full conformance with the Standards, as advised by our external quality assessment from the Institute of Internal Audit in 2015. We are next due an external quality assessment by 1 April 2020.
21. We describe later in this report our efforts towards continuing improvement and the results of our Quality and Improvement work.

## Overall conclusion

### *Internal Control*

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

### *Governance*

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

### *Risk Management*

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

### *Other Matters*

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



Rich Clarke CPFA ACFS  
Head of Audit Partnership

7 June 2018

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

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## Internal Control

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

## Ashford Audit Plan Work 2017/18

28. This Committee approved our *Annual Audit & Assurance Plan 2017/18* in March 2017. The plan set out an intended number of days devoted to each of various tasks. We began work on the plan during April 2018 and will close later this month. Although we have some matters to finish, I am satisfied we have advanced our work enough to enable delivery of a robust opinion. We will provide updates on any work awaiting completion in our interim reporting.
29. The table below shows progress in total number of days delivered against the plan (with a forecast of final position).

Category	2017/18 Plan Days	Outturn at May-18 (Forecast Final)	Days Left (v Forecast)
2017/18 Assurance Projects	290	278 (305)	-15
Risk Management	35	12 (12)	23
Counter Fraud Support	5	2 (2)	3
Member Support	15	18 (18)	-3
Recommendation Follow-Up	30	32 (32)	-2
Audit Planning	10	12 (12)	-2
Contingency and Consultancy	35	20 (23)	12
<b>Total</b>	<b>420</b>	<b>374 (404)</b>	<b>16</b>
Concluding 2016/17 projects	0	59	n/a

30. We forecast final delivery of around 404 audit days. This is 96% of planned days. We detail the specifics, and results, of this progress further within this report.

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## Results of Audit Work

31. The tables below summarise audit project findings 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	9	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
	General Ledger Controls	9	9	Jun-17	Sound	In interim report, not repeated here.
	Accounts Payable	12	12	Jun-17	Sound	In interim report, not repeated here.
	HR Policy Compliance	15	15	Jul-17	Sound	In interim report, not repeated here.
	Corporate Governance	5*	5*	Jul-17	Not	In interim report, not repeated here.

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	Title	Plan Days	Actual Days	Report Issue	Assurance Rating	Notes
					<b>Rated</b>	
	Business Continuity Planning	15	16	Aug-17	<b>Weak</b>	In interim report, not repeated here.
	Counter Fraud Risk Assessment	10	12	Oct-17	<b>Not Rated</b>	In interim report, not repeated here.
<b>Planned 2017/18 Assurance Projects Completed so far</b>						
I	Housing Benefit	15	17	Sep-17	<b>Strong</b>	Also summarised in interim reporting
II	Treasury Management	10	11	Sep-17	<b>Sound</b>	Also summarised in interim reporting
III	Residents' Parking	12	13	Sep-17	<b>Sound</b>	Also summarised in interim reporting
IV	Monitoring Centre	12	15	Oct-17	<b>Sound</b>	Also summarised in interim reporting
V	ABC Lettings	15	14	Nov-17	<b>Sound</b>	Also summarised in interim reporting
VI	Rent Accounting	15	13	Nov-17	<b>Strong</b>	Also summarised in interim reporting
VII	IT Disaster Recovery	15	14	Nov-17	<b>Sound</b>	
VIII	Recruitment	15	20	Feb-18	<b>Strong</b>	
IX	Freedom of Information	15	13	Mar-18	<b>Sound</b>	
X	Planning Enforcement	15	20	Mar-18	<b>Sound</b>	
XI	Building Control	12	12	Apr-18	<b>Sound</b>	
XII	Accounts Receivable	10	12	Apr-18	<b>Strong</b>	
XIII	Grounds Maintenance	15	17	May-18	<b>Strong</b>	
XIV	Payroll	10	15	May-18	<b>Strong</b>	
<b>Assurance Projects Added to the 2017/18 Plan and Completed</b>						

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	Title	Plan Days	Actual Days	Report Issue	Assurance Rating	Notes
	Mid Kent Audit Mid Term Review	n/a	4*	Aug-17	N/A	In interim report, not repeated here.
XV	Electrical DSO	n/a	17	May-18	Sound	

## Assurance Projects Awaiting Completion

	Title	Plan Days	Days So Far	Expected Report Issue	Notes
<b>Planned 2017/18 Assurance Projects In Progress</b>					
	Insurance	10	10	Jun-18	Fieldwork nearing completion
	Single Grants Gateway	15	20	Jun-18	Draft report stage
	Home Improvement Grants	15	6	July-18	Fieldwork to begin June
	Financial Planning	7*	2	Jun-18	
	Project Management	15	10	Jun-18	Fieldwork nearing completion
<b>Assurance Projects Added to 2017/18 Plan Not Yet Complete</b>					
	Management Board Agenda Setting	10	2	Q4+	

## Note on budgets

32. We track budgeted days in progress and follow up in detail on any reviews that look likely to exceed a 10% variance from plan. Potentially we would approach officers to vary the scope of a review or its budget where we have identified extra risks or matters for testing not factored in to planning. During 2018/19 we also experienced some variances related to availability of Council documents (reflected in recommendations for individual reviews), but overall performance against budgets remained good (see performance indicator table later in this report).

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## Assurance Projects Removed from 2017/18 Plan

	<b>Title</b>	<b>Plan Days</b>	<b>Days Spent</b>	<b>Postponed or cancelled?</b>	<b>Rationale and alternative assurance sources</b>
<b>Planned 2017/18 Assurance Projects Postponed or Cancelled</b>					
	Food Safety	15	0	Postponed	Reported to Members in December 2017
	Workforce Planning	12	0	Postponed	See commentary below
	Contract Management	12	1	Cancelled	See commentary below

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## Workforce Planning

33. Officers approached us in early 2018 to advise of two issues that could have affected our then-planned work examining the Council's workforce planning. The first was the Local Government Association peer review which included specific consideration of *capacity to deliver* and *organisational leadership and governance*. Apart from covering similar grounds, the Council anticipated the possibility of making changes to its approach in response to the peer review that could make concurrent internal audit work redundant.
34. Second, and apart from the Peer Review, officers also pointed to the recent changes to senior management roles and cited a wish to allow time for new responsibilities to set in. Also work was underway to update some Council Policies, including Disciplinary, Grievance and Sickness, which the Council wanted complete ahead of the audit.
35. For 2018/19 we therefore agreed to take partial assurance from the work of the Local Government Association through its peer review. We have rescheduled our work for 2018/19 and it forms part of our audit plan approved by this Committee in March 2018.

## Contract Management

36. In early 2018 the Council commissioned work from SCMG to examine its contract management arrangements. SCMG reported in March 2018, just as our work was moving through its planning phase. SCMG's conclusions highlighted weaknesses as detailed in the Annual Governance Statement, which also confirms the Council has accepted the report's recommendations and will act to revise its approach.
37. We have reviewed the SCMG report and found it broadly agrees to the issues we had identified in the early stages of planning our review. Because of this, and the Council's decision to change its approach, we decided that undertaking our own separate review would be inefficient and likely to repeat SCMG's findings.
38. We have agreed with officers to undertake a review later in 2019 that will examine the Council's changed approach and its success in addressing the weaknesses identified by SCMG.

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## I: Housing Benefit Payments (September 2017)

39. 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.
40. 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 of large individual payments. We found in our testing that controls work successfully to deliver accurate and timely payments to claimants.
41. 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.
42. We raised no matters for improvement from our review.

## II: Treasury Management (September 2017)

43. 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.
44. 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.
45. 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.
46. 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.

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

47. Since completing the review, the Council has acted to fulfil most agreed recommendations in line with the agreed timetable. At year end three of four are complete, with the remaining (low priority) deferred from March to July 2018 implementation to allow focus on the tighter final accounts timetable.

## III: Residents' Parking (September 2017)

48. 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.
49. 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.
50. 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

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

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

52. 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.
53. 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

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Association, including maintaining a comprehensive Quality Management System.

54. 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.

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

55. Since completing the review, the Council has acted to fulfil most agreed recommendations in line with the agreed timetable. At year end five of nine recommendations are complete, with all four remaining due in early 2018/19. We have accepted a deferral for one (medium priority) action on charging for external contracts. Although the service has a new plan it has not yet processed any renewals on the new terms. It expects to do so later in 2018/19.

## V: ABC Lettings (November 2017)

56. 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.
57. 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.
58. 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

59. Since completing the review, the Council has acted to fulfil one of the recommendations in line with the agreed timetable. We have accepted a deferral for one (low priority) recommendation on reconciling management fees

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to allow the service to fill a vacancy arising. We will revisit the action later in 2018/19.

## VI: Rent Accounting (December 2017)

60. 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.
61. 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.
62. 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.
63. We raised no matters for improvement from our review.

## VII: IT Disaster Recovery (November 2017)

64. Our opinion based on our audit work is that the IT service has **Sound** controls in place to manage its Disaster Recovery (DR) arrangements.
65. The service has well designed recovery arrangements to allow an effective response to a disaster and help ensure prompt service restoration. A clear policy is in place, supported by several technical procedures and the service's Business Continuity plan, which has recently been revised. The backup arrangements are comprehensive and help keep the Council's data secure. There have been notable improvements with regards to testing since the previous audit in 2014, however this progress should be consolidated by creating and maintaining a formal testing schedule. Operational roles are clearly defined and understood but the responsibility for invoking the DR arrangements should be clarified.

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

66. Since completing the review, the Council has acted to fulfil recommendations in line with the agreed timetable. At year end one of the two is complete, with the remaining one due in summer 2018.

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## VIII: Recruitment (February 2018)

67. Our opinion based on our audit work is that the Recruitment service has **Strong** controls in place to manage its risks and support achievement of its objectives.
68. Our testing established that good employment practices are followed and adapted (where necessary) to ensure the efficient and effective recruitment. These practices are aligned towards achievement of the policy aim to recruit the 'best' people into the variety of roles that the Council may need to fill at any given point in time. Targeted campaigns are used to increase successful recruitment into high level roles or those that are difficult to fill.
69. There is an agreed policy, comprehensive procedures & guidance notes, and dedicated training and support in place for Recruiting Managers and their teams. As a result, our testing confirmed that compliance with the agreed procedures has resulted in the fair and effective appointment of the most suitable candidates for each campaign undertaken.
70. We raised no matters for improvement from our review.

## IX: Freedom of Information (March 2018)

71. Our opinion based on our audit work is that the Council has **Sound** controls in place for achieving compliance with Freedom of Information (FOI) requirements.
72. We found the processes for handling FOI and Environmental Information Requests (EIR) to be working well. Good central record keeping is in place which captures the request as well as any correspondence and the final reply. All requests are actively monitored to ensure the adequacy of the responses and compliance with statutory timeframes. Our testing confirms that requests are handled in accordance with agreed procedures. We identified no instances where the Council provided inaccurate or incomplete information.
73. Comprehensive training and supporting guidance is available to officers and completion rates are high. Results of a survey issued during the audit showed a good level of awareness of FOI requirements across the Council.

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

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74. Since completing the review, the Council has acted to fulfil recommendations ahead of the agreed timetable. At year end all recommendations are complete.

## X: Planning Enforcement (March 2018)

75. Our opinion based on our audit work is that Planning Enforcement has **Sound** controls in place to manage its risks and support achievement of its objectives.
76. The Local Enforcement Plan (2016) clearly sets out how to report and investigate alleged breaches. The Plan also sets out the range of formal actions. The Council has clear procedures to govern ordering, recording and acknowledgement of allegations. The Council keeps comprehensive case records. Planning Enforcement Officers also work closely with Legal Services in continuing enforcement action. However, we identified some minor improvements needed around progress oversight and documenting procedures.

Priority 1 (Critical)	Priority 2 (High)	Priority 3 (Med)	Priority 4 (Low)	Advisory
0	0	0	9	1

77. All the recommendations fall due for action later in 2018/19. If the Council follows the agreed timetable, all actions will be complete by March 2019.

## XI: Building Control (April 2018)

78. Our opinion based on our audit work is that Building Control has **Sound** controls in place to manage its risks and support achievement of its objectives.
79. The service has a comprehensive pricing strategy to determine the Building Control standard fees and charges. This includes clear calculations underpinning charges.
80. We found the service administers applications consistently and retains appropriate evidence. However we identified a need for some minor improvements around monitoring and documenting work, especially on bespoke quotes and statutory targets.

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

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81. All the recommendations fall due for action later in 2018/19. If the Council follows the agreed timetable, all actions will be complete by September 2018.

## **XII: Accounts Receivable (April 2018)**

82. Our opinion based on our audit work is that the Recovery service has **Strong** controls in place to manage its debt recovery and write off processes.
83. The Council has comprehensive policies to govern debt recovery. The Recovery service has sound procedures and controls to carry out its work effectively. Our testing found prompt recovery actions, suitable evidence retention and consultation with service departments. We also found good procedures in place to govern debt write-offs.
84. We raised no matters for improvement from our review.

## **XIII: Grounds Maintenance (May 2018)**

85. Our opinion based on our audit work is that the Aspire Grounds Maintenance Service has **Strong** controls in place to manage safe working practices, and to monitor plant and equipment and fuel cards.
86. We found that the service has well documented procedures relating to Health & Safety arrangements, asset management and the use of fuel cards. Procedures were found to be effective in both design and operation, with positive results from a range of tests completed as part of our work.
87. The service has a thorough approach to ensuring safe working practices with a strong emphasis on training. Procedures for the control of plant and machinery are robust underpinned by regular asset verification checks. Controls to regulate fuel usage are soundly based to detect adverse trends.
88. We raised no matters for improvement from our review.

## **XIV: Payroll – Starters & Leavers (May 2018)**

89. Our opinion based on our audit work is that the Payroll service has **Strong** controls in place to process starters and leavers, and to manage the associated risks.
90. Our review found that there have been no changes to the Payroll system and procedures since our previous audit in February 2017 when we mapped the entire system. Subsequently, we therefore consider the design of the process to be robust.

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91. The results of our testing confirmed that the service has well established procedures in place to process new starters and leavers and that changes to payroll are accurate and only made after independent authorisation.
92. The payments to new starters and leavers (first and last payment respectively) tested during the audit were accurate, authorised and processed in accordance with agreed procedures.
93. We raised no matters for improvement from our review.

## **XV: Electrical Direct Service Organisation (May 2018)**

94. Our opinion based on our audit work is the Electrical Direct Service Organisation (DSO) has **Sound** controls in place to manage its risks and support achievement of its objectives.
95. We found the DSO provides the Council with greater control of its electrical work. Officers keep good records and keep evidence for the costs of each job to support the overall conclusion the DSO achieves a saving for the Council. However, we identified sometimes that cost evidence could improve, such as with indirect costs. We also identified a need to agree cost data with records held on eFinancials. We also noted the DSO's reliance on its Manager for key financial controls and recommend the service improve its resilience.

<b>Priority 1 (Critical)</b>	<b>Priority 2 (High)</b>	<b>Priority 3 (Med)</b>	<b>Priority 4 (Low)</b>	<b>Advisory</b>
0	0	3	5	2

96. All the recommendations fall due for action later in 2018/19. If the Council follows the agreed timetable, all actions will be complete by September 2018.

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## Following Up Actions

97. Our approach to recommendations is that we follow up each quarter, examining issues that fell due in the previous three months. We take due dates from the action plan agreed with management when we finish our reporting. We report progress on implementation to 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).
98. We summarise in the chart below the current position. The chart shows low priority recommendations (at the foot of each bar) in green, medium priority in amber and high priority (at the top of each bar) in red.



99. Overall we are content with officers' progress on acting to address issues we raise in our reviews. We note in particular that officers acted to fulfil several recommendations during the year before reaching agreed action dates.
100. Although we receive some requests from officers to defer action, in each case we are content that delays pose no heightened risk to the Council.

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101. The sole delayed High Priority recommendation is on the need to undertake a comprehensive counter fraud risk assessment. Originally envisaged as a central exercise, the Council has opted to seek more information from service departments to support its assessment, making it a larger piece of work than planned.
102. We considered that an assessment created collaboratively will likely have more detail and greater accuracy. This, plus the clear progress so far, meant we were content to accept a new action date that moved completion from 31 December 2017 to 30 April 2018. We can confirm the risk assessment is now complete, and we will review in detail to support our first quarterly report of 2018/19.

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## Corporate Governance

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

## Counter Fraud & Corruption

106. 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.
107. 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.
108. 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

109. 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.

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110. We also took part in the recent peer review, have provided advice on carrying out contract management recommendations and helped with responding to questions from the Council's external auditors.
111. We remain engaged and flexible in seeking to meet the assurance needs of the Council. We are happy to discuss opportunities large and small where the Council can usefully employ the experience and expertise of the audit team.

# MID KENT AUDIT

## Risk Management

### Risk Management Update

112. Risk management is how the Council identifies, quantifies and controls the risks it faces as it seeks to achieve its objectives.
113. 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. The Council has recently updated its approach, as adopted by Cabinet in [April 2018](#). Cabinet agreed for 6-monthly updates to the Audit Committee.
114. The Committee considered the strategic risks most recently in [September 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.
115. The table below shows a summary of the strategic risks for the Council with the overall risk score, when considering likelihood and impact:

Risk Code	Risk Heading	Score
ABC1603/1	Organisational Skills & Capacity to Deliver	6
ABC1603/2	Housing & Infrastructure	6
ABC1603/3	Key Project Failure	10
ABC1603/4	Resource Limitations	9
ABC1603/5	Collaborative Working	4
ABC1603/6	Community Capacity	4
ABC1603/7	Reputation	6

116. We have an advisory role in the Council's arrangements and will continue to work with Officers over the coming year to provide risk support where needed.

# MID KENT AUDIT

## Audit Quality & Improvement

### Standards and ethical compliance

117. On 1 April 2017 the RIASS<sup>2</sup> published a changed set of Public Sector Internal Audit Standards (the “Standards”). These updates made more than thirty changes and improvements, building on the recently published International Professional Practices Framework.
118. 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.
119. We included the *Code of Ethics* as an appendix to our interim report in [December 2017](#). We have included the Code within our Audit Manual and training for some years. We can report to Members we remain in conformance with the Code.
120. On broader Standards conformance we must each year assess ourselves against those standards and report the results to Members.
121. 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.
122. In 2018 we undertook a self-assessment against the Standards and confirm to Members we remain in full conformance. We include a summary of that assessment on the next few pages:

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

# MID KENT AUDIT

## Demonstrating Integrity

### Assessment

- Code of ethics in place as part of audit manual
- Professional ethics training for staff
- Revised advice to staff on conflict of interests

**Fully conforms**

### 18/19 Developments

- Developing policy on pay and reward
- Revise Charter in light of developing audit role

## Competence & Due Care

### Assessment

- Audit procedures manual
- Robust internal review across all audit stages
- Average 13 years audit experience
- 9 of 12 auditors hold or studying for professional qualification

**Fully conforms**

### 18/19 Developments

- Standard, detailed work programmes in new software
- Personal training & development budgets
- Group professional memberships
- Developing training with sector groups in London & Kent

## Objective & Independent

### Assessment

- Independence declarations within reviews
- Cross authority partnership strengthens objectivity
- Charter clear on accepting advice roles

**Fully conforms**

### 18/19 Developments

- Developing overall policy on independence and managing conflicts
- Links across London, Kent and Private Sector for independent views where needed.

## Strategic alignment to Council

### Assessment

- Approved audit plan based on knowledge of Council objectives
- Continuing advice and consultancy role with Officers and Members
- Risk management advice and insight

**Fully conforms**

### 18/19 Developments

- New audit software enables greater tracking and assessment of risk and objectives
- Improved alignment of risks within individual audit reviews
- Improved risk reporting

## Positioning & Resourcing

### Assessment

- Direct link to Senior Officers and Members
- Steady overall budget position, with efficiencies
- Access to reliable contractor support for resource gaps

**Fully conforms**

### 18/19 Developments

- Full team complement for 2018/19.
- Partnership agreement with LB Croydon.
- Exploring secondment opportunities through regional groups.

## Quality & Improvement

### Assessment

- Strong positive mid-term review.
- Invited to train new starters at neighbouring authority.
- Continued good progress toward professional qualifications.

**Fully conforms**

### 18/19 Developments

- Greater standardisation more efficiently in new software.
- Developing bespoke training with regional groups.
- Group professional memberships.

# MID KENT AUDIT

## Communicates Effectively

### Assessment

- Clear report formats noted by review feedback.
- Audit approach set out in graphics and briefs.

Fully conforms

### 18/19 Developments

- New software will enable clearer reporting, on risk especially.
- Report writing and presenting training in team.

## Risk Based Assurance

### Assessment

- Priority-rated recommendation reporting.
- Engagement with risk registers during specific project planning.
- Focus testing on higher risk areas.

Fully conforms

### 18/19 Developments

- New software enables better collation, use and tracking of risk information.
- Clearer 'golden thread' trail from risks to specific audit tests.

## Insightful, Proactive & Future Focus

### Assessment

- Flexible, adaptive plan leaving space for advice and consultancy.
- Practical recommendations aimed at service improvement.

Fully conforms

### 18/19 Developments

- Greater organisation of past audit results through new software enabling possible thematic/trend reporting.

## Promotes Improvements

### Assessment

- Contributions and advice to senior management and members.
- Briefing and training programmes on governance.

Fully conforms

### 18/19 Developments

- Continued engagement with broader groups to bring forward ideas for further improvements.

## Audit Management Software

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

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

# MID KENT AUDIT

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

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

## Training and Qualifications

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

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

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

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

# MID KENT AUDIT

## Performance Indicators

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

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

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

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

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131. While we seek comments from a broad range of sources, the driver for the satisfaction numbers is responses to the surveys we circulate with each final report. Response rates to the surveys have varied over the years, but never been high. For 2017/18 we received 41 completed survey responses, including 16 from Ashford. This gives a response rate of 60%, the highest in the Partnership. We continue working with audit sponsors, recognising the many draws on their time, developing ways to gain comments on our work.

## **Acknowledgements**

132. 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.

133. 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.

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

# MID KENT AUDIT

## Annex 1: Assurance & Priority level definitions

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

Full Definition	Short Description
<p><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.</p>	<p>Service/system is performing well</p>
<p><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.</p>	<p>Service/system is operating effectively</p>
<p><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.</p>	<p>Service/system requires support to consistently operate effectively</p>
<p><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.</p>	<p>Service/system is not operating effectively</p>

# 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.

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<sup>i</sup> *Ashford Old Mill* by Joshua Anderson Hague (1850-1916).

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