

MID KENT AUDIT

**Internal Audit Report &
Annual Audit Opinion
2022/23**

Ashford Borough Council



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Introduction

1. This is the 2022/23 Annual Report by Mid Kent Audit on the internal control environment at Ashford Borough Council ('the Council'). The annual internal audit report summaries the outcomes of the reviews that have carried out on the Council's framework of governance, risk management and internal control and is designed to assist the Council making its annual governance statement.
2. This report provides the annual head of audit opinion ('Opinion statement') and a summary of the key factors taken into consideration in arriving at the Head of Audit Opinion statement, as at 31 May 2023.

Head of Internal Audit Opinion statement

3. The Head of Audit 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 the agreed work programme. For risks not directly examined reliance has been taken, where appropriate, from other associated sources of assurance to support the Opinion statement (an explanatory note is included at Annex A).
4. The Head of Audit Opinion statement for 2022/23 is:

The planned programme of work delivered by internal audit was constrained by significant staffing vacancies and changes within the internal audit team. The results of the reduced level of internal audit work concluded during the year required me to seek additional assurances to form my opinion. A summary of where it has been possible to place reliance on the work of other assurance providers is presented in the annual internal audit report. Utilising all these forms of assurance I am able to draw a positive conclusion as to the adequacy and effectiveness of Ashford Borough Council's risk management, control and governance processes. In my opinion, Ashford Borough Council has adequate and effective management, control and governance processes in place to manage the achievement of their objectives.



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Matters impacting upon the Opinion statement

5. Organisations design internal controls to manage to an acceptable level rather than remove the risk of failing to achieve objectives. Consequently, 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.
6. Mid Kent Audit recognises the considerable financial challenges and the difficult decisions that the Council had to deal with during 2022/23, however, the professional and regulatory expectations on public bodies to ensure that their internal audit arrangements, including providing the annual Opinion statement, conform with the Public Sector Internal Audit Standards (PSIAS) have not changed.
7. Factors that need to be taken in to account in reaching the Opinion statement include:
 - Changes in ways of working: Have these led to gaps in the governance, risk management and control arrangements?
 - Independence of internal audit: Have any limitations in the scope of individual audit assignments resulted in it only being possible to place partial assurance on the outcome?
 - Internal audit coverage: Has any reduction in internal audit coverage compared to what was planned resulted in insufficient assurance work?

Changes in ways of working

8. The following are the main considerations which impacted upon the provision of the Opinion statement for 2022/23. These are not in any priority order and in a number of cases there is an inter-relationship between two or more of these considerations.
 - Remote working and greater use of digital forms of operation and communication has now been in place for two years following the rapid introduction during the pandemic. This change in ways of working is now becoming normalised and adaptations are being managed.



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- Diverting staff resources and changing priorities during the pandemic has had an impact in the subsequent years on service delivery. Recovery plans have been effective, but some areas have required a greater period of recovery than others.
- The significant increase in cyber-attacks against all organisations to obtain unauthorised access to data and the consequential need for ongoing updating and vigilance in terms of security of data held.

Independence of internal audit

9. 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 the service under a collaboration agreement.
10. Within the Council during 2022/23 Mid Kent Audit has continued to enjoy complete and unfettered access to officers and records to complete its work. On no occasion have officers or Members sought or gained undue influence over the scope or findings of any of the work carried out.

Internal audit coverage

11. Mid Kent Audit has experienced significant turnover of staff throughout the financial year, including the appointment of an interim Head of Audit and an interim Deputy Head of Audit for part of the year. There was also the departure of both Audit Managers towards the end of the year. The permanent Head of Audit Partnership started in December 2022 and no further recruitment was undertaken until very recently while an assessment of the current structure was undertaken. It is acknowledged that a significant level of local knowledge and experience of the Council was lost during the year.
12. The Council's Audit Committee approved the 2022/23 Audit & Assurance Plan on 15 March 2022. The selection, prioritising and scoping of the audit reviews in this Plan was overseen by the Interim Head of the Audit Partnership.
13. There has been impairment in terms of the planned internal audit coverage for 2022/23. This has been due to the knock-on effect of the late completion of the 2021/22 planned work and the significant churn in terms of staff within Mid Kent Audit. There were also a number of reviews which have either been deferred or cancelled. As a consequence a number of the audit reviews set out in the 2022/23 Internal Audit Plan have not been completed in time to inform the 2022/23 Opinion Statement. This is a timing matter, rather than



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systematic of any issue in respect to the Council's governance, risk and control framework. The team at Mid Kent Audit has worked diligently at the delivering the work and this timing issue is not a reflection upon the efforts of the current team.

Arriving at the Opinion statement

Reliance on internal audit work performed

14. Audit evidence to support the Opinion statement on internal control is derived principally through completing the reviews set out within the agreed Audit Plan. The 2022/23 Audit & Assurance Plan provided for 19 reviews to be carried out. 4 Of these reviews related to Port Health activities, leaving 15 to be completed during 2022/23. One audit was added into the plan after it had been agreed.
15. For the reasons explained in paragraph 13, above, only 8 of these reviews were completed in time to inform the 2022/23 Opinion statement. Three reviews are currently underway. These reviews are shown in the table below. Of these there was one review where the assurance grading was split with some aspect being weak and the remainder sound. There were no Priority 1 (Critical) Actions which affects (negatively) the risk rating assigned to a Council strategic risk or seriously impairs its ability to achieve a key priority.

Audit Review	Assurance rating	Number of Actions by Priority Rating			
		Critical	High	Medium	Low
Accounts Payable	Sound			1	2
Accounts Receivable	Strong				1
Housing Rent Accounts - Voids	Sound			1	3
Treasury Management	Sound			1	
Cash Collection – Parking	Sound / Weak			4	
Development Management	Sound			1	
Data Breaches	Sound			2	
Apprenticeships	Sound			1	3

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16. A summary of the Assurance and Action priority level definitions is provided in Annex B.
17. An overview of the key findings from each of the finalised reviews for which details have not been previously provided in the 2022/23 Progress Report to the Audit Committee is provided in Annex C. These findings do not indicate any significant Council-wide weaknesses in the corporate governance, risk or control framework.
18. A reconciliation to the work performed to the approved Audit & Assurance Plan for 2022/23 is provided in Annex D.
19. Where appropriate, reliance has been placed upon previous internal audit work and other work performed by Mid Kent Audit, including:
 - The unqualified 2021/22 Head of Audit Opinion and the findings of previous years' internal audit work carried out (paras 20 below refers).
 - The outcomes of the follow up work carried out to confirm control weaknesses identified by internal audit have been effectively mitigated (paras 22 - 23 below refers).
 - The outcomes of other work performed by Mid Kent Audit for the Council (para 24 below refers).
20. **Previous years' internal audit work:** The unqualified opinion Internal Audit Report for 2021/22 advised that there was only one audit review carried out by Mid Kent Audit during the financial year where there were assurance assessments of 'Weak' or 'Poor'.
21. **Poor or Weak Assessment reviews:** For these reviews which include either Priority 1 or 2 recommendations (Actions) or an overall Poor or Weak assessment, management attend a meeting of the Audit Committee to explain in detail the action being taken in respect to the Actions.
22. **Following up Actions:** Actions are made in the audit reports to further strengthen the control environment in the area reviewed. Management provide responses as to how the risk identified is to be mitigated. Throughout the year Mid Kent Audit carried out checks to ascertain the extent to which the agreed Actions had been addressed by management and that the risk exposure identified has been mitigated.

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23. During 2022/23, 58 Actions were followed up and the table below summarises the extent to which the identified risk exposure have been mitigated. These 58 Actions include all those either made in 2021/22, or carried forward from a previous financial year. There were no Priority 1 (Critical) and 17 Priority 2 (High) Actions and as set out below.

Extent of control risk mitigation		Number of Actions by Priority Rating			
		Critical	High	Medium	Low
Opening Number		-	17	25	16
Current Status:	Cleared		13	18	9
	Not yet actioned		4	7	7

24. **Outcomes of other work carried out by Mid Kent Audit:** Work was carried out on the Section 31 Grant Determination 31/6499 Biodiversity Net Gain certification. The Head of the Audit Partnership reviewed the certification completed by the council on grant spend and provided a signed assurance confirming it was in line with the guidance.

Reliance on other sources of assurance

25. For the reasons set out earlier in the Report it has been necessary for 2022/23 to place some reliance upon a number of 'other assurance providers' and these are summarised below:
- Onsite IT Health Check and external network penetration test (para 26 refers).
 - Covid 19 Business Grant assurance schemes (para 27 refers)
 - Safeguarding children, young people and adults. Peer reviews completed during 2022 (para 28 refers)
26. Intertek NTA (an accredited 3rd party) conducted an onsite IT Health Check and an external network penetration test and produced two reports: 'Public Services Network Code of Connections Internal Security Report and an External Security Report'. There were no critical findings in either report. On the Internal security a number of high risk actions were identified, the majority were already known and have an action / mitigation in place or underway to address the findings. There is only 1 high risk finding that could cause a concern that is being reviewed by the Head of IT and Digital. Internal audit will work with the IT team to ensure the actions identified are implemented.

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27. Post payment assurance work following the completion of the Covid 19 business grant schemes has been signed of by the Department for Business, Energy and Industrial Strategy (BEIS) and checked and verified by the National Audit Office (NAO), concluding that “the evidence submitted by Ashford Borough Council has followed an appropriate and robust process in completing the minimum assurance checks when awarding and paying a grant”.
28. Three reviews were undertaken by our peers in the following Safeguarding areas:
- Kent and Medway Safeguarding Adults Board (KMSAB) annual agency report – each partner is required to complete this document annually and it is then peer reviewed at the Quality Assurance Working Group.
 - KMSAB thematic statutory self-assessment on self-neglect and hoarding – peer reviewed in August 2022 with two areas for improvement noted that have been incorporated onto an action plan.
 - Section 11 of the Children Act 2004 return – completed in September 22 and peer reviewed by the Kent Safeguarding Children Multi Agency Partnership. A few minor amendments were suggested, and the return has been updated and submitted in November 2022.

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29. Information on Mid Kent Audit which supports the delivery of the internal audit and other work carried out in the financial year is summarised in Annex E. Overall, despite the significant staffing changes during the year, Mid Kent Audit has maintained a PSIAS compliant service and there has been no diminution in the robustness of the work performed.

Acknowledgements

30. Managers, Officers and Members are thanked for their continued support throughout the year which has assisted in the efficient delivery of the audit work



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Annex A

Other Sources of assurance for 2022/23

The corporate governance, risk and control framework

The corporate governance, risk and control framework for the Council is dynamic and there will be changes to the processes throughout the year. The key consideration for arriving at the annual Head of Audit Opinion is the materiality of any changes in terms of possibly increasing the exposure of the Council to activities and decisions which do not conform with the approved strategies and policies.

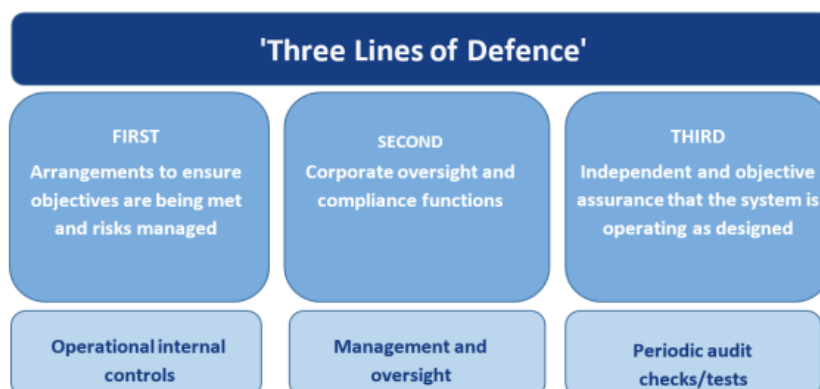
Obtaining additional sources of assurance

During the COVID Pandemic CIPFA provided guidance on utilising other forms of assurance to support arriving at a Head of Audit Opinion. This means that where the agreed internal audit plan of work has not been fully carried out additional assurances can be obtained from 'other assurance providers' (this being the CIPFA terminology).

Three lines of defence

The three lines of defence model, below, explains how the level of assurance that can be taken by the Head of Audit reduces if the source of assurance is from the second line of defence and reduces even further if it is from the third line of defence.

As a consequence the additional assurance utilised to assist in supporting the 2022/23 Head of Audit Opinion has only relied upon second line of defence sources of assurance (i.e. where the author is not directly involved in the day-to-day operation of the corporate governance, risk and control arrangements they are reporting upon).



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Reduction in reliance due to passage of time

Due to the dynamic nature of the corporate governance, risk and control framework for the Council the reliance which can be placed on forms of assurance reduces as time passes. This has particularly been the case over the last two financial years with all the short-notice changes that were made to respond to the business disruption due to the COVID 19 pandemic. As a consequence the additional assurance placed on work carried out prior to the start of 2022/23 has been kept to a minimum.



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Annex B

Assurance and priority level definitions

Full Definition	Short Description
<p>Strong – Controls within the service are well designed and operating as intended, exposing the service to no uncontrolled risk. 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>Sound – 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>Weak – 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>Poor – 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>

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Finding, Recommendation and Action Ratings

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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Annex C

Summary of Audit Findings

Cash Collection – Parking

Sound / Weak

Our work included a retrospective view of interim cash collection arrangements employed by the Council in response to its cash collection contractor ceasing trading. The service acted swiftly in response to this unplanned risk and we noted some areas of good practice however there were some deficiencies in some key areas including the volume of cash exceeding the appropriate secure facilities and loss of some key records for reconciliation and verification of monies banked. These weaknesses do not pose an ongoing risk, but we have advocated updating business continuity arrangements to be better prepared to deal with a similar incident.

The Current operations are meeting the aims of ensuring car parking cash is collected, banked and reconciled in a timely and accurate manner.

Development Management

Sound

The development management function is underpinned by current planning policies, principally set out within the council's adopted Local Plan, which is complemented by other statutory plans, such as Neighbourhood Plans.

We found the council's constitution requires updating specifically in relation to officer delegations, which follows the restructure to the organisation. However, we were made aware of a wider piece of work which is ongoing to include a rewrite of the section 'responsibilities of function,' which will resolve matters from the audit.

Operationally, the service has comprehensive procedural guidance in place to support and aid officers. our testing of applications found these had been processed in accordance with legislation and council policies and we could agree the correct payment of the planning fee. We also found performance returns to be accurate where tested.

We raised one priority finding relating to site inspections, where our testing found inconsistencies within this aspect of the process. the service should clarify its expectations in relation to site visits including documenting both evidence and also rationale where a physical visit is not completed.



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Accounts Receivable

Strong

Our testing confirmed that the service has appropriate controls in place for ensuring that invoices are raised promptly, instalments are setup and reminders are issued in accordance with policy and instructions from the relevant Council service areas. However, we found that reminders were not always being issued in accordance with the timescales set out within the Corporate Debt Recovery Policy.

Credit notes were submitted correctly and had been appropriately authorised. There was a separation of duties between the raising and allocating of the credit note and all had been raised against the correct debtor.

The monthly reconciliations between accounts receivable and the general ledger were reviewed, and it was confirmed that they were taking place in line with procedure, were promptly completed and figures could be traced back to source documentation.

Accounts Payable

Sound

Controls ensuring that goods and services had been appropriately ordered and received, were working effectively for both PO and non-PO payments. Invoices were being paid in a timely manner, although there was one invoice highlighted in our sample which had not been paid within 30 days.

'Holds' on payment were not always being resolved promptly and some issues were found with four of the sample.

Overall, credit notes were being processed in line with procedures, three of these had a corresponding invoice and had been authorised for payment appropriately.

Changes to supplier details were being carried out in line with Council policy. However evidence of how each processed change to standing supplier details has been verified was not being recorded.

Reconciliations were taking place in line with procedures. A reconciliation report is reviewed weekly as part of the payrun to ensure the amount sent for payment is correct. One week's reconciliation was reviewed with the Exchequer Manager and no issues were highlighted.



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Data Breaches

Sound

The Council has an approved suite of information governance policies, that sets out measures to protect Council data and how to recognise and report a data breach. Compulsory information governance training is provided to officers on an annual basis and there is a procedure in place to follow up on officers that have yet to complete the training. Councillors have access to the training but are not required to undertake the training. 45 Councillors have not undertaken the training. As they have access to Council data, it is important they know how to protect data as well as recognise a breach and when to report it.

Data breaches that have occurred have been risk assessed and mitigating actions put in place, where applicable, to reduce the impact that the breach has for the Council. Trends in breaches are identified and reviewed to determine if further action is needed to reduce the chance of future data breaches. The Council has a range of technical controls to ensure that emails are protected and secure.

Apprenticeships

Sound

Our testing found controls to be generally well designed and operated effectively and overall, the apprenticeships scheme is well-managed. Benchmarking found that the Council compared favourably in utilising its apprenticeship levy funding.

We confirmed that suitable checks are in place which ensure only registered training providers are used under the scheme.

We raise four priority findings from our work. A key area presenting opportunity for improvement relates to budget monitoring of the levy 'pot'. We confirmed that levy amounts were correctly paid to HMRC through payroll, however there is no reconciliation of the amount received back from the government to confirm accuracy of the funds stated on the Apprenticeship Portal.

The Portal information is supplemented with an internal spreadsheet used by the service to record commitments and to make projections and there is a degree of complexity to managing the 'pot' to also ensure funds are used before expiration. While the Council is currently successful in this aim, reliance is placed on the



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individual knowledge of one officer with experience using the Portal, and who also maintains the internal spreadsheet. There is scope for the service to work more closely with Finance to provide resilience in budget monitoring and to ensure standalone records are reconciled and projections confirmed.

We also advocate the reporting of this information to management. Lower priority findings relate to manager guidance, promotion of the apprenticeship scheme, and ensuring administrative forms are signed.



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Annex D

Reconciliation of the approved 2022/23 Internal Audit Plan

The Position column provides the position as at 31 May 2022 and with the exception of the shaded reviews, does not warrant that this will be the final position for any of these reviews. The highlighted rows, below, are the reviews which informed the 2022/23 Head of Audit Opinion statement.

It was acknowledged that there can be a time-lag between issue of the draft report and the subsequent finalisation of an audit report. The 'Agreed Draft' status signifies that management has accepted the assurance grading provided for the review and is substantially in agreement with the detailed findings. The management responses to the Actions have not yet been provided. Consequently, for the purposes of providing the Head of Audit Opinion audit reviews which have reached Agreed Draft have been included.

Audit Review	Position at 31 May 2023
Housing Rent Accounts – Voids	Finalised
Treasury Management	Finalised
Cash Collection - Parking	Finalised
Development Management	Finalised
Accounts Receivable	Finalised
Accounts Payable	Finalised
Leisure Services – Contract Management	Work in progress
Temporary Accommodation	Work in progress
IT Backup and Recovery	Work in progress
PFI Management – Stanhope Estate	Dropped
Data Breaches	Finalised
Elwick Road Programme	Dropped
Apprenticeships	Agreed Draft
Contract Management – Responsive Repairs Contract	Postponed until 2023/24
Payroll and HR Systems	Postponed until 2023/24
Newtown Ashford International Studios Programme	Cancelled by service

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Annex E

About Mid Kent Audit

Standards and ethical compliance

- A. Government sets out the professional standards that Mid Kent Audit must work to in the Public Sector Internal Audit Standards (PSIAS). These Standards are a strengthened version of the Institute of Internal Audit's global internal audit standards, which apply across public, private and voluntary sectors in more than 170 countries around the world.
- B. The Standards include a specific demand for reporting to Senior Management and the Audit Committee on Mid Kent Audit's conformance with the Standards.

Conformance with the PSIAS

- C. CIPFA carried out a comprehensive External Quality Assessment (EQA) in May 2020 which confirmed that MKA was in full conformance with the Standards and the CIPFA Local Government Application Note (LGAN). The Standards requires an EQA to be carried out at least once every five years, but does not stipulate specific time intervals for Internal Quality Self-Assessments (ISA) in the intervening period.
- D. In February 2021 the interim Head of Audit for Mid Kent Audit carried out an ISA of conformance with the PSIAS. This review confirmed conformance with the PSIAS and raised 13 advisory or low priority action points. These points are currently being reviewed and managed by the substantive Head of Mid Kent Audit.
- E. The scope of this ISA did not include consideration of either the risk management or counter fraud work carried out by MKA. The scope did not include consideration of the resourcing of MKA, the audit risk prioritisation process or the appropriateness of the times allocated to the different stages of individual audit assignments.

Resources

- F. 2022/23 was a year of unprecedented staff change within Mid Kent Audit. Details of a number of these changes have previously been reported to the Audit Committee in the reports submitted by Mid Kent Audit. At the end of the financial year there were significant vacancies in the management of the partnership and the substantive Head of Mid Kent Audit has been undertaking



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a review of the staffing requirements to ensure the service is future proofed and fit for purpose to deliver the service required by our partners. This review has now been completed and recruitment is underway. There will still be an impact during 2023/24, but the position will improve over the course of the year.

Use of an external provider to assist with audit reviews

- G. In September 2022, following a procurement process, Veritau was appointed to carry out a number of the audit reviews for which Mid Kent Audit did not have the available resources in-house. This reflects that Mid Kent Audit has ensured the difficulties with staffing experienced during the year have been partially mitigated.

