

MID KENT AUDIT

Interim Internal Audit & Assurance Report



November 2018
**Ashford Borough
Council**



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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 reviewed our *Audit Charter* in September 2018 and, with a few minor amendments, approved its use for the year. The Charter ensures we work effectively with the Council and conform to the Standards.

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Independence of internal audit

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

Management response to risk

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

Resource Requirements

9. We reported in our plan presented to this Committee in March 2018 an assessment on the resources available to the audit partnership for completing work at the Council. That review decided:

...we believe we have enough resource to deliver the 2018/19 plan
10. In 2018/19 we drew that conclusion considering setting up new software. That implementation is on track and described further later in this report. Since the plan we have also engaged with Dartford and Sevenoaks Councils to provide support, again described later in this report. Considering extra contractor support available to us through the Apex Contract managed by LB Croydon, we remain content we have enough resource to deliver the 2018/19 plan.

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Audit Plan Progress

11. This Committee approved our *Annual Audit & Assurance Plan 2018/19* on 20 March 2018. The plan set out an intended number of days devoted to each of various tasks. We began work on the plan during May 2018 and expect completing enough to form our *Annual Opinion* by June 2019.
12. The table below shows progress in total number of days delivered against the plan (figures are up to end of October 2018, about 40% through the audit year).

Category	2018/19 Plan Days	Outturn at Interim	Days Remaining
2017/18 Assurance Projects	0	65	N/A
2018/19 Assurance Projects	300	105	195
Non project assurance work ¹	80	40	40
Unallocated contingency	40	27	13
Totals (18/19 Work Only)	420	172	248

13. Based on resources available to the partnership for the rest of the year we forecast delivery of around 230 further audit days. This creates a forecast total of 402, or 96% of planned days.
14. We detail the specifics, and results, of this progress further within this report.

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

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Results of Audit Work

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

Completed Assurance Projects Since Annual Report in July 2018

	Title	Days Spent	Report Issue	Assurance Rating
2017/18 Plan Projects Issued after 1 August 2018				
I	Home Assistance Grants	12	Aug-18	Strong
II	Insurance	12	Aug-18	Strong
III	Project Management	20	Sep-18	Sound
2018/19 Plan Projects Issued up to Report Date				
IV	Budget Setting	11	Sep-18	Strong
V	Financial Resilience	4*	Sep-18	N/A
VI	Litter Enforcement	16	Oct-18	Sound
VII	Parking Income	21	Nov-18	Sound

Assurance Projects Underway

Title	Days So Far	Expected Report	Stage
Garage Management	16	Dec-18	Draft report issued
Council Tax Reduction Scheme	14	Dec-18	Draft report issued
Food Safety	10	Dec-18	Draft report issued
Pre-Application Planning	12	Jan-19	Fieldwork
Leaseholder Charges	2	Jan-19	Planning
Complaints	1	Feb-19	Planning
Cyber Security	1*	Feb-19	Planning – to be completed by specialist contractor
Waste Contract	1*	Feb-19	Planning (joint with MBC and SBC)
Commercial Investments	3	Feb-19	Planning
Right To Buy	2	Mar-19	Planning
General Data Protection Regulations	1*	May-19	Planning

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Assurance Projects Yet to Begin

Title	Expected Start	Expected Report	Notes
Performance Management	Q4	Mar-19	
Property Management	Q4	Apr-19	
Risk Management	Q4	Apr-19	
Safeguarding	Q4	Apr-19	
Voids Management	Q4	May-19	
Workforce Planning	Q4	May-19	
Developer Contributions	Q4	May-19	
Health & Safety	Q4	Jun-19	
Homelessness Reduction Act	Q4	Jun-19	Cross partnership

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

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Audit Project Summary Results

I: Home Assistance Grants (August 2018)

16. Our opinion based on our audit work is that the Private Sector Housing Team has **Strong** controls in place to manage its risks and support achievement of its objectives relating to the provision of Home Assistance Grants.
17. We established that applications for Disabled Facilities Grants (DFGs) were processed in a consistent and reliable manner, with good supporting documentation. Grant payments were correctly made and properly authorised. There was evidence that the Council had recovered grant monies where properties had been sold and DFG was repayable to the Council. We also established that applications for Winter Warmth Grants (the only other type of Home Assistance Grant awarded by the Council over the last 12 months) were processed in a satisfactory manner.
18. There are two minor areas for improvement: the need to produce written procedures for the administration of the new discretionary grants approved by Cabinet in July 2018; and the requirement to finalise the draft data processing agreement with the East Kent Home Improvement Agency.

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

19. The service has already acted to complete one of the two agreed actions. The other falls due at the end of 2018 and we will follow up early in the new-year.

II: Insurance (August 2018)

20. Our opinion based on our audit work is that the Council has **Strong** controls in place over its insurance arrangements.
21. Our review found adequate controls in place to effectively manage the processes for handling renewals and mid-term changes to the policy. Testing confirmed that the defined claims process operates well and newly implemented improvements to the administration and management of claims will further enhance existing procedures.

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22. Our testing confirmed that the financial arrangements follow the Council's Financial Procedure Rules however we found that improvements could be made to record keeping in regards to excess payments made to reduce any risk of overpayment.

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

23. The service has already acted to fulfil both recommendations and so we have closed this report.

III: Project Management (September 2018)

24. Our opinion based on our audit work is that there are **Sound** controls in place over the management of projects at Ashford Borough Council.
25. Since our previous work in this area (Corporate Projects Review June 2016) the Council has made a number of improvements to formalise its approach to project management (PM).
26. The Council's PM toolkit is in line with the key principles of effective PM and our testing confirmed generally good adherence with these. The introduction of a Programme Group should also provide some rigor to arrangements through improved oversight of the Council's projects agenda and scrutiny at business case / PID stage.
27. We identified some improvements that could be made to strengthen the PM methodology, principally around the Council's toolkit guidance (roles and responsibilities and Pentana). Central messages from our discussions with Project Managers related to identification of resources for delivery and prioritisation of projects.

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

28. The majority of recommendations fall due for action at the end of 2018/19 and so we will follow them up early in the new financial year.

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IV: Budget Setting (October 2018)

29. Our opinion based on our audit work is that the Council has **Strong** controls in place to manage its risks and support achievement of its objectives in budget setting.
30. The Council's budget setting process works well and there are appropriately allocated resources. Budgets are set using sound information and the process complies with legislation and the Council's Financial Procedure Rules. Members and officers are sufficiently consulted throughout the budget setting process. Budget holder engagement is good, with one commenting "I have a great working relationship with my Finance Manager and they understand the service extremely well.

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

31. We do not follow up on action against advisory recommendations, so have closed this review.

V: Financial Resilience Index (September 2018)

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

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

33. CIPFA published a reasonably detailed explanation of its intended method alongside the consultation on its overall proposal. The core of the method is to take accounts data focusing on RSG reliance, reserve levels and auditor opinions and combine them into a single weighted score. CIPFA will then adjust the scores to set the median at 100. Authorities with a score of greater than 100 show signs associated with greater financial resilience than their peers.

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34. Based on the method set out in the consultation, we found all four authorities in the partnership comfortably into or beyond the mid-range with index scores between 98 and 125. However, there is notable range among districts. The top of the index is 190, far above the median level, with scores falling down to 55. Across Kent we found a range between 87 and 166.
35. CIPFA plan to develop a final version of its Index before the end of the year. We will update our work accordingly and report again to partner authorities.

VI: Litter Enforcement (October 2018)

36. Our opinion based on our audit work is that the Environment and Land Management service has **Sound** controls in place to manage the Litter Enforcement contract.
37. Our testing has identified that the litter enforcement contract, provided by 3GS (UK) Ltd, is appropriately monitored. The scope of contract monitoring checks undertaken by the Environmental Contracts and Enforcement Manager are well founded. We note a good level of dialogue with the contractor through both monthly meetings and with Operatives at an operational level.
38. Contract monitoring checks have been effective in identifying and resolving a performance issue relating to the preparation of prosecution cases from unpaid FPNs. This resulted in a performance management deduction of £19k payable to the Council.
39. We make several recommendations from our work and testing to address some identified risks. In particular we note limited resilience to the monitoring arrangements and a need to formalise procedures around withdrawn FPNs.

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

40. On the basis of the agreed timetable, the service will act to address all recommendations by the end of 2018/19. We will therefore follow up early in the new financial year.

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VII: Parking Income (November 2018)

41. Our opinion based on our audit work is that the Service has **Sound** controls in place to manage its risks and support achievement of its objectives around Parking Income. While our work largely confirmed that controls are suitably designed and operated, we have identified some areas for improvement. In particular, we found that the threshold to investigate variances as part of daily cash reconciliations has increased, but has not been formally agreed. Furthermore, individual machine cash discrepancies are not consistently investigated. Some further areas for improvement were also identified around daily card payment process and reconciliation of General Ledger income.
43. Parking Services have introduced alternative methods of payment to support their modal shift objective. However, they have not yet adopted formal plans for this move away from cash payments to card payments. As such progress towards it is not being monitored.

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

44. Based on agreed timetables, the service will have acted to fulfil all recommendations by the end of the first quarter of 2019/20. Therefore we expect to report this review as complete in our 2018/19 annual opinion to Members.

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Recommendation Follow Up Results

45. 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).
46. In total, we summarise in the table below the current position on following up agreed recommendations:

Project	Total	High Priority	Medium Priority	Low Priority
Recommendations brought into 2018/19	19	1	10	8
New recommendations agreed 2018/19	42	0	10	32
Total Recommendations Agreed	61	1	20	40
Fulfilled by 30 September 2018	32	1	13	18
Recommendations cfwd past 30-Sep	29	0	8	21
Not Yet Due	20	0	4	16
Delayed Implementation but no extra risk	9	0	3	6
Delayed Implementation with extra risk	0	0	0	0

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

Project	Report Issue & Rating	Recs Agreed	Delayed	Not Due	Completed	Full Completion
Procurement	Aug-16 (Sound)	10			10	Aug 18
Social Media Access Controls	May-17 (Sound)	5			5	Nov 18
Property Management	May-17 (Sound)	9			9	Aug 18
Treasury Management	Sept-17 (Sound)	4	1		3	Feb-19
Counter Fraud Risk	Oct-17 (Sound)	8	1		7	Apr-19
Monitoring Centre	Oct-17 (Sound)	9			9	Nov 18
ABC Lettings	Nov-17 (Sound)	2		1	1	Dec-18

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Project	Report Issue & Rating	Recs Agreed	Delayed	Not Due	Completed	Full Completion
IT Disaster Recovery	Nov-17 (Sound)	2			2	Aug 18
Building Control	Apr-18 (Sound)	4			4	Nov-18
Planning Enforcement	May-18 (Sound)	9		9		Mar-19
Electrical Services DSO	May-18 (Sound)	8	2		6	Dec-18
Single Grants Gateway	Jun-18 (Sound)	7	3	1	3	Jan-19
Insurance	Aug-18 (Sound)	2			2	Nov 18
Project Management	Sept-18 (Sound)	4		3	1	Mar-19
Littering Enforcement	Oct-18 (Sound)	8		8		Apr-19

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Other Audit Service Work

Risk Management Update

48. Effective risk management is a vital part of the Council's governance, and contributes greatly to the successful delivery of services and key priorities. It is how the Council identifies, quantifies and manages the risks it faces as it seeks to achieve objectives.
49. The Council's refreshed risk management framework (detailed guidance) was adopted by Cabinet in April 2018. This Committee receives regular updates from Officers on how the Council's corporate risks are managed.
50. Our role in these risk arrangements is to provide advice and guidance as required. This included working with Officers to review and update the risk management framework. We will continue to work with officers to provide support where needed

Counter Fraud Update

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

Whistleblowing

52. 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.
53. We have so far had no matters raised with us through the Whistleblowing Policy, although note we are still receiving information through other routes.

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Other Audit and Advice Work

54. We also continue to undertake a broad range of special and scheduled consultancy and advice work for the Council. Examples include our attendance at Management Team. We have also completed specific reviews looking at individual parts of the Council's control environment at the request of officers.

Fire Risk Management System (FRMS)

55. PAS7:2013 presents non-mandatory best practice requirements for an organisational FRMS. The standard also includes an audit checklist. We followed the checklist with reference to an external check undertaken in July 2017 (by BB7) to establish the Council's compliance and actions since the review. However our review has concluded the Council is not fully compliant with PAS7:2013. Officers plan to present a report to Management Team recommending a way forward.

Allotments

56. We are working with the Allotments Team to provide advice on proposed changes. These involve considering the policy for allocating and managing the allotments and for handling inspections, allocations and income collection.
57. 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

58. On 1 April 2017 the RIASS² 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.
59. All auditors working in the public sector (including, for instance, health and central government too) must work to these standards.

Code of Ethics

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

Public Sector Internal Audit Standards

63. Under the Public Sector Internal Audit Standards we must each year assess our conformance to those standards and report the results to Members.
64. We underwent an external independent assessment from the IIA in 2014 which confirmed our full conformance with all but 5 of the standards and partial conformance to the rest. In 2015, following action to fulfil the IIA’s recommendations, we achieved full conformance to the standards – the first English local authority audit service to be so assessed by the IIA.
65. The Standards demand a new assessment at least every five years, meaning ours is due before April 2020. Guidance from the Internal Audit Standards Advisory Board advises that Members should play a leading role in the assessment, including acting as sponsor and receiving the findings and recommendations. We will include in our 2019/20 audit plan a proposal for

² Relevant Internal Audit Standards Setters

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getting the needed assessment but welcome any comments from Members as we prepare that plan.

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

Pentana Audit Software

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

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

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

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

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Audit Team Update

Working with Dartford and Sevenoaks Borough Councils

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

Performance Indicators

74. 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.
75. 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.

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

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

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

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

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Acknowledgements

78. 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.
79. 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.
80. We would also like to thank Managers, Officers and Members for their continued support as we complete our audit work during the year.

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Annex: Assurance & Priority level definitions

Assurance Ratings 2018/19 (Unchanged from 2014/15)

Full Definition	Short Description
<p>Strong – 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>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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Recommendation Ratings 2018/19 (unchanged from 2014/15)

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

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

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

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

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

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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.

¹ Photograph courtesy of Louise Taylor, Trainee Auditor