

Agenda Item No: 5
Report To: Audit Committee
Date: 3 December 2019
Report Title: Interim Internal Audit & Assurance Report 2019/20
Report Author: Rich Clarke – Head of Audit Partnership



Summary: The report summarises to the Committee progress and results so far against the Audit & Assurance plan for 2019/20 agreed earlier this year. The results in general show the Council upholding an effective control environment.

Key Decision: NO

Affected Wards: All

Recommendations: 1. To **note** progress against the 2019/20 Internal Audit & Assurance Plan and findings so far.

Policy Overview: N/A

Finance: N/A

Risk Assessment N/A

EIA N/A

Other Matters: N/A

Exemption Clauses: N/A

Background Papers: Interim Internal Audit & Assurance Report 2019/20 (attached as Appendix A)

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Report Title: Interim Internal Audit & Assurance Report 2019/20

Purpose of the Report

1. The report provides to Members an update on progress so far towards completing the 2019/20 Internal Audit & Assurance Plan. It also provides the update information needed by Audit Standards including an assessment of available audit time, results of audit work and commentary on performance of the audit service.
2. Our results so far in 2019/20 have yielded positive assurance ratings.

Background

3. The report provides an update for Members on progress against the 2019/20 Internal Audit & Assurance plan approved by this Committee earlier this year. The report also meets our duties under Public Sector Internal Audit Standard 2060 to report to Members on:
 - Our audit charter,
 - The independence of internal audit,
 - Audit plan changes and progress against the plan,
 - Resource needs of the audit service,
 - Results of audit work so far,
 - Affirming conformance with the Standards and Code of Ethics, and
 - Details of risks taken by management that, in the Head of Audit Partnership's judgement, may be unacceptable to the authority.
4. We have made good progress through the plan so far and remain confident of delivering a robust audit opinion by year end.
5. We note good levels of delivery for officers acting to address audit recommendations.
6. We also report our continuing conformance with the Standards (including independence) and the Code of Ethics. We also show our continued strong results on performance measures and work with neighbouring authorities.

Risk Assessment

7. N/A

Equalities Impact Assessment

8. N/A

Other Options Considered

9. N/A.

Consultation

10. We discuss results of audit work with responsible officers within the authority before issuing as final. We remain pleased to record to Members continuing strong levels of co-operation from officers who have accepted all recommendations made so far in 2019/20.
11. The report builds on Committee comments from previous similar reports.

Implications Assessment

12. N/A

Handling

13. N/A

Conclusion

14. The results show the Council upholding an effective control environment. The report also notes the continuing strong performance of Mid Kent Audit.

Portfolio Holder's Views

15. N/A

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Interim Internal Audit & Assurance Report



**November 2019
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 approved our *Audit Charter* in September 2019 and it remains in place through the audit year.

Independence of internal audit

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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 Council during 2019/20 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 2019 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 2019/20 plan
10. Since that plan we have had considerable changes in staffing, including losing two (and possibly three) members of the team to other internal audit services in Kent. However, considering extra contractor support available to us through the Apex Contract managed by LB Croydon, new recruits to the team and people returning from maternity leave we remain content we have enough resource to deliver the plan.

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Audit Plan Progress

11. This Committee approved our *Annual Audit & Assurance Plan 2019/20* on 19 March 2019. The plan set out an intended number of days devoted to each of various tasks. We began work on the plan during May 2019 and expect completing enough to form our *Annual Opinion* by June 2020.
12. The table below shows progress in total number of days delivered against the plan (figures are up to end of October 2019, part through the audit year).

Category	2019/20 Plan Days	Outturn at Interim	Days Remaining
2018/19 Assurance Projects	0	4	n/a
2019/20 Assurance Projects	319	73	246
Non project assurance work ¹	81	21	60
Unallocated contingency	30	15	15
Totals (19/20 Work Only)	430	110	320

13. Based on resources available to the partnership for the rest of the year we forecast delivery of around 285 further audit days. This creates a forecast total of 385, or 90% 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, MBC only shown).

Completed Assurance Projects Since Annual Report in June 2019

	Title	Days Spent	Report Issue	Assurance Rating	Notes
2018/19 Plan Projects Issued after 1 June 2019					
	Leaseholder Charges	21	Jun-19	Strong	Reported to Members June 2019
I	Safeguarding	21	Jul-19	Sound	
II	General Data Protection Regulations	6*	Jul-19	N/A	Not assurance rated as advisory work
III	Pre-Application Planning	25	Sep-19	Sound	
2019/20 Plan Projects Issued up to Report Date					
IV	Discretionary Housing Payments	12	Aug-19	Strong	
V	Risk Management	17	Oct-19	Sound	
VI	Business Rates	10	Nov-19	Strong	

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Assurance Projects Underway

Title	Days So Far	Expected Final Report	Notes / Stage
Car Parking Enforcement	17	Dec-19	Draft Report Issued
IT Asset Management	14	Jan-20	Fieldwork underway
Cemeteries	8	Feb-20	Fieldwork underway
Absence Management	7	Jan-20	Fieldwork underway
Taxi Licensing	2	Feb-20	Fieldwork underway
Homelessness	2	Feb-20	Planning
Budgetary Control	1	Mar-20	Planning

Assurance Projects Yet to Begin But Scheduled

Title	Expected Start	Expected Report	Notes
Developer Contributions	Quarter 3	Apr-20	
Elections Management	Quarter 3	Apr-20	
ICT Technical Support	Quarter 4	May-20	
Information Management	Quarter 4	May-20	Cross partnership
Network Security	Quarter 4	May-20	

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: Safeguarding (July 2019)

16. Our opinion based on our audit work is that the Council has **Sound** controls in place to manage its risks and support achievement of its objectives relating to its Safeguarding responsibilities.
17. Our testing noted a measured improvement in the Council's arrangements from our previous audit work in this area. We found an up to date and clear safeguarding policy, supported by clear and accessible procedures. Officers have good relationships with strategic partners with a recent Domestic Homicide Review commenting that "*Housing Officers were particularly proficient in sharing information with partners.*" There is also a comprehensive safeguarding training programme in place for officers. Taken together, this helps ensure the Council is meeting its statutory safeguarding obligations.
18. Since March 2018 the M3 system has been used to record safeguarding referrals. The results of our testing show some work remains to embed a consistent approach for recording, monitoring and completing safeguarding referrals. The majority of our recommendations are operational and aim to address these issues. We make no adjustment to management's assessment of the risk following completion of our work.

Recommendation summary

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

II: General Data Protection Regulations (July 2019)

19. Our review found the Corporate Policy team were thorough in their preparations to help ensure the Council were ready for the new GDPR requirements. The team demonstrated the Council collects and processes data fairly, lawfully and transparently and privacy notices are in line with ICO requirements.

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20. The Council has justified why and how long it retains personal data, in line with best practice guidance. Unlike at the 4 other partner authorities, Management have made a decisive decision on e-mail retention periods. However, testing found non-compliance with the retention policy, which is not centrally enforced.

III: Pre-Application Planning (August 2019)

21. Our opinion based on our audit work is that ABC Development Management has **Sound** controls in place to manage its risks and support achievement of its objectives relating to its arrangements for Pre Application Advice. Our review found that pre-application advice requests are generally processed in accordance with the agreed procedures. Our review found that pre-application advice requests are generally processed in accordance with the agreed procedures. Roles and responsibilities are clearly defined, and procedure notes exist to support the administration of cases. Our testing confirmed that pre-application advice requests are correctly meeting the specified criteria and cases are allocated to appropriately qualified and experienced staff.

22. However, our testing found that pre-application response times are not being met and we found cases can remain outstanding for a considerable time. Key areas for improvement are monitoring timescales and completing a review of the charging structure to ensure the service is operating at cost. We make a number of recommendations to improve operational matters in these areas. Through our testing we have increased management's assessments of the risk relating to incorrect, incomplete / unclear or late advice to customers from Minimal to Low.

Recommendation Summary

Critical (Priority 1)	0
High (Priority 2)	0
Medium (Priority 3)	2
Low (Priority 4)	10
Advisory	2

IV: Discretionary Housing Payments (August 2019)

23. Our opinion based on our audit work is that the service has **Strong** controls in place to manage its risks and support achievement of its objectives relating to the processing of Discretionary Housing Payments (DHP).

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24. Our review concludes controls are well designed and correctly operated in practice. Our testing for a sample of cases returned positive results which confirmed that all claimants met the criteria for being awarded a DHP with the relevant supporting documentation retained. There are strong controls over payments including separate checks on over £1k payments.
25. Consistent with an audit of this rating we raise only one low priority recommendation to ensure the most recent DHP guidance is published on the Council's website.

Recommendation summary

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

V: Risk Management (October 2019)

26. Our opinion based on our audit work is that the Council has **SOUND** controls in place to manage its risks and support achievement of its objectives with respect to risk management.
27. The Council's risk management approach fits its developing risk maturity. We found clear evidence of its influence on the Council's work, including managers routinely dealing with risks as prescribed. This includes keeping risks current and reflecting developments in both internal control and the wider environment. The Management Team and Audit Committee also regularly receive and review information on key risks.
28. However, we found still some work to do on embedding risk management in the Council, for example in creating and supporting a training programme. Also, while the Council's risk appetite statement is clear and coherent, we found little overt evidence of its use in decision-making.

Recommendation Summary

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

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VI: Business Rates (November 2019)

29. Our opinion based on our audit work is that the Service has **Strong** controls in place to manage its risks and support achievement of its objectives relating to the administration of Business Rates exemptions and reliefs.
30. There is a range of various exemptions and reliefs available to business ratepayers provided the specific eligibility criteria outlined by the government are met. It is the responsibility of the Revenues and Benefits Team to manage the borough's business rates accounts, which includes the processing of exemption and relief claims. When the government introduces new forms of exemption and relief, the team is also responsible to ensure that the Northgate system is updated to reflect any newly eligible accounts.
31. The main source of an account holder's eligibility to claim an exemption or relief can be attributed to the property's rateable value. The Valuation Office Agency (VOA) provides regular updates on the rateable value of properties which our testing confirmed are actioned promptly and accurately.
32. Our testing on a sample of accounts where an exemption or relief had been applied returned positive results and in all cases supporting evidence confirmed the account changes.

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Agreed Actions Follow Up Results

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

Category	Total	High Priority	Medium Priority	Low Priority
Actions brought into 2019/20	27	0	5	22
New actions agreed in 2019/20	30	0	7	23
Total Actions Agreed	57	0	12	45
Fulfilled by 30 September 2019	27	0	6	21
Actions cfwd past 30 September	30	0	6	24
Not Yet Due	21	0	5	16
Delayed but no extra risk	9	0	1	8
Delayed with risk exposure	0	0	0	0

35. The table to the right shows distribution of outstanding recommendations across the Council (filtered to show only recommendations relevant to Ashford). Note the numbers will not tally exactly with the table above because this includes recommendations raised in draft reports and therefore not yet final and removes actions cleared since 30 September.

Ashford Borough Council	
Accounting & Finance	-
Communications	-
Community Safety	-
Corporate	5
Culture & Economy	-
Democracy	-
Environment	-
Environmental Health	-
Estate Management	-
Housing & Landlord	-
Human Resources	-
Information Technology	5
Parking	-
Planning	19
Revenues & Benefits	-

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Other Audit Service Work

Counter Fraud Update

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

Whistleblowing

37. 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.
38. We have so far had no matters raised with us through the Whistleblowing Policy.

Other Audit and Advice Work

39. We also continue to undertake a broad range of special and scheduled consultancy and advice work for the Council. This includes a specific review examining the Council's negotiations around Ashford Leisure Trust terminating its lease with the Council.
40. We have also led and contributed to a series of Member briefings at the Council on issues of governance interest. We are keen to hear from Members on any other areas of interest which may form future briefing sessions.
41. 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

Code of Ethics

42. 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").
43. 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.
44. We can report to Members we remain in conformance with the Code.

Public Sector Internal Audit Standards & External Quality Assessment

45. Under the Public Sector Internal Audit Standards we must each year assess our conformance to those standards and report the results of that assessment to Members.
46. As described in previous updates, 2019/20 is the fifth year since we underwent an external independent assessment and so we require a fresh review. We put this work out to contract at the end of November working towards having a final report complete in the spring.
47. Based on our self-assessments we continue to work in full conformance with the Standards.

Acknowledgements

48. 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.
49. 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.
50. 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 2019/20 (Unchanged from 2014/15)

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

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Recommendation Ratings 2019/20 (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.