

**MID KENT AUDIT**

# **Interim Internal Audit & Assurance Report**

**January 2021**

**Maidstone Borough Council**



# MID KENT AUDIT

## Introduction

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

### 2060 Reporting to Senior Management and the Board

The chief audit executive must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan and on its conformance with the *Code of Ethics* and the *Standards*. Reporting must also include significant risk and control issues, including fraud risks, governance issues and other matters that require the attention of senior management and/or the board.

#### *Interpretation:*

The frequency and content of reporting are determined collaboratively by the chief audit executive, senior management and the board. The frequency and content of reporting depends on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management and/or the board.

The chief audit executive's reporting and communication to senior management and the board must include information about:

- The audit charter.
- Independence of the internal audit activity.
- The audit plan and progress against the plan.
- Resource requirements.
- Results of audit activities.
- Conformance with the *Code of Ethics* and the *Standards*, and action plans to address any significant conformance issues.
- Management's response to risk that, in the chief audit executive's judgment, may be unacceptable to the organisation.

## Audit Charter

3. This Committee approved our *Audit Charter* in [September 2019](#) and it remains in place through the audit year.

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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 Maidstone BC during 2020/21 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

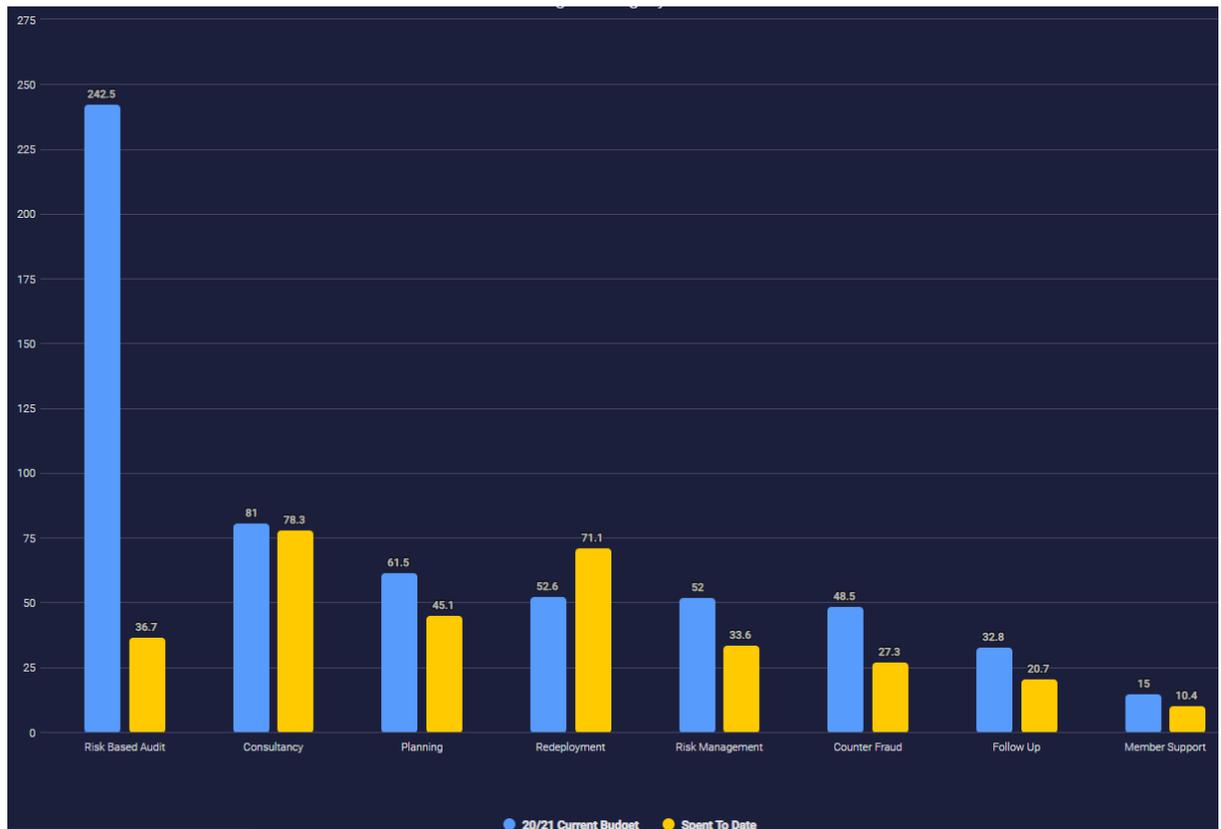
7. We include the results of our work in the year so far later in this report. In our work we often raise recommendations for management action. During the year so far management have agreed to act on all recommendations we have raised. We report on progress towards implementation in the section titled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

## Resource Need

9. We reported in our plan presented to this Committee in March 2020 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 2020/21 plan*
10. Since that plan we, and everyone else, have seen significant disruption from the Covid-19 pandemic. We set out a changed plan to this Committee in [September](#) which included updated resource need.
11. Since then CIPFA have published guidance on “limitation of scope” opinions. These apply where an audit service reaches year end having been unable to gather enough information to support a definitive opinion. This includes the sensible guidance that Heads of Audit should quickly communicate such a possibility.

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12. The graph below shows the number of audit days dedicated to various types of work across Maidstone and Shared Services for the audit period to date 2021/21 (June to early December 2020). Note the graph will not reconcile direct to the table later in this report, as the chart takes Shared Services days in full whereas the table apportions them between partners (so, for example, we allocate  $\frac{1}{3}$  day to Maidstone for projects examining the shared ICT service).



13. The chart demonstrates the pressures which have focussed our attention away from audit work so far. In particular, in response to requests from Senior Management, we have devoted around 100 more days to this point than expected towards consultancy and redeployment support than our budgets anticipated. Since the summer, that work has focused on supporting the Revenues & Benefits service in conducting fraud and error checks on grants to support local businesses suffering financial loss during lockdown. This has inevitably delayed the full beginning of programmed audit work; I include a summary below of what progress we have made so far.
14. I have raised this matter with Maidstone Corporate Leadership Team through the Mid Kent Services Director. I'm pleased to report to Members we have agreed for backfill funding not drawn from existing Council resources.

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15. This funding will enable us to both continue supporting business grant payments and progress our audit programme to conclusion. It will mean a significantly larger proportion of our work than usual goes to external contractors, including some working overseas.
16. However, we have good contacts and strong contractual relationships with our suppliers so I remain confident we can deliver the work efficiently and effectively.
17. On that basis, I continue to believe we have enough resources available to us to deliver the 2020/21 audit plan and provide a robust opinion at year end. I will, following the guidance, report quickly to Senior Management and Members if I have any concerns that forecast will change.

## **Audit Plan Progress: Closing 2019/20**

18. In July, there were a few audit engagements approaching completion that did not finish in time for Committee deadlines. For three of these (Noise Nuisance, Planning Discharge Conditions and Waste Crime Team) I was able to set out conclusions based on our issued draft reports. I can confirm to Members that the now issued final reports made no changes to the reported findings.
19. We had one report (Members Allowances) that had not reached draft report stage. We set out below our summary findings for that remaining work. As expected, none produced significant concerns that would alter the opinion or demand separate reporting.

## **Members' Allowances (November 2020)**

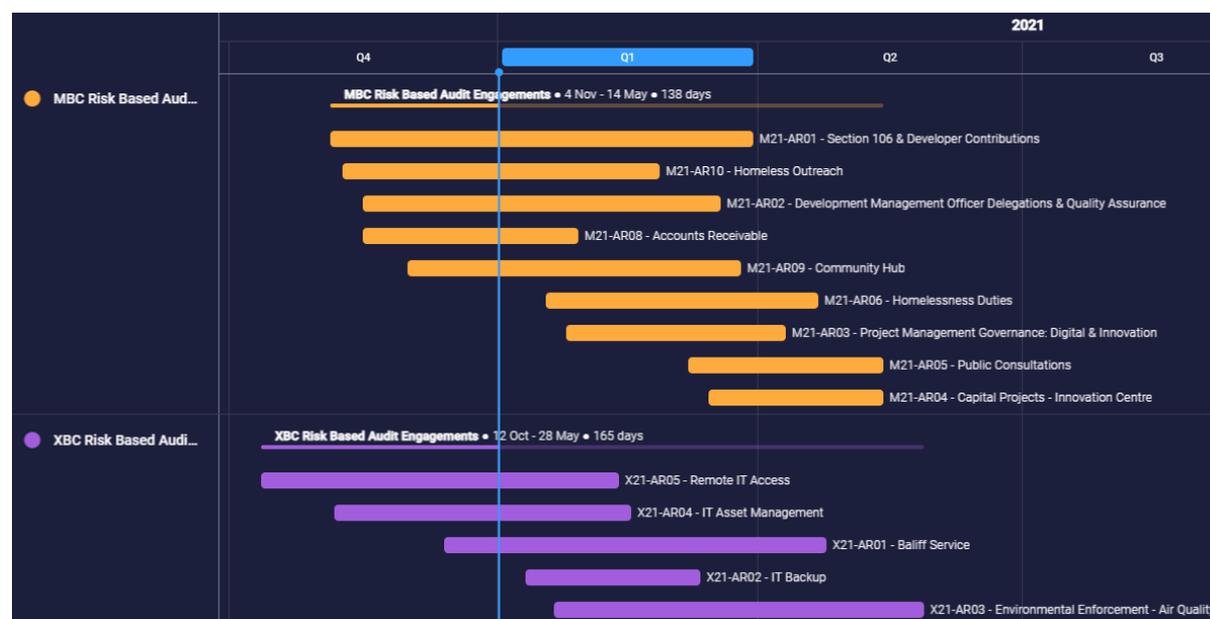
20. The Council's Members Allowance Scheme (the Scheme) is set out at Part 5 of the Council's Constitution and gives a clear description of what expenses are eligible to be claimed. Members are also given guidance on how to claim expenses upon induction to the Council and a standardised claim form is available.
21. We found that 7 of the 10 claims we tested were appropriately completed, supported by evidence of expenditure and eligible for the scheme. The remaining 3 had a combination of errors such as claiming for expenses not included in the scheme, not providing evidence of the expenditure or no signed declaration. The total amount paid as a result of these claims was less than £100.

- **Finding Summary:** 2 x Low priority

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## Audit Plan Progress: Beginning 2020/21

22. We have made a start on the plan approved in September, making progress towards delivering the opinion by year end. The chart below shows expected progress:



23. The table below also summarises (up to beginning of December) current days on audit plan progress, with forecast position later in the year.

Plan Area	Plan Days	Actual to Dec-20	Forecast to May-21
Risk Based Audits	218	58	228
Governance	112	60	96
Consultancy	80	69	72
<b>Total</b>	<b>410</b>	<b>187</b>	<b>396</b>
Redeployment	0	71	105
<b>Total MKA Time</b>	<b>410</b>	<b>288</b>	<b>501</b>

24. We will keep these forecasts and plans under review, especially if there need to be any further redeployment demands on the audit team.

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## Agreed Actions Follow Up Results

25. 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 Corporate Leadership Team each quarter. This includes noting any matters of continuing concern and where we have revisited an assurance rating (typically after addressing key actions). In total, we summarise in the table below the current position on following up agreed actions:

Project	Total	High Priority	Medium Priority	Low Priority
Actions brought into 2020/21	34	3	11	20
New actions agreed in 2020/21	45	5	11	29
<b>Total Actions Agreed</b>	<b>79</b>	<b>8</b>	<b>22</b>	<b>49</b>
Fulfilled by 30 November 2020	54	3	15	36
<b>Actions cfwd past 30 November 2020</b>	<b>25</b>	<b>5</b>	<b>7</b>	<b>13</b>
Not Yet Due	14	2	3	9
Delayed but no extra risk	11	3	4	4
Delayed with risk exposure	0	0	0	0

## Audit Quality and Improvement

### Code of Ethics

26. This Code applies specifically to internal auditors, though individuals within the team must comply with similar Codes for their own professional bodies. 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").
27. 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.
28. We can report to Members we remain in conformance with the Code.

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## Public Sector Internal Audit Standards & External Quality Assessment

29. In July we reported to Members we had achieved a second successive **fully conforming** conclusion in an External Quality Assessment. The Assessment included a few recommendations for us to consider. The table below summarises our progress:

Recommendation	Current Position
Statement limiting distribution and use of audit reports	We've included a statement (wording agreed with CIPA) on our standard 20/21 reporting template. <b>Complete</b>
Conforms to IPPF Statement	Template amended as above. <b>Complete</b>
Enhance declaration of interest forms for audit staff	New form completed, rolled out to team in January 2021. <b>Complete</b>
Expand use of data analytics	Have identified possible approaches in 20/21 plan and opened discussions with tool suppliers. <b>In progress</b>
Provide greater comparative insight for clients	Have identified joint audits for 20/21 and will look to publish cross-partnership reports on select topics. <b>In progress</b>
Renew collaboration agreement	Have re-started discussions among partners and Director to clarify expectations of new agreement. <b>In progress</b>

## Assurance Ratings Consultation

30. During our Assessment we had reviewed our *Quality Assurance and Improvement Plan*. A core part of this is that we periodically revisit features of how we work to consider whether they remain effective or could bear improvement.
31. This consideration includes, currently, our assurance rating structure. We have had the current structure in place since 2014/15 and so, after seven years in service, we believe a review of possible alternatives is timely.
32. We have a survey available to complete [at this link](#) and welcome views on what people want to see from our reporting. We are working towards bringing forward a new proposal (or reaffirming the current approach) as part of our 2021/22 audit plan next spring.

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## Acknowledgements and Qualifications

33. 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.
34. 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.
35. In particular we continue to support our staff in gaining professional qualifications.
36. In August, one of our Senior Auditors, Andy Billingham passed the final exam required to become a Certified Internal Auditor (CIA). Additionally, our two apprentices continue to make good progress on their qualifications. Cath Byford has passed a further Birmingham City University (BCU) exam and Katie Bucklow has passed both a BCU exam and part 1 of the CIA program.
37. I'm also pleased to confirm last month, Maidstone's audit manager Jen Warrillow was successful at the final stage of the Chartered Internal Auditor qualification and is now eligible to apply as a Chartered Member of the Institute of Internal Audit. Through her hard work and perseverance Jen was able to finish the year with the qualification having begun it with promotion to a manager role.
38. Jen's success means that all four members of the Management Team hold Chartered qualifications that enable them to act as Chief Audit Executives under the Standards.
39. We would also like to thank Managers, Officers and Members for their continued support as we complete our audit work during the year.