

**MID KENT AUDIT**

# **Internal Audit & Assurance Progress Report**

**November 2023  
Maidstone 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.

## Audit Charter

3. This Committee approved our *Audit Charter* in September 2021, and it remains in place through this audit year. A revised Audit Charter will be presented to the Audit Committee next year.

## 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. We have worked with full independence as defined in our Audit Charter and Standard 1100. On no occasion have officers or Members sought or gained undue influence over our scope or findings.

## Management response to risk

6. 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*.
7. There are no risks we have identified in our work that we believe management have unreasonably accepted.

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## Resource Need

8. We reported in our plan presented to this Committee in March 2023 an assessment on the resources available to the audit partnership for completing work at the Council. That review decided:

*MKA has the skills and expertise to deliver the 2023/24 Audit Plan and it is confirmed that planned audit work will enable a Head of Audit opinion for 2023/24 to be delivered in Spring 2024.*

9. Since March 2023 we have experienced further change within the audit team:

- The Interim Deputy Head of Audit / Audit Manager left the council in June 2023.
- Two other members of the team, an Auditor and the Risk and Governance officer also left to pursue other opportunities.

10. The departures since March 2023 and those prior to March, gave rise to an opportunity to consider the structure and capacity of the Mid Kent Audit team. Following a restructure to ensure the service is fit to deliver the services required for each of the partners and to fulfil its statutory responsibilities, a number of appointments have been made.

11. Since August 2023 we have recruited two internal auditors and internally promoted three members of the team. We currently have three vacant posts, one of which is being covered through use of external contractors, who are also resourcing the staffing gap we had in place prior to the recent recruitment exercises.

12. Despite all this change we continue to make progress through the Audit Plan although overall delivery of the plan has been impacted.

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## Audit Plan Progress: Closing 2022/23

13. In July, there were several audit engagements, approaching completion that did not finish in time for Committee deadlines. The results of these audits will now feed into the Head of Audit Partnership annual assurance opinion for 2023/24.

Audit Review (2022/23)	Audit status	Assurance rating	Number of Actions by Priority Rating		
			High	Medium	Low
Property Income (Commercial)	Complete	Sound		3	
Facilities Management	Complete	Weak	4		
Private Water Supply	<i>Draft Report</i>	<i>Sound</i>			
Subsidiary Company Governance	<i>Draft Report</i>	<i>Weak</i>			
Capital Projects	<i>Draft report</i>	<i>Sound</i>			
Member Development	Review stage				

## Audit Plan Progress: 2023/24

14. The table below shows current and expected progress through the engagements described in the 2022/23 Audit Plan:

Audit Review	Current position
Contract Management	Work in progress
Grounds Maintenance	Work in progress
Public Health Funerals	Work in progress
Social Media	Work in progress
Safeguarding	
Safety Partnerships – Animal Welfare	Allocated
Conservation & Heritage	Work in progress
Planning Enforcement	
General Ledger	
Insurance	
Complaint Handling	Allocated
Economic Development – Capital Projects	
Repairs and Maintenance	
Garden Waste	
Elections Management	Audit under review
* HR Policy and Compliance	
* Learning & Development	Work in progress
* Land Charges	
* Cyber Security	Work in progress
* IT Disaster Recovery	Work in progress
* Compliance with Computer Use Policy	
* Council Tax Reduction Scheme	Work in progress
* Business Rates	Work in progress

\* shared service audits, work will include all authorities included in the shared service

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15. The Audits that have not been allocated yet will be allocated when resources become available within the team.

## Other work and overall progress

16. The Risk Management Framework has undergone a refresh to ensure it is relevant to the organisation. This needs to be approved by the relevant committee. Work on overseeing, updating, and reporting on risk has transferred during the year to the Emergency Planning and Resilience team. The Internal Audit team administer the Risk Management System and provide Risk Management support, including oversight and reporting, to the other organisations in the partnership.

17. The table below also summarises (up to 31<sup>st</sup> October) current days on audit plan progress.

Plan Area	Plan Days	Actual to 31-Oct-22
Risk Based Audits	270	110
Following up of agreed actions	22	6
Consultancy & Member Support	49	11
Risk Management	8	2
Planning	24	5
Counter Fraud & Governance Support	18	1
<b>Total</b>	<b>391</b>	<b>135</b>

18. The significantly lower number of audit days delivered to date is due to the number of vacant posts at the beginning of the year and the natural length of time to get a contractor appointed and delivering audit work. This will balance out towards the end of the year, but there will be an impact on overall plan delivery for 2023/24.

## Agreed Actions Follow Up Results

19. Our approach to agreed actions is to 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).
20. As detailed in the yearend report in July, work on following up of actions was paused at that time due to resourcing constraints. This work has now resumed and has highlighted some outstanding actions from previous years and some changes that have been required to the process for ensuring actions are completed. In total, we summarise in the table below the current position on following up agreed actions:

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	High	Medium	Low	Total
<b>Total actions 2022/23</b>				
Actions agreed	5	14	8	27
Actions cleared	1	1	1	3
Actions not due	4	10	6	20
<b>Outstanding actions 2022/23</b>	<b>0</b>	<b>3</b>	<b>1</b>	<b>4</b>
Outstanding actions 2021/22	1	7	2	10
Outstanding actions 2020/21	0	0	0	0
Outstanding actions 2019/20	0	1	0	1
<b>Total Outstanding actions</b>	<b>1</b>	<b>11</b>	<b>3</b>	<b>15</b>

21. These outstanding actions have been raised with the Corporate Leadership Team who are addressing the concerns we have raised regarding implementation of the outstanding work. An update will be provided to the committee in the yearend report, once the new process has embedded within the organisation.

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## Appendix I

### Property Income (September 2023)

Five property agents are employed to manage the Council's commercial property portfolio, which have all been appointed following a competitive process. Our work identified several issues with the performance of a former property agent which, while rectified following the appointment of a new managing agent (in April 2023), has resulted in poor invoicing and rent reviews not being undertaken. A performance monitoring process in place for all agents, which relies on key performance indicators, was not effective in preventing these issues and the audit recommends that these measures are appraised going forward.

Post April 2023, our testing found commercial properties were supported with a lease or tenancy agreement and rent reviews had been specified, however not all were being completed. We found tenants were paying the correct amount of rent as specified in the tenancy agreement or lease and all new rents supported by a local market report. For those tenants tested in rent arrears, debt is being managed with monthly payments being made, following agreements with the tenants, and in one case arrears written off. Overall, we found void properties were being managed appropriately.

We note an Asset Management Plan to provide a tactical response to managing the Council's commercial property portfolio is not in place. However, we were informed that this work is scheduled to be presented to Councillors for approval during autumn 2023 and we will track implementation as this finding has also been identified from other internal audit work.

We highlight an advisory matter regarding the desirability for senior posts within the Property team to be professionally qualified.

Owing to limited availability of staff in Property Services, we have been unable to obtain information relating to property income reconciliations, and so cannot provide assurance to this area.

### Facilities Management (August 2023)

Our audit focused on the arrangements in place between the Council and Fidum, as the facilities management provider for the Lockmeadow leisure complex and elements of Maidstone House.

We found that the Council's arrangements with Fidum, are operated without the safeguards of a signed contract at either site. As such, the obligations of the Council and Fidum are not formally set out and neither are the parameters for providing the service (such as performance and delivery standards) or payment terms.

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The position at Lockmeadow is somewhat clearer where we found a draft working agreement is in place and used as the basis to set out the relationship and responsibilities between the Council and Fidum. We were also able to gain assurance on some key aspects to the management of this site specifically relating to health and safety inspections and the management of tenants. However, this assurance was provided to us directly by Fidum, with no contract monitoring present and in operation by the service.

The arrangements at Maidstone House are less clear. The Council occupies part of this building as well as managing some tenants, while communal areas and other tenants are managed by Fidum. There is no document in place that sets down either the specific areas or responsibilities of the Council and Fidum with a risk that key tasks for managing the building will not be completed.

We make several high priority recommendations which centre upon: -

- Formalising existing arrangement
- Scoping facilities management services (at Maidstone House)
- Contract monitoring
- Market testing and procurement