

MID KENT AUDIT

Interim Internal Audit & Assurance Report

March 2021

**Tunbridge Wells 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.

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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 Tunbridge Wells 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

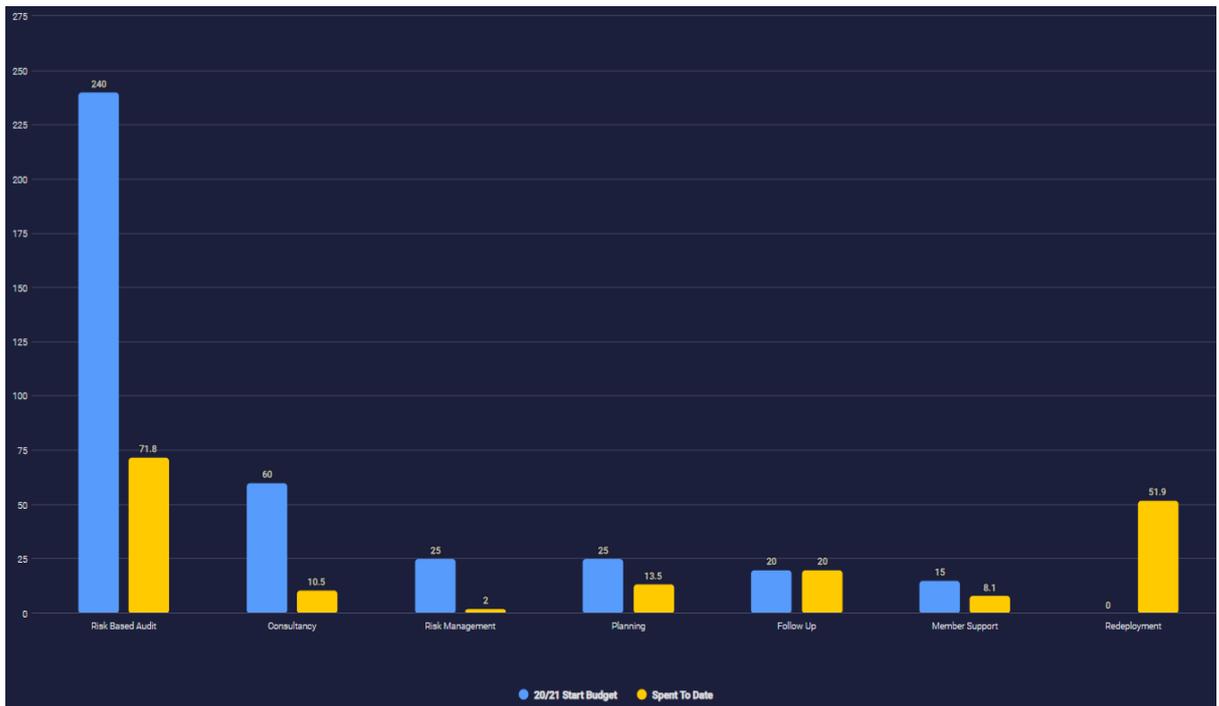
9. We reported in our plan presented to this Committee in March 2020 an assessment on the resources available to the audit partnership for completing work at the Council. That review decided:

...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 Tunbridge Wells and Shared Services for the audit period to date 2020/21 (September to end February 2021). We delayed starting the audit plan until October because of needing to conclude 2019/20 engagements across the partnership after suspending our work at the start of the pandemic. 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 Tunbridge Wells for projects examining the shared ICT service).



13. To enable us to both support business grant payments and progress our audit programme to conclusion, we are using contractors to complete 7 of the audits yet to be completed. We have good contacts and strong contractual relationships with our suppliers so I remain confident we can deliver the work efficiently and effectively.

14. On that basis, we 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.

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Audit Plan Progress: Beginning 2020/21

15. 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 for audits yet to be completed:



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

Plan Area	Plan Days	Actual to Feb-21	Forecast to May-21
Risk Based Audits	200	105	214
Governance	72	23	26
Consultancy	48	25	29
Total	320	153	269
Redeployment	0	52	60
Total MKA Time	320	153	329

17. 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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Audit Project Summary Results

Insurance Claim Management (January 2021) – Conclusion: **SOUND**

18. We established that the Council's insurance contract with Zurich was awarded as part of an OJEU compliant tendering exercise with the final decision being approved by Cabinet. The Council's insurance policies are renewed at the start of each financial year and are processed as part of the Zurich cover renewal process. Insurance premiums are recorded on a schedule and payments are appropriately authorised.
19. The Council has a 5-year cycle for valuations with a fifth of assets revalued each year and our testing showed that this process has been working as expected. We found 9 out of 10 claims tested were received and forwarded to the relevant department at Zurich with supporting documentation. The service has since implemented controls which mean this now happens with all claims.

Residents' Parking (January 2021) – Conclusion: **SOUND**

20. We found there are appropriate controls in place to ensure the effective administration of residents' parking permits via the new virtual system. Our testing highlighted a few minor issues, the most notable of which relates to officers processing 3 residents' car park permit applications without adding evidence or an explanation to the system. However, this is an example of how the service has adapted during the Covid-19 pandemic and procedures have now been put in place to instruct staff on how to record these cases.
21. The new virtual permit process is operating effectively and income from direct debits and online payments are accounted for accurately each month. All changes to residents parking orders take place transparently. We therefore believe the level of risk attached to the process remains low.

Recommendation Summary

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

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Agreed Actions Follow Up Results

22. 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 Management Board 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	28	5	6	17
New actions agreed in 2020/21	26	0	10	16
Total Actions Agreed	54	5	16	33
Fulfilled by 28 February 2021	45	3	11	31
Actions cfwd past 28 February 2021	9	2	5	2
Not Yet Due	4	0	2	2
Delayed but no extra risk	5	2	3	0
Delayed with risk exposure	0	0	0	0

23. Both the deferred high priority actions relate to the General Contract Management audit. The agreed actions to develop a set of contract management guidelines and to include guidance on risk in those guidelines have been delayed in their implementation due to shifting priorities as a result of the pandemic and the development of a shared procurement service with Maidstone Borough Council.

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Audit Quality and Improvement

Acknowledgements and Qualifications

24. 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.
25. 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.
26. In particular we continue to support our staff in gaining professional qualifications.
27. 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 and Katie Bucklow have both passed 2 further Birmingham City University exams and parts 2 and 1 respectively of the CIA program.
28. Tunbridge Wells'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.
29. 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.
30. 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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Appendix II: Assurance & Priority level definitions

Assurance Ratings

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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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.