

Audit Committee Meeting	
Meeting Date	9 December 2015
Report Title	Interim Internal Audit Report 2015/16
Cabinet Member	Cllr Duncan Dewar-Whalley
SMT Lead	Mark Radford
Head of Service	Rich Clarke
Lead Officer	Russell Heppleston
Key Decision	No
Classification	Open
Forward Plan	Reference number: N/A
Recommendations	1. The Committee notes and comments as appropriate on progress against the internal audit plan and findings to date.

1 Purpose of Report and Executive Summary

- 1.1 The report provides an update to the Committee on work conducted by Mid Kent Audit in pursuance of the audit plan agreed by this Committee in March 2015. It also provides commentary on the broader objectives of the service in helping to ensure good governance at the Council.

2 Background

- 2.1 Internal audit has a statutory basis as a service through the Accounts & Audit Regulations 2015. Its principal objective is to examine and evaluate the effectiveness of the Council's systems of internal control, risk management and corporate governance.
- 2.2 This report provides evidence to the Committee in discharging its constitutional responsibilities for overseeing and commenting upon governance at the Council.
- 2.3 The report provides an interim position at approximately the mid-year point. A full annual report, including the Head of Audit Opinion, will come to this Committee in June 2016.

4 Alternative Options

- 4.1 The report is presented for information and comment rather than decision.

5 Consultation Undertaken or Proposed

- 5.1 The individual outcomes in this report arise from the detail of audit work, each of which was agreed after discussion with officers at the time reports were finalised. The report also reflects previous Committee feedback about the style and content of our summary reports in seeking to provide a broad range of information on the progress of the service.

6 Implications

This report is provided for information rather than decision and consequently raises no new issues and implications. Any and all comments from Members will be considered for future reports and, where applicable, within individual audit projects through the rest of the year.

Issue	Implications
Corporate Plan	Not applicable, see comment above.
Financial, Resource and Property	
Legal and Statutory	
Crime and Disorder	
Sustainability	
Health and Wellbeing	
Risk Management and Health and Safety	
Equality and Diversity	

7 Appendices

The following documents are to be published with this report and form part of the report:

- Appendix I: Mid Kent Audit Interim Audit Report 2015/16.

8 Background Papers

This report follows on from the 2015/16 Audit Plan. That plan was agreed by the Audit Committee in March 2015 and is available among papers for that meeting.

The report also draws upon findings from individual audit reviews undertaken through the course of the year to date. This report presents that output in summary format, but full reports are available to Members on request.

MID KENT AUDIT

Interim Internal Audit Report

2015/16

Swale Borough Council



Introduction

1. Internal audit is an independent and objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes¹.
2. Statutory authority for Internal Audit is within the Accounts and Audit Regulations 2015, which require at Regulation 5 that:

"[the Council] must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".
3. The currently operating standards are the [Public Sector Internal Audit Standards](#) published by HM Government for effect from April 2013 across the UK public sector.
4. In addition to the public sector standards, an internal audit service must also abide by the sector's *Code of Ethics* and International Professional Practices Framework. These codes, a requirement of all internal audit services across public, private and voluntary sectors, are compiled by the Institute of Internal Auditors.
5. The Head of Audit Partnership must provide an annual opinion on the overall adequacy and effectiveness of the Council's framework of control, governance and risk. The opinion takes into consideration:
 - Internal Controls: Including financial and non-financial controls.
 - Corporate governance: Including effectiveness of measures to counter fraud and corruption, and
 - Risk Management: Principally, the effectiveness of the Council's risk management framework.
6. This report provides an update to the Committee across all three areas covered in the opinion and the performance of the Internal Audit service for the first half of the year. In addition, the report provides updates on work conducted by the team, and highlights the impact of our work through assessment of management's work in implementing agreed audit recommendations.

¹ This is the definition of internal audit included within the Public Sector Internal Audit Standards

Internal Control

7. The system of internal control is a process for assuring achievement of the Council's objectives in operational effectiveness and efficiency, reliable financial reporting and compliance with laws, regulations and policies. It incorporates both financial and non-financial systems.
8. We obtain audit evidence to support the Head of Audit opinion on internal control principally through completing the reviews set out within our agreed audit plan, approved by this Committee in March 2015.

Audit Plan Progress

Productive Audit Days

9. In 2015/16 we shifted the main metric of our audit plan away from a fixed number of audit projects and instead towards a total number of productive days per year. This has considerable advantages in giving us a flexible basis to help keep our plans up to date and appropriately responsive to the Council's developing risks and priorities.
10. Up to the end of quarter 2, our progress against the plan in terms of productive days was:

Type of work	Plan Days	Q1/2 Days	Q1/2 %	Forecast Q4	Forecast %
Assurance Projects	301	131	44%	313	104%
Other Work	109	50	46%	104	95%
Total	410	181	44%	417	102%

11. Progress to date is largely in line with anticipated days spend, but a number of projects are in development and early stages which will be finalised as the year continues. This includes a set of projects examining the Council's financial processes which we held back to create space in the June-September period for external audit to undertake their work on the Council's financial statements.

Audit Review Findings to Date

12. We have completed to final report stage so far a total of nine audit projects, four of which were completed early enough in the year to have featured in our annual report to this Committee in July 2015. Our output from those reports² is included in that annual report.
13. Concentrating therefore on the five further reports issued in the period from July, we include below an extract from each report. We are pleased to report that officers have accepted our findings and

² The reports covered Income & Cash Collection, Accounts Payable, Business Rates and Waste Collection Contract.

begun work towards the agreed recommendations. We will follow up implementation of recommendations as noted below.

14. In addition to reports that have reached finalisation, we include in appendix II a summary of work in progress with expected reporting timescales.

	Review Type	Title	Assurance Rating
1	Service Review	Cashless Pay & Display Implementation	SOUND
2	Service Review	Homelessness & Temporary Accommodation	SOUND
3	Corporate Governance	Freedom of Information	SOUND
4	Consultancy	Planning Support: Project Gateway Review	[not assurance rated]
5	Core Finance System	Procurement	SOUND

Cashless Pay & Display Implementation

15. We conclude based on our audit work that the service has **SOUND** controls in place to manage the risks associated with the cashless pay and display system.
16. The cashless pay and display system provided by Bemrose Mobile was successfully rolled out across Maidstone and Swale in October 2014. We tested the service by phone and app, and confirm effective operation in line with the contract. The system is fully integrated to the handheld devices used by parking attendants to enable effective enforcement.
17. We found two respects where operative practice is not in line with the contract: frequency and formality of contract monitoring meetings, and timely payment of income. The Service has highlighted both issues in a recent formal remediation notice issued to the Contractor but revised procedures are not yet agreed.

Homelessness & Temporary Accommodation

18. We conclude based on our audit work that the service has **SOUND** controls in place over the administration and management of temporary homeless accommodation.
19. The Council complies with its statutory duty to provide interim and temporary accommodation with appropriate arrangements to manage allocation. Controls exist to ensure periods of accommodation are checked and verified prior to payment.
20. Management of the Council-owned property intended to provide temporary accommodation for homeless applicants is appropriately assigned. Our review against the property's business plan identified that the Council uses the property to house one family when the projected savings were based on three occupant households. The Council has not allocated separate budgets for the income and expenditure associated with operating the property, so we cannot confirm whether the Council is achieving projected savings.

Freedom of Information

21. We conclude based on our audit work that there are **SOUND** controls in place for achieving compliance with Freedom of Information requirements.
22. We established the Council has in place procedures and guidance to achieve compliance with the Freedom of Information Act. There are appropriate controls to administer responses to information requests, in accordance with agreed procedures. We identified no instances where the Council provided inaccurate or incomplete information.
23. Through the course of our testing we highlighted some areas to improve, in particular to ensure consistent application of agreed procedures and processes. In particular, our recommendations seek to reinforce procedures over compliance with statutory deadlines, and over FOI training requirements.

Planning Support: Project Gateway Review

24. The [project] Board has proceeded largely on the basis that the option originally put to TWBC cabinet – of a TWBC withdrawal leaving a two-way partnership – would be the most likely outcome. As a result the Board has sought to fully appraise in greater detail this single and most likely option. While other options have been considered at the early stages of the project, they have not received a similar depth of analysis and, in the case of the option 3; have not been considered at all.
25. No options have been considered that involve TWBC remaining in the partnership as this fell outside of the mandated scope of the project. The Board therefore has largely been an exercise in constructing a business case rather than appraisal of different options as originally mandated.
26. Within those constraints, though, the Board has operated diligently in seeking to obtain the best evidence it can, including commissioning external advice where a need is identified. Each work stream has provided evidence to inform the Board in its decision to pursue the chosen option.
27. The inherent lack of clarity in operating ahead of a formal decision means that some evidence relies upon assumptions and extrapolations which are difficult to pin down with certainty and are subject to wide error bars. This is particularly notable on information regarding human resource and finance considerations and data forwarded by parallel project groups operating in MBC and SBC.
28. However, we are satisfied that the Board has efficiently documented its processes meaning that those assumptions are, in general, apparent, open to fair challenge and not unreasonable.

Procurement

29. We conclude based on our audit work that the service has **SOUND** controls in place to manage the risks associated with procurement.
30. The Contract Standing Orders (CSOs) underpin the Council's procurement activities. Detailed procedures and template documents are in place and help to guide and assist officers through the procurement process. Our testing identified only minor instances of non compliance which did not fundamentally thwart the CSOs objectives. The most notable of these suggest a need for the Council to ensure its contract templates align with its CSOs.
31. Although yet to conclude, we are satisfied that the Council's move to e-procurement is effective and reflects the CSO requirements. However, we encourage the Council to review the extent of access routinely given to system users to ensure adequate controls are maintained.

Follow-up of Internal Audit Recommendations

32. 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 finalise our reporting. We report progress on implementation to Directors each quarter, including noting where we have had reason to revisit an assurance rating (typically when a service has successfully implemented key recommendations) and raising any matters of ongoing concern.
33. Our most recent round of reports covered recommendations due for implementation on or before 30 September 2015. We are pleased to note those reports confirm there are no recommendations outstanding for action beyond their agreed implementation date. This includes a few instances where, after request from the service and having considered the residual risk of delay posed to the Council, we have revised implementation date.
34. In the table below project titles shown in **bold type** are those that originally received an assurance rating of **weak** or **poor** (or the 2013/14 nearest equivalent assurance level).

Project	Agreed Actions	Falling due by 30/9/15	Actions Completed	Outstanding Actions past due date	Actions Not Yet Due
Housing Benefit Payments	16	16	16	0	0
Safeguarding	10	6	6	0	4
ICT Service Desk	8	8	8	0	0
Housing Benefit System	7	7	7	0	0
Freedom of Information	6	2	2	0	4
Waste Management Contract	3	2	2	0	1
Procurement	3	0	0	0	3
Income Controls	3	2	2	0	1
Members' Allowances	3	2	2	0	1
Homelessness & Temp Acom.	2	0	0	0	2
Cashless Pay & Display	1	0	0	0	1
TOTAL	62	45	45	0	17
		73%	73%	0%	27%

35. We note considerable progress made by managers in addressing the issues identified by our reports. With all 45 due recommendations implemented as agreed, the Council is 73% of the way to full implementation – exactly on track for delivery.

36. Of the 11 audit projects followed up, 2 originally received an assurance rating of **weak** or **poor** (or the 2013/14 nearest equivalent assurance level). We have previously advised Members in our 2014/15 annual report that 1 of these (ICT Service Desk) had made sufficient progress up to July 2015 for us to revisit the assurance rating as **sound** (or the 2013/14 nearest equivalent).
37. We are pleased to note to Members that the Council has made sufficient progress in implementing recommendations arising from our review of Safeguarding that we have since also revised the assurance rating of that review to **sound**.

Next Steps

38. We will follow up actions due after 30 September, including those arising as we complete our 2015/16 audit plan, later in the year. We will provide a final position to Members as part of our Annual Review in June 2016.

Corporate Governance

39. Corporate governance is the system of rules, practices and processes by which the Council is directed and controlled.
40. We obtain audit evidence to support the Head of Audit Opinion through completion of relevant reviews in the audit plan, as well as specific roles on key project and management groups. We also consider matters brought to our attention by Members or staff through whistleblowing and the Council's counter fraud and corruption arrangements.
41. We attend the Council's Information Governance and Procurement Groups, as well as comment on all waivers requested against the Council's Contract Standing Orders.
42. In October 2015 CIPFA³ and SOLACE⁴ published a draft response to the consultation which had been open over the summer looking to replace the existing Good Governance Framework for Local Government which has been in place since 2006. This revised guidance, which the Council must follow in compiling its 2016/17 Annual Governance Statement, is based around seven key principles:
 - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
 - Ensuring openness and comprehensive stakeholder engagement
 - Defining outcomes in terms of sustainable economic, social and environmental benefits
 - Determining the interventions necessary to optimise the achievement of the intended outcomes
 - Developing the entity's capacity, including the capability of its leadership and the individuals within it
 - Managing risks and performance through robust internal control and strong public financial management
 - Implementing good practices in transparency, reporting and audit to deliver effective accountability.

³ The Chartered Institute of Public Finance & Accountancy; the body charged by Government with setting much of the rules around local government accounting and good governance.

⁴ The Society of Local Authority Chief Executives; co-commissioned with CIPFA to create and monitor the Good Governance Framework for Local Government.

43. In the New Year we will undertake a review considering the Council's readiness for reporting against these Governance principles.

Counter Fraud & Corruption

44. We consider fraud and corruption risks in all of our regular audit projects as well as undertaking distinct activities to assess and support the Council's arrangements.

Investigations

45. During the first half of 2015/16 there have been no matters raised with us that required investigation.

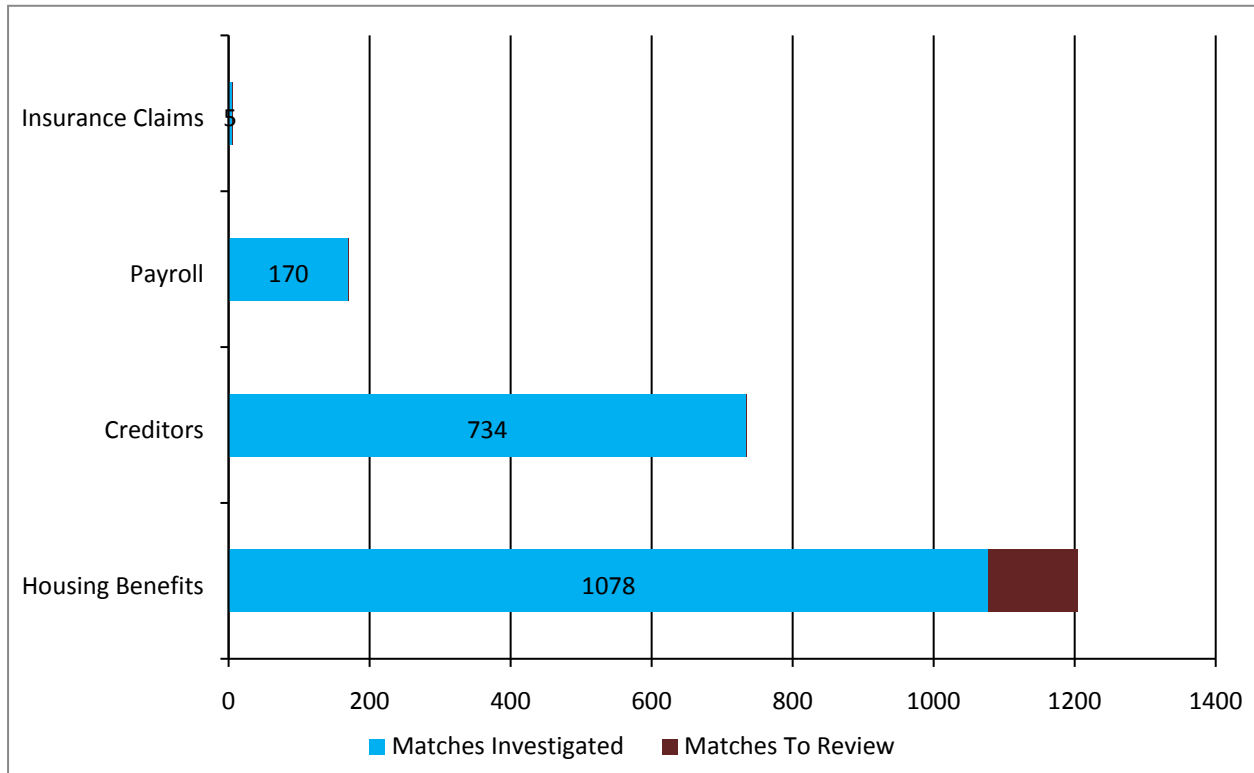
Whistle-blowing

46. The Council's whistleblowing policy nominates internal audit as one route through which Members and officers can safely raise concerns on inappropriate or even criminal behaviour. During 2015/16 so far we have received no such declarations.

National Fraud Initiative

47. We have continued as co-ordinator of the Council's response to the National Fraud Initiative (NFI). NFI is a statutory data matching exercise, and we are required by law to submit various forms of data. Since March 2015, the NFI exercise has been administered by the Cabinet Office.
48. The current NFI exercise has been releasing data in tranches since January 2015 and includes the following services:
- Housing Benefits (1,205 total matches)
 - Creditors (734 total matches)
 - Payroll (170 total matches)
 - Insurance Claimants (5 total matches)
49. Two further categories (Residents' Parking and Licensing) returned no matches for the Council.
50. The graph below plots progress to date. Note that at present the matches examined have identified 49 cases of fraud or error valued at £30,143. Cabinet Office guidance is that all matches should be investigated within the two year cycle of NFI data (so, by January 2017).

NFI Matches Investigation Progress



51. In keeping with the enhanced skill base of the audit team, and to ensure greater independence and efficiency in matches, Mid Kent Audit will be taking on direct examination of non-benefits matches (rather than just co-ordination) with the commencement of the next round of NFI.

Mid Kent Audit Counter Fraud Training

52. Our 2014 Fraud Risk Review indicated that, outside of the dedicated Benefits Fraud Team, the Council was limited in its Counter Fraud expertise. We have acted to address that need by increasing the skills and training within the audit service, including becoming one of the first audit teams in the country to contain team members possessing CIPFA accredited qualifications at Technician and (exam results permitting) Specialist level.
53. In 2016 we will be working with the Council and the revised Revenues Fraud Team to enhance the Council's approach to counter fraud.

Attempted Frauds

54. During this year we have also been made aware of an attempted fraud at another council involving the use of a 'spoofed' email account purporting to be that of a Council employee and requesting a bank transfer. Our investigation could not identify the culprit – 'spoof' emails are created easily enough and very difficult to trace – but we did examine the Council's controls and investigated to determine whether any similar attempts had been successful and undetected.
55. We did not identify any further such attempts which, coupled with successful operation of financial and IT controls, led us to identify this as a low fraud risk. Consequently, we have provided advice to finance teams on remaining vigilant and have reported the matter to the police but plan no continuing action unless there are further developments.

Risk Management

56. Risk management is the process of identifying, quantifying and managing the risks that the Council faces in attempting to achieve its objectives.
57. We obtain audit evidence to support the Head of Audit Opinion through completion of our audit plan plus continuing monitoring of and contribution to the Council's risk management processes.
58. In October 2015 the Council's Senior Management Team agreed to adopt a new approach to risk management at the Council. The approach, which was also considered and agreed by members of the Council's Cabinet, was the culmination of six months enquiry and research investigating the Council's risk appetite and objectives from risk management.
59. In the new year we will be assisting the Council in establishing a *comprehensive risk register*. This will draw together three principal sources of risk:
60. Although the Council has embedded a comprehensive service planning approach, previous consideration of risk did not consistently draw together and consider risks originating from within services. While more traditional approaches tended to see such matters as purely operational, there are plenty of examples where operational issues, if not managed effectively, cause significant disruption to organisations as a whole.
61. Through the early part of 2016 we will be working with the Council's policy team to communicate the new approach to service managers and the build up to the 2016/17 service plan programme.
62. A separate key source of risk is the Council's corporate projects. As required by the Council's project management framework, each project will have compiled and maintained its own risk register and work is currently underway to draw these together.
63. Sitting across the service risks are those issues that could impede the Council's ability to achieve its corporate objectives. To help identify these risks we in audit will be leading a workshop in early 2016 with the Council's Senior Management Team. The outcomes will be reported through risk management reporting.

Mid Kent Audit Service Update

64. After a period of disruption encompassing the departure of a long serving manager and (temporarily) losing team members to maternity leave, Mid Kent Audit is now fully resourced going into 2016.
65. This period has also encompassed a restructure, intended to provide greater capacity at all levels of the service but in particular at a management level to increase our ability to respond rapidly to authorities changing risks and priorities and deliver focussed, strategic reviews. This Committee has already started to make use of that capacity by commissioning a specific piece of work examining whistleblowing arrangements.
66. We include at appendix III the revised team structure, but key points of development:
 - **Deputy Head of Audit Partnership:** This role brings advantages in providing an additional senior point of contact to help cover our four authorities and also opens up the possibility of internal independence safeguards that will also us to play a more prominent role in service development where invited to do so (on risk management, for example). We're pleased to confirm that *Russell Heppleston*, well known to this Committee, was promoted into this role in July 2015.
 - **Audit Managers:** We have reshaped the audit manager role to move it away from principally quality assurance towards more engagement in direct service delivery. This will include completing additional consultancy work both responding to emerging risks at individual authorities but also taking a broader comparative look across the partnership. Again, we're very pleased that these roles have enabled us to identify and grow expertise within the team; the new managers are *Frankie Smith* (Swale and Tunbridge Wells) and *Alison Blake* (Maidstone and Ashford) both of whom were previously Senior Auditors.
 - **Audit Team Administrator:** Since we began collecting detailed timesheet information in July 2014 we have identified a range of administrative tasks undertaken by our auditors that could be undertaken by a team administrator to free up their time to progress audit projects. Following the restructure we have been able to recruit into this role, and have been joined by *Louise Taylor* who is based at Maidstone.
67. We also continue to pursue development within the audit team to ensure we continue to offer a broad and deep range of skills and experience to our partner authorities. Since our last update we have had team members achieve a Professional Diploma in Internal Audit from the Institute of Internal Auditors (IIA), professional qualifications from the Institute of Risk Management and professional counter-fraud qualifications from CIPFA at both Specialist and Technician level.

68. On these final qualifications, Mid Kent Audit has become one of the first audit services in local government to feature among its team both Specialist and Technician qualified members, which will provide significant assistance as we look to help authorities develop their counter fraud approach.
69. Also Frankie Smith, one of our new Audit Managers, completed her qualification with the IIA and is now a Chartered Internal Auditor. This brings to four the number of people within the team who hold CCAB⁵ equivalent qualifications.

Quality and Improvement

70. Members will recall earlier in 2015 when Mid Kent Audit was assessed by the IIA as fully conforming with Public Sector Internal Audit Standards. However, these Standards are not a fixed point; in fact one of the core requirements is for audit services to seek continuous improvement.
71. In a formal sense this is driven by guidance recommended by the Internal Audit Standards Advisory Board (IASAB) – a body including Mid Kent Audit’s Head of Audit (Rich Clarke) as the England Local Government representative. Through that route we are aware that, from April 2016, local authority audit services must also comply with the IIA’s International Professional Practice Framework. This Framework sets common standards across audit globally in public, private and voluntary sectors.
72. Although the Framework will not be mandatory until next year, we have undertaken an evaluation of our service and are confident we are already operating in conformance. We set out below the ten key principles of the Framework alongside a note on their local implementation:

Principle	Commentary
Demonstrates integrity	The IIA Code of Ethics is embedded in our Audit Charter and our Audit Manual.
Demonstrates competence and due professional care	Our Audit Manual and methodology are compliant with Standards and monitored by a managerial review process for all audit projects.
Is objective and free from undue influence	Our independence is safeguarded by our Audit Charter and reaffirmed and reconsidered in planning each individual piece of audit work we undertake.

⁵ CCAB is the umbrella term for Chartered qualifications recognised by the Consultative Committee of Accountancy Bodies (CCAB) encompassing the major accounting and audit bodies in the UK. Such qualifications are the minimum requirement before an individual can hold a Head of Audit role according to the Public Sector Internal Audit Standards.

Principle	Commentary
Aligns with the strategies, objectives and risks of the organisation	Our audit planning is informed by the Council's strategic objectives and we consider individual service objectives and risks in each project.
Is appropriately positioned and adequately resourced	Our Audit Charter sets out our position in the authority and guarantees a right of access to Members. Members comment on our resourcing each year in approving our audit plans.
Demonstrates quality and continuous improvement	We operate a quality and improvement plan informed by current and upcoming developments in professional standards (such as the IPPF).
Communicates effectively	We have recently reviewed our reporting approach and structure and have received strong feedback on its clarity and relevance to Officers and Members.
Provides risk-based assurance	Our assurance ratings and recommendation priority levels are informed by the Council's key risks and focus on the continuing risks to the authority posed by the issues we identify in our work.
Is insightful, proactive and future focussed	We have recently expanded managerial capacity to further enhance our ability to offer proactive work, especially on emerging risks across the partnership.
Promotes organisational improvement	We have restructured our management team, in part, to allow us to undertake a greater role in directly supporting organisational improvement where invited to do so.

73. All of the Mid Kent Audit Management Team are grateful for the continuing efforts of the audit team who have worked extremely hard to first meet, then exceed the standards of our profession. These achievements and improvements in service standards would not have been possible without their continued commitment, determination and highest levels of professionalism.

Performance

74. Aside from the progress against our audit plan we also report against a number of specific performance measures designed to monitor the quality of service we deliver to partner authorities. The Audit Board (with Mark Radford as Swale's representative) considers these measures at each of its quarterly meetings, and they are also consolidated into reports submitted to the MKIP Board (which includes the Council's Chief Executive and Leader).

75. Below is an extract of the most recent such performance report. After a year of data collection to set a baseline, we are operating in 2015/16 to agreed performance targets. Although the targets are year-end measures, we are pleased to report we are already, in most areas, performing at or near the stretch target level and will be looking to agree further improvement targets for 2016/17 early in the new year.
76. We have withheld only one measure from publication – cost per audit day – as it is potentially commercially sensitive in the event of the Partnership seeking to sell its services to the market. We would be happy, however, to discuss with Members separately on request.
77. 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.

Measure	2014/15 Outturn	2015/16 Target	Q2 2015/16
% projects completed within budgeted number of days	47%	60%	57%
% of chargeable days	75%	68%	66%
Full PSIAS conformance	56/56	56/56	56/56
Audit projects completed within agreed deadlines	41%	60%	57%
% draft reports within ten days of fieldwork concluding	56%	70%	65%
Satisfaction with assurance	100%	100%	100%
Final reports presented within 5 days of closing meeting	89%	90%	96%
Respondents satisfied with auditor conduct	100%	100%	100%
Recommendations implemented as agreed	95%	95%	96%
Exam success	100%	75%	100%
Respondents satisfied with auditor skill	100%	100%	100%

Acknowledgements:

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

Appendix I: Assurance & Priority level definitions

Assurance Ratings 2015/16

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

Recommendation Ratings 2015/16

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.

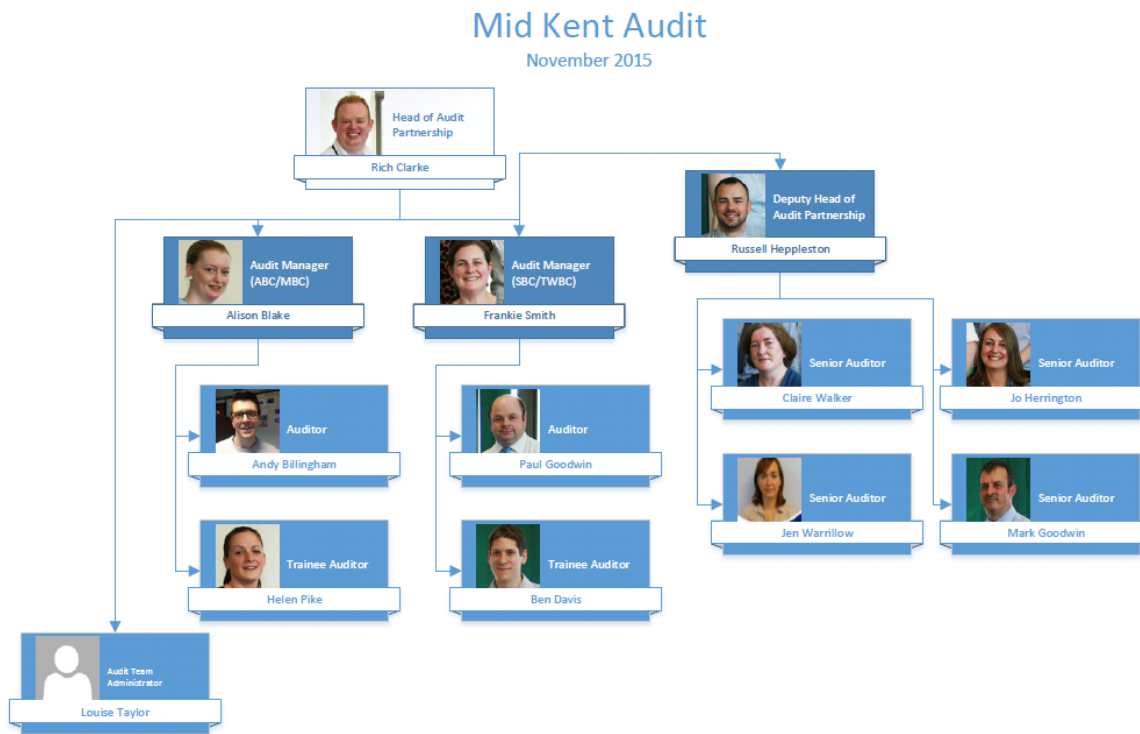
Appendix II: Audit Plan Progress 2015/16, Projects Only (for interim report)

Project Title	Project Type	Planning	Underway	Complete	Rating
Cashless Pay & Display Implementation	SR			X	SOUND
Homelessness & Temporary Accom.	SR			X	SOUND
Freedom of Information	CGR			X	SOUND
PS: Project Gateway Review (MKS)*	Adv			X	N/A
Procurement	CFS			X	SOUND
Corporate Projects Review	CGR		X		
Cemeteries	SR		X		
Housing – Front of House	SR		X		
Feeder Systems	CFS		X		
Register of Interests	CGR	X			
Customer Services	SR	X			
Learning & Development	SR	X			
Budget Management	CFS	X			
Performance Management	CGR				
Payroll (MKS)	CFS				
Discretionary Payments	SR				
ICT Networks (MKS)	SR				
Parking Enforcement	SR				
Data Protection	CGR				
Payments & Receipts	CFS				
Waste Collection Income	SR				
Corporate Governance	CGR				
Communications	SR				
Commercial Property	SR				
Grounds Maintenance	SR				

Project Types:
 CFS = Core Finance System
 CGR = Corporate Governance Review
 SR = Service Review
 Adv = Consultancy/Advisory Work

Project Title Key:
 (MKS) = Shared Service Project involving Tunbridge Wells BC
 * = addition to the plan as originally approved in March 2015

Appendix III: Mid Kent Audit Team Structure November 2015



To provide cover for two members of the team currently away on maternity leave we have engaged two contract auditors to deliver specific projects across the partnership.