

Agenda Item No: 6
Report To: AUDIT COMMITTEE
Date: 1 DECEMBER 2015
Report Title: INTERIM INTERNAL AUDIT REPORT 2015/16
Report Author: Rich Clarke



Summary: The report sets out progress against the agreed audit plan for the first half of 2015/16, including detail on audit findings and commentary on wider issues on audit and the service.

Key Decision: No

Affected Wards: All

Recommendations: **1. The Audit Committee notes and comments as appropriate on the interim report.**

Policy Overview: Not Applicable

Financial Implications: Not Applicable

Risk Assessment No

Equalities Impact Assessment No

Other Implications: Not Applicable

Exemptions :

Background Papers: Interim Internal Audit Report 2015/16

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Report Title: Interim Internal Audit Report 2015/16

Purpose of the Report

1. As in previous years, we provide Members with an 'interim' report halfway through the year summarising our findings to date against the audit plan agreed in March. This report therefore is to update Members as to our findings and allow for discussion and comment both on those findings, and the associated updates on audit, corporate governance and risk management and the audit service developments.

Background

2. At the March 2015 meeting of this Committee Members gave outline approval for our four year strategic plan and specific approval to our 2015/16 audit plan. That plan presented our work in a new way, moving on from a simple list of block projects to provide more information to Members about the risk assessment and process underpinning our selection of areas to subject to audit focus, as well as the full scope of our work beyond reported projects. This allowed for Member comment and consideration (and, now, reporting against) our work in, for example, supporting development of risk management.
3. The report therefore takes Members through our work assessing the Council's internal control, corporate governance and risk management and includes sections describing our work following up recommendations and considering the Council's counter fraud arrangements. The report also includes commentary on the progress of the audit service more generally.

Risk Assessment

4. Not applicable.

Equalities Impact Assessment

5. There are no proposals made in the report that require an equalities impact assessment.

Other Options Considered

6. No other options for reporting were considered, as providing an interim report has been previous practice expected by the Committee.

Consultation

7. The audit findings reported in the document were discussed and agreed with relevant officers (audit sponsors) prior to finalisation.

Implications Assessment

8. Not Applicable

Handling

9. Not Applicable

Conclusion

10. The report presents for Member comment and enquiry the results and progress of the audit service against agreed plans at an interim point in the year. Our full report and findings will come to Members as part of our Annual Report that we plan to complete by June 2016 to inform the Council's Annual Governance Statement.

Portfolio Holder's Views

11. The relevant Portfolio Holder, Cllr Neil Shorter, is a member of the Audit Committee.

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MID KENT AUDIT

**Interim
Internal Audit
Report
2015/16**

**Ashford 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 Y/E	Forecast %
Assurance Projects	285	71	25%	286	100%
Other Work	85	30	35%	78	91%
Total	370	101	27%	364	98%

11. Progress to date reflects that the plan is relatively back loaded (in order to create space in the June-September period for external audit to undertake their work on the Council’s financial statements). Also, as noted in the service update later in this report, we have during the early part of the year been carrying vacancies including maternity leave that are now covered by the team coming up to full establishment in November 2015. Consequently we have capacity in place to deliver the expanded workload later in 2015/16 hence the current forecast (which represents budgeted days available to complete work not yet complete). On current forecasts we will have a small amount of the original contingency budget left over for 2016/17.

Audit Review Findings to Date

12. We have completed to final report stage so far a total of six audit projects, three 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 reports – on GIS (Mapping), Council Tax and Project Office (Contract Management) – is included in that annual report.

13. Concentrating therefore on the three 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 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. Note that, in line with the request of this Committee in July 2015, as a 'weak' assurance report, *Safeguarding* is also considered separately at this meeting.

	Review Type	Title	Assurance Rating
1	Service Review	Housing Maintenance	STRONG
2	Core Finance Review	Housing Rents	SOUND
3	Corporate Governance	Safeguarding	WEAK

Housing Maintenance

15. We conclude based on our audit work that the service has **Strong** controls to manage its responsive repairs service and mitigate risk.
16. Our work found that the procedures for order raising and payment of works are well established and properly observed by staff. The service appropriately defines and applies both pre and post inspection arrangements. Our work covering aspects of contract monitoring confirmed compliance with contractual provisions. We also note the low number of defaults issued under the contracts in place (approximately 1/1000 orders) and the high levels of customer satisfaction (97% satisfaction for 2013/14)

Housing Rents

17. We conclude based on our audit work that the service has **Sound** controls for the collection and accounting of housing rents.
18. The Council has in place appropriately designed procedures and controls to accurately receive and account for income from housing rents. This includes suitable reconciliation processes which are effective in ensuring the financial integrity of the housing rents system. We found that the different strands of property type managed by the service are accurately classified within the Housing Management system.
19. Our work reflects positive results from a wide range of testing against the processes and procedures in place.

Safeguarding²

20. We conclude based on our audit work that the Safeguarding function has **Weak** controls to control its risks and support its objectives.
21. The audit focussed on the Council's management of the risks associated with operation of the Safeguarding function. We examined similar areas to the statutory assessment tool's 8 standards and aimed to assess the effectiveness of the arrangements for safeguarding children. Our findings are consistent with a 2014 peer assessment undertaken by the Kent Children's Safeguarding Board against the Council's statutory responsibilities under Section 11 of the Children Act 2004. Most (6 of 8) areas in that assessment were graded as "partially met" at best because of out of date policies and procedures and limited training rollout. We also note that the peer assessment differed considerably from the Council's own assessment recording all standards as 'met'.
22. The Council established a working group in response to the peer review, aimed at implementing improvements ahead of a 2016 further review. While the Council has made some progress, overall advances are limited especially considering revised processes will need to be demonstrably embedded by the time of re-assessment.
23. We also examined governance arrangements, training, recruitment aspects, and referrals. We found that the current Council policy and procedures are untested since Housing staff are routinely using external protocols rather than Council procedures. This means that, although statutory requirements are met, the Council is not itself tracking or gathering information on referrals efficiently or comprehensively.

² Note that our work on Safeguarding is reported as a separate agenda item for this meeting, containing the report in full. The full report does not yet contain a completed management action plan and is therefore not 'final' in the normal sense of our reports, but Management have accepted its content and findings.

Follow-up of Internal Audit Recommendations

24. 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.
25. 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.
26. 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). Note also that this table excludes the handful of projects completed in 2014/15 which carried no assurance rated recommendations for improvement.

Project	Agreed Actions	Falling due by 30/9/15	Actions Completed	Outstanding Actions past due date	Actions Not Yet Due
VAT	16	16	16	0	0
Health & Safety	11	11	11	0	0
Business Continuity	9	9	9	0	0
Safeguarding	6	0	0	0	6
Banking Arrangements	5	2	2	0	3
Cemeteries	5	2	2	0	3
Project Office	5	5	5	0	0
Car Leasing	4	3	3	0	1
Planning Enforcement	4	3	3	0	1
Creditors	3	2	2	0	1
ICT Disaster Recovery	2	2	1	1	0
Declarations of Interest	2	2	2	0	0
Housing Rents	1	0	0	0	1
TOTAL	73	57	56	1	16
		78%	77%	1%	22%

27. We note considerable progress made by managers in addressing the issues identified by our reports. With almost all 57 due recommendations implemented as agreed, the Council is 85% of the way to full implementation –on track for overall delivery. However, there is one significant recommendation yet to be addressed on IT disaster recovery (see comment below).

28. Of the 12 audit projects follow up so far in 2015/16, five 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 2 of these (VAT and Business Continuity) had made sufficient progress up to July 2015 for us to revisit the assurance rating as **sound** (or the 2013/14 nearest equivalent). Of the projects yet to be similarly reassessed:

Banking Arrangements

29. The three highest priority recommendations arising from the review all related to the Council retendering its banking services, such as formalising its arrangements through contract and improving debit and credit card handling. Consequently we will revisit these recommendations and revisit the assurance rating once that tender process is complete.

IT Disaster Recovery

30. The key recommendation of this report was that the Council should undertake a test of its disaster recovery arrangements, having not performed a test for some considerable time.
31. That test was originally scheduled to have occurred before 30 June 2015 but progress was hampered by technical issues which the IT Operations Manager was working to resolve. We note that the issue is being progressed – with a test scheduled before 31 December – but are concerned that continued delay in implementing this recommendation is exposing the Council to excessive risk in continuing to have untested IT disaster recovery arrangements.

Safeguarding

32. This report was only recently issued, and is discussed in more detail earlier in this report.

Next Steps

33. 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

34. Corporate governance is the system of rules, practices and processes by which the Council is directed and controlled.
35. 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.
36. 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.
37. In the new year we will undertake a review considering the Council's readiness for reporting against these Governance principles.

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.

Counter Fraud & Corruption

38. 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

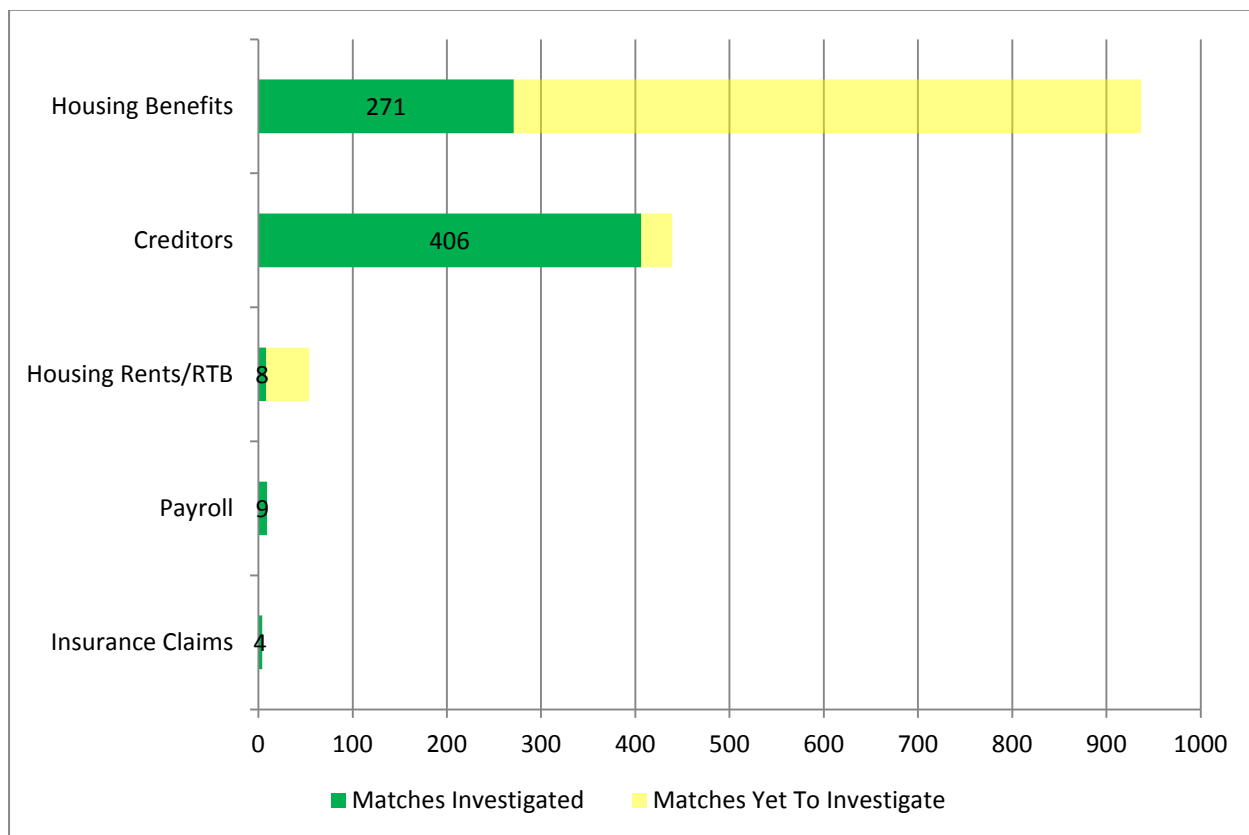
39. During the first half of 2015/16 there have been no matters raised with us that required investigation.

Whistle-blowing

40. 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

41. We have continued so far in 2015/16 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.
42. The current NFI exercise has been releasing data in tranches since January 2015 and includes the following services:
- Housing Benefits (937 total matches)
 - Housing Rents/Right To Buy (54 total matches)
 - Creditors (439 total matches)
 - Payroll (9 total matches)
 - Insurance Claimants (4 total matches)
43. Two further categories (Residents' Parking and Licensing) returned no matches for the Council.
44. The graph below plots progress to date. Note that at present the matches examined have identified 5 cases of fraud or error valued at £5,901 in total. Cabinet Office guidance is that all matches should be investigated within the two year cycle of NFI data (so, by January 2017).



45. As the Council continues to establish its in-house Counter Fraud team, it has decided from January 2016 that team will take the lead with audit reverting to our core role in assessing the effectiveness of the Council’s response. Therefore future reports to this Committee on progress on and findings from investigating NFI matches will come as part of the Counter Fraud Team’s annual update.

Attempted Frauds

46. 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 – ‘spoo’ 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.

47. We did not identify any further such attempts which, coupled with successful operation of financial 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

48. Risk management is the process of identifying, quantifying and managing the risks that the Council faces in attempting to achieve its objectives.
49. 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.
50. In September 2015 this Committee agreed to adopt a new approach to risk management at the Council. This paper, including significant contribution from Mid Kent Audit, was the culmination of six months enquiry and research with both member and officer workshops investigating the Council's risk appetite and objectives from risk management.
51. The approach is currently underway working towards establishing a *comprehensive risk register* that has three major threads:

Service risks

52. A significant weakness of the Council's previous approach was a lack of consistency in evaluating, recording and reporting risks originating from within services. While more traditional approaches tended to see such matters as purely operational, there are plenty of examples of such issues, if not effectively managed, causing significant disruption to organisations as a whole.
53. To remedy this we have been undertaking risk management workshops with managers across the Council to provide training on the framework and collect information that will inform the risk register.

Project risks

54. 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 drawing these risks within the overall register.

Corporate risks

55. 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 the Council's Management Team have been considering key risks against the new corporate plan. The outcome will be reported through risk management reporting.

Next steps

56. Once the various threads are drawn together the Council will be in a position to compile and publish the *Comprehensive Risk Register*. From this officers will extract a *summary risk register* highlighting the most prominent risks and current measures to address them, along with a report discussing key themes and messages from the broader risk register. This will be reported to this Committee in Spring 2016.
57. In the longer term, risk management will be incorporated into both the Council's service planning regime and used to shape and scope our audit plans and how we plan and support individual audit projects.

Mid Kent Audit Service Update

58. 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.
59. 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.
60. 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* 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 Administrator⁵:** 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.
61. 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

⁵ This role is currently operating on a trial basis.

of Risk Management and professional counter-fraud qualifications from CIPFA at both Specialist and Technician level. 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.

62. 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 CCAB⁶ equivalent qualifications.

Quality and Improvement

63. 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.
64. 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.
65. 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.

⁶ 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.

66. 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

67. 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 Paul Naylor as Ashford's representative) considers these measures at each of its quarterly meetings.

68. 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.

69. 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.
70. 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:

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
<p>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.</p>	<p>Service/system is performing well</p>
<p>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.</p>	<p>Service/system is operating effectively</p>
<p>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.</p>	<p>Service/system requires support to consistently operate effectively</p>
<p>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.</p>	<p>Service/system is not operating effectively</p>

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.

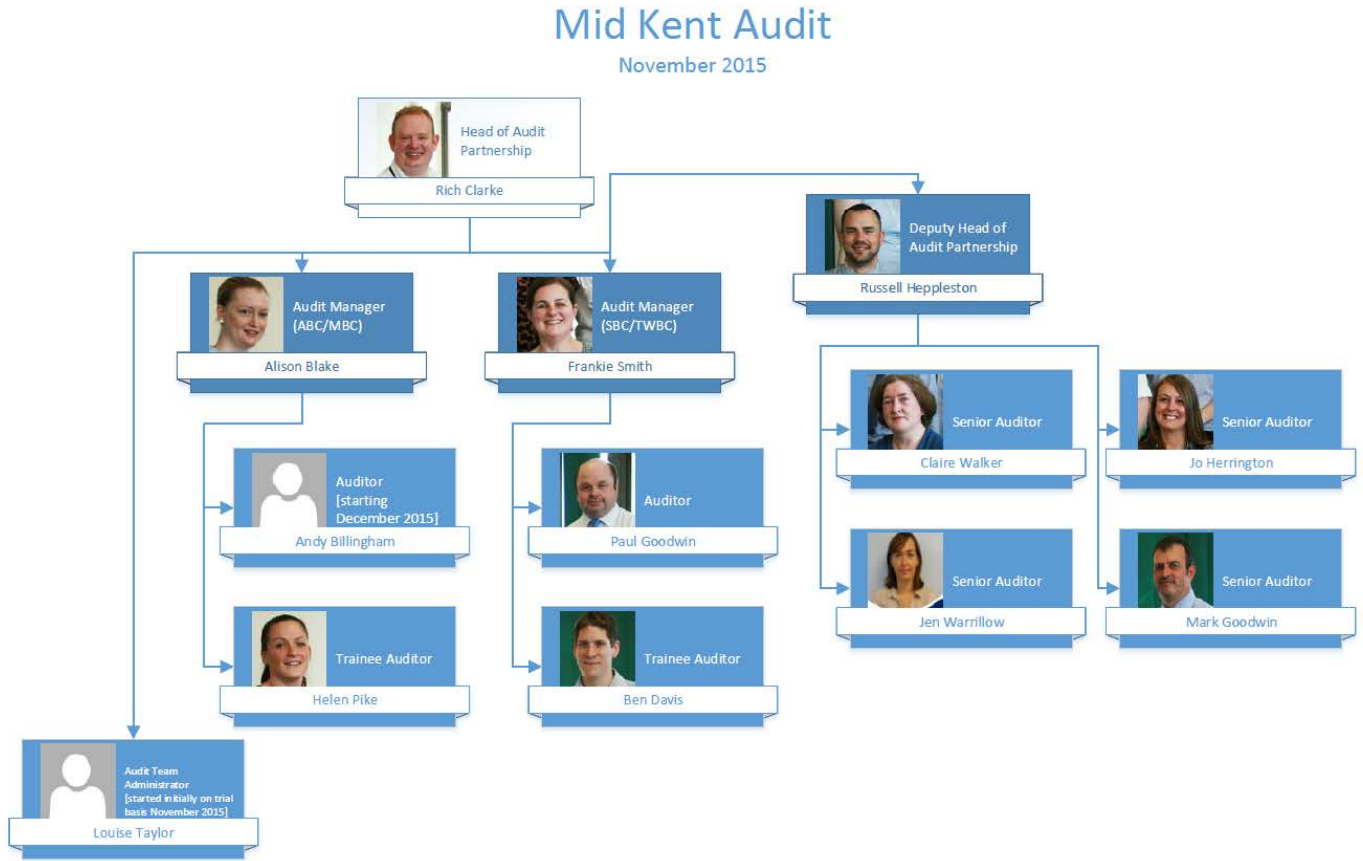
Appendix II: Audit Plan Progress 2015/16, Projects Only (for interim report)

Project Title	Project Type	Planning	Underway	Complete	Rating
Housing Maintenance	SR			X	STRONG
Housing Rent	CFS			X	SOUND
Safeguarding ⁷	CGR			X	WEAK
Homelessness	SR		X		
Data Protection	CGR		X		
ICT Technical Support	SR		X		
Parking	SR		X		
General Ledger Feeder Systems	CFR	X			
Corporate Projects Review	CGR	X			
Tourism	SR	X			
Procurement	CFS	X			
Payroll	CFS	X			
Sports Development	SR	X			
Street Cleansing	SR				
Training & Development	SR				
Democratic Services	SR				
Conservation	SR				
Payments & Receipts	CFS				
General Ledger Journals	CFS				
Property Management	SR				
Elections/Registration	SR				
Business Rates	CFS				
Corporate Governance Framework	CGR				
Building Control	SR				
Freedom of Information	CGR				

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

⁷ See comments earlier in this report on the status of our *Safeguarding* work.

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.