

AGENDA

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE MEETING



Date: Monday 21 March 2016

Time: 6.30 pm

Venue: Town Hall, High Street,
Maidstone

Membership:

Councillors Butcher (Parish Representative),
Butler, Clark, Daley, Garland,
Mrs Gooch, McLoughlin (Chairman),
Perry, Mrs Riden (Parish
Representative), Ross and Vizzard

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1. Apologies for Absence
2. Notification of Substitute Members
3. Notification of Visiting Members
4. Disclosures by Members and Officers

Continued Over/:

Issued on Friday 11 March 2016

The reports included in Part I of this agenda can be made available in **alternative formats**. For further information about this service, or to arrange for special facilities to be provided at the meeting, **please contact Debbie Snook on 01622 602030**. To find out more about the work of the Committee, please visit www.maidstone.gov.uk

**Alison Broom, Chief Executive, Maidstone Borough Council,
Maidstone House, King Street, Maidstone Kent ME15 6JQ**

5.	Disclosures of Lobbying	
6.	To consider whether any items should be taken in private because of the possible disclosure of exempt information	
7.	Minutes of the meeting held on 18 January 2016	1 - 6
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MAIDSTONE BOROUGH COUNCIL

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

MINUTES OF THE MEETING HELD ON 18 JANUARY 2016

Present: Councillor McLoughlin (Chairman) and Councillors Butler, Cuming, Daley, Mrs Gooch, Perry, Mrs Riden (Parish Representative), Ross and Mrs Wilson

Also Present: Councillors Ash and Sargeant
Matt Dean and Darren Wells of Grant Thornton (External Auditor)

48. APOLOGIES FOR ABSENCE

It was noted that apologies for absence had been received from Councillors Butcher (Parish Representative), Garland and Vizzard.

49. NOTIFICATION OF SUBSTITUTE MEMBERS

The following Substitute Members were noted:

Councillor Cuming for Councillor Garland
Councillor Mrs Wilson for Councillor Vizzard

50. NOTIFICATION OF VISITING MEMBERS

Councillors Ash and Sargeant attended the meeting as observers.

51. DISCLOSURES BY MEMBERS AND OFFICERS

There were no disclosures by Members or Officers.

52. DISCLOSURES OF LOBBYING

There were no disclosures of lobbying.

53. EXEMPT ITEMS

RESOLVED: That the items on the agenda be taken in public as proposed.

54. MINUTES OF THE MEETING HELD ON 23 NOVEMBER 2015

RESOLVED: That the Minutes of the meeting held on 23 November 2015 be approved as a correct record and signed.

55. MATTERS ARISING FROM THE MINUTES OF THE MEETING HELD ON 23 NOVEMBER 2015

MINUTE 43 – MID-KENT AUDIT INTERIM INTERNAL AUDIT REPORT 2015/16

A Member sought reassurance that action was being taken to address the conclusion of an internal audit review that there were weak controls over the Council's safeguarding arrangements. The Deputy Head of Audit Partnership explained that the recommendations arising from the review did not fall due for follow-up until March 2016 and then later in the year. However, he had spoken to the Head of Service who had confirmed that a revised policy on safeguarding was now in draft form and that it contained proposals to provide resilience and manage the risks associated with there being just one Local Authority Designated Officer. The new policy, which should be in place by April this year, would inform the development of systems and procedures to improve controls.

In response to a question by a Member about performance across the partnership, the Head of Audit Partnership explained that the % of projects completed within the budgeted number of days was currently 57% against a year-end target of 60%. It was his expectation that this would increase to 80% in 2016/17 and 90% probably the year after that. The outturn in respect of this measure of performance was unlikely to reach 100% as inevitably projects would overrun and require more attention than anticipated. It was noted that the team's ability to more accurately scope the work to a specific number of days would contribute to achieving performance targets.

56. GRANT CLAIM CERTIFICATION

The Committee considered the report of the Head of Revenues and Benefits summarising the outcome of the work undertaken by Grant Thornton, the External Auditor, to certify the Housing Benefits subsidy claim submitted by the Council for the financial year 2014/15. It was noted that:

- The claim related to expenditure of £46.6m.
- This year's testing had identified errors in respect of the classification of overpayments relating to non-Housing Revenue Account rent rebates. In a number of cases, where the Council had paid rent in advance and the claimant had moved out, the overpayment was erroneously classified as eligible (which attracts subsidy) rather than technical (which does not). The Officers had reviewed all cases of this type and the External Auditor had retested a sample of their work. It was concluded that the majority of overpayments were misclassified, resulting in a reduction to subsidy payable of £22,552. The Officers had undertaken to review all overpayments relating to such properties raised during 2015/16 to ensure that they are correctly classified before completing that year's subsidy claim. Revised procedures had been put in place to mitigate the risk of the error re-occurring.

- Whilst the work had given rise to minor amendments (99.96% accuracy), the overall assurance provided through the certification work confirmed that the Council continued to have good systems in place to ensure the accuracy of its grant claim.

RESOLVED: That the assurance provided by Grant Thornton that the Council maintains a strong control environment for the preparation and monitoring of grant claims and returns be noted, and that the Officers be congratulated on the outcome of the certification work.

57. AUDIT COMMITTEE UPDATE JANUARY 2016

The Committee considered the report of the External Auditor on the progress to date against the 2015/16 Audit Plan. The report also included a summary of emerging national issues and developments that might be relevant to the Committee together with a number of challenge questions in respect of these emerging issues.

In response to questions/comments by Members, Mr Wells of Grant Thornton, the External Auditor, said that:

- Whilst the Government had announced that local government would be allowed to retain 100% of local taxes and business rates to spend on local government services, the likelihood of this remained to be seen.
- The report had been prepared before the announcement that the Council would not receive Revenue Support Grant from central Government after 2016/17.
- He would ensure that future reports were proof-read to avoid punctuation and grammatical errors.

RESOLVED: That the External Auditor's update report, attached as Appendix A to the report of the Head of Finance and Resources, be noted.

58. TREASURY MANAGEMENT STRATEGY 2016/17

In accordance with CIPFA's Code of Practice on Treasury Management, the Committee considered the report of the Head of Finance and Resources setting out the draft Treasury Management Strategy for 2016/17, including the Treasury and Prudential Indicators. It was noted that:

- The Strategy for 2016/17 was consistent with the requirements of CIPFA and the Department for Communities and Local Government, and it had been developed in line with currently endorsed spending and financing proposals.
- In 2012, the Council approved in principle expenditure of up to £6m through prudential borrowing for the acquisition of commercial property, the acquisition of property to alleviate homelessness and action to enable stalled development to progress.

- To date, the Council had not borrowed to finance the Capital Programme as the value of borrowing was outweighed by the benefit of using the Council's own resources due to the variance between borrowing and lending rates of interest.
- The Policy and Resources Committee, at its meeting scheduled to be held on 27 January 2016, would consider a Capital Programme for the period 2016/17 to 2020/21. This Programme proposed a significant increase in prudential borrowing to support the regeneration and commercial objectives of the Council. The prudential borrowing proposed over the life of the Programme amounted to £38,950,000 which, if approved, would necessitate amendments to the prudential borrowing limits set out in the draft Strategy and the Prudential Indicators.

In response to questions by Members, the Officers confirmed that:

- If the Council was to borrow to fund the Capital Programme, the affordability of the Programme would need to include an assessment of the cost of borrowing compared with the return on investments.
- Other funding streams proposed in the development of the future Capital Programme included the use of New Homes Bonus grant.
- The proposed Strategy allowed maximum investments with certain single institutions of £8m. This related to secured banks and the UK Government. Investment in other banks was limited to £3m per institution.

In considering the draft Treasury Management Strategy for 2016/17, the Committee expressed concern about the risks associated with prudential borrowing of the magnitude proposed including:

- a) The potential interest rates for long term borrowing in the future;
- b) The initial cost of borrowing during the period leading up to the receipt of a return on the scheme as this would not be financed by the scheme at the time it required payment;
- c) The scheduling of the demand for prudential borrowing over the period of the Capital Programme as the indicative figures showed a significant increase in the early years of the Programme.

The Head of Finance and Resources advised the Committee that mitigation would be considered on a scheme by scheme basis and individual business cases should address these risks in line with the principles set out in the Medium Term Financial Strategy for capital.

The Head of Finance and Resources also explained that it was normally the case that the Committee would consider the Medium Term Financial Strategy in January. The Committee's remit was with regard to risk management and it would consider the operational risk assessment of the

budget that was produced by the Finance Team as part of its service planning work each year. This year, due to the late and significant change in the Strategy brought about by the Local Government Finance Settlement, the operational risk assessment was not complete in time for it to be included on the agenda for this meeting. The risk assessment would be reported to the March meeting of the Committee to enable Members to take a view on the completeness of the assessment and the soundness of the proposed mitigations.

During the discussion, Members asked that the ratio of capital financing costs to the net revenue stream (revenue budget) be quantified in the Treasury Management Strategy and Indicators.

RESOLVED:

1. **To RECOMMEND to the COUNCIL:** That subject to typographical amendments identified during the discussion, the Treasury Management Strategy for 2016/17, including the Treasury Management and Prudential Indicators attached as Appendices A and C to the report of the Head of Finance and Resources, amended as appropriate to reflect (a) the decision of the Policy and Resources Committee in relation to the schemes to be included in and the funding of the Capital Programme and (b) the quantification of the ratio of capital financing costs to the net revenue stream (revenue budget), be adopted.
2. That details of the schemes included in the proposed Capital Programme 2016/17 onwards be circulated to all Members of the Committee.

59. **WHISTLEBLOWING REVIEW**

Following a request by the Chairman, the Head of Audit Partnership submitted a report reviewing the effectiveness of the Council's arrangements for raising concerns at work. It was noted that:

- All organisations were encouraged by the Public Interest Disclosure Act 1998 to create and maintain procedures to facilitate their staff raising concerns and to protect them from detrimental treatment. The Council's procedures were set out in a Whistleblowing Charter, but the arrangements had not been reviewed for some considerable time and, in particular, did not reflect changes in the Council's structure or developments in regulations and best practice around whistleblowing.
- The opportunity had been taken to expand the scope of the work to include comparative information from Ashford and Tunbridge Wells Borough Councils.
- It was the overall recommendation of the review that the Corporate Governance Working Group be requested to bring forward detailed recommendations for the implementation of a new approach to raising concerns at work.

- The Corporate Governance Working Group had met earlier that day and hoped to be in a position to report back to the Committee in March. The Group had been of the view that it would be appropriate for the Head of Audit Partnership to take overall responsibility for whistleblowing at Officer level.

In response to a question by a Member about anonymity, the Head of Audit Partnership explained that the Public Interest Disclosure Act 1998 fundamentally related to protecting people from harassment, but in terms of anonymity, it was not possible to protect a person if their identity was not known. However, action could be taken to protect a person's identity by not disseminating information beyond the need to know.

RESOLVED: That the Corporate Governance Working Group be requested to bring forward detailed recommendations for the implementation of a new approach to raising concerns at work having regard to the following actions to improve the Council's arrangements identified by the review:

- Clearly establish overall responsibility for whistleblowing at an Officer level, including amending the Constitution and/or Audit Charter where necessary.
- Revise and refresh the Whistleblowing Charter with reference to Public Concern At Work's identified best practice.
- The revised Charter should in particular give staff clear expectations on the Council's response including investigation approaches and timescales.
- Undertake relevant training and awareness raising periodically among staff and Members.
- Report monitoring information to Members on progress towards raising awareness of whistleblowing, quantitative information on concerns raised and headline narrative on what the Council has learned from matters brought to its attention through whistleblowing (this to be done on a regular basis to maintain whistleblowing awareness).

60. DURATION OF MEETING

6.30 p.m. to 7.30 p.m.

Audit, Governance & Standards Committee		21 March 2016
Is the final decision on the recommendations in this report to be made at this meeting?		Yes

Internal Audit Plan 2016/17

Final Decision-Maker	Audit, Governance & Standards Committee
Lead Head of Service	Rich Clarke, Head of Audit Partnership
Lead Officer and Report Author	Russell Heppleston, Deputy Head of Audit Partnership
Classification	Public
Wards affected	N/A

<p>This report makes the following recommendations to this Committee:</p> <ol style="list-style-type: none"> 1. The Committee endorses the Internal Audit Operational plan for 2016/17. 2. The Committee note the longer term plan up to 2018/19 which will be subject to annual review and refresh. 3. The Committee notes the view of the Audit Partnership that the service is sufficiently resourced to deliver the Head of Audit Opinion for 2016/17.

<p>This report relates to the following corporate priorities:</p> <ul style="list-style-type: none"> • Keeping Maidstone Borough an attractive place for all - • Securing a successful economy for Maidstone Borough – <p>The report supports the good governance of Maidstone Borough Council and so contributes broadly to achievement of its corporate priorities.</p>
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Timetable	
Meeting	Date
Committee (Audit, Governance & Standards)	21 March 2016

Internal Audit Plan 2016-17

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report is provided to enable the Committee to consider and endorse the Internal Audit Plan 2016-17.
- 1.2 Public Sector Internal Audit Standards requires the Internal Audit Service to establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.
- 1.3 As the Committee charged with governance, the Audit, Governance & Standards Committee it is required to consider and endorse the audit plan, and maintain oversight of the internal audit service and its activities.

2. INTRODUCTION AND BACKGROUND

- 2.1 The Audit, Governance and Standards Committee must obtain assurance on the control environment of the Council. Consequently, the Committee needs to have an awareness of the work conducted by Internal Audit, in order to adequately fulfil its duties.
- 2.2 The internal control environment comprises the whole network of systems and controls established to manage the Council, to ensure that its objectives are met. It includes financial and other controls, and arrangements for ensuring the Council is achieving value for money from its activities
- 2.3 The report sets out the one-year operational plan for 2016/17 together with an update to the longer-term plan up to 2018/19 originally presented to the Audit Committee in March 2015. We ask the Committee to review and endorse the 2016/17 operational plan and note the longer-term plan.
- 2.4 We also ask Members to note the Audit Partnership's view that the Partnership has sufficient resources to deliver the plan. This final request arises from developments to Public Sector Internal Audit Standards during 2015/16 that requires the Head of Audit to explicitly draw attention of Members to his assessment of the resources as his disposal.

3. AVAILABLE OPTIONS

- 3.1 The plan proposed aims to complete internal audit's responsibilities in an efficient and effective manner, in accordance with our professional standards. We recommend no alternative course of action.

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 The Audit, Governance & Standards Committee it is required to consider and endorse the audit plan, and maintain oversight of the internal audit service and its activities.
- 4.2 The risk of not endorsing the plan is that the Council will be at greater risk of incurring or failing to detect fraud, error or service failure or weakness.
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5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 The audit plan is developed through consultation with senior officers and Heads of Service across the Council. Previously this committee has endorsed the audit plan, and commented positively on its formation.
- 5.2 The plan has also been shared in full with officers at the Council's Wider Leadership Team and at the Audit Partnership's Shared Service Board. This report reflects comments made during consultation.

6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 If the plan is endorsed as outlined, then the next step will be for us to write to each Head of Service to communicate the audit projects in their service areas for the year.
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7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	The report supports the good governance, internal control and risk management of Maidstone Borough	

Issue	Implications	Sign-off
	Council and so contributes broadly to achievement of its corporate priorities.	<p>Rich Clarke Head of Audit Partnership 10 March 2016</p>
Risk Management	The audit plan is produced as a result of risk assessment examining where audit activity is best focussed. The risk of not approving the plan is that the Council will be at greater risk of incurring or failing to detect fraud, error or service failure or weakness.	
Financial	There are no additional costs or savings associated with this proposal.	
Staffing	There are no staffing implications associated with this proposal.	
Legal	Internal Audit is a required function in accordance with the Accounts & Audit Regulations 2015.	
Equality Impact Needs Assessment	This report does not describe circumstances which require an Equality Impact Needs Assessment.	
Environmental/ Sustainable Development	There are no environmental or sustainable development implications for this report.	
Community Safety	There are no community safety implications for this report.	
Human Rights Act	There are no implications for the Council's responsibilities under the Human Rights Act in this report.	
Procurement	There are no procurement implications for this report.	
Asset Management	There are no asset management implications for this report.	

8. REPORT APPENDICES

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

- Appendix I: Internal Audit Plan 2016-17

9. BACKGROUND PAPERS

There are no background papers to further support this report.

MID KENT AUDIT

**Internal Audit Plan
2016/17 Operational Plan and
Strategic Plan Update**

Maidstone 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, specifically Regulation 5:

A relevant authority must undertake an effective internal audit to evaluate effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Audit Standards (PSIAS).

3. The Head of Audit Partnership is required by PSIAS standard 2450 to provide an annual opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. The opinion takes into consideration:
 - a) Internal Controls: Including financial and non-financial controls.
 - b) Corporate governance: Including effectiveness of measures to counter fraud and corruption, and
 - c) Risk Management: Principally, the effectiveness of the Council's risk management framework.
4. The opinion draws significantly on the work conducted by the audit team during the year which is principally set out in the internal audit plan. The Standards, specifically standard
 - The Head of Audit Partnership must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals
5. This document builds on our 4 year strategic plan presented to this Committee in March 2015, outlining the updates and adaptations we propose to ensure that the 2016/17 operational plan will support an accurate and reliable Head of Audit opinion and help the Council achieve its objectives. While the focus is on 2016/17, we have also made some consequential adaptations to the final two years of the plan which we will revisit in full and extend into 2020/21 as part of next year's planning.

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

Basis of our plan: available resources

6. Last year we adapted the basis of our plan to move from seeking to deliver a set number of projects to a number of audit days. This move has enabled a much greater responsiveness and flexibility in how we deliver the audit resource. At Maidstone in 2015/16 this helped enable us to support the Council in developing its risk management approach.
7. As noted in our interim update in December 2015, during 2015/16 the Audit Partnership was restructured following the departure of a long-standing Audit Manager. The restructure has meant the team for 2016/17 can deliver more productive days. We achieve this through the addition of an audit team administrator role to free-up time for completing the plan, revision to the audit manager job description to enable more direct project and consulting work and continued development of the two trainee posts we created in 2015.
8. These changes have meant an increase across the Partnership in available productive days from 1,600 to 1,710, an increase of just under 7%. Given that the restructure occurred within the existing audit budget, this increase in productive days is at no additional cost.
9. In accordance with the principles of the Collaboration Agreement which governs the operation of the service, we divide these days between the authorities in line with their contribution to the service's budget, as per the table below:

Authority	Contribution to overall partnership budget	Audit Days Allocated 2016/17	Increase from days allocated 2015/16
Ashford BC	23%	395	+25
Maidstone BC	29%	500	+30
Swale BC	26%	440	+30
Tunbridge Wells BC	22%	375	+25
Total	100%	1,710	+110

10. Therefore the total audit allocation for Maidstone BC in 2016/17 is **500 days**, an increase of 30 days from the 2015/16 level. We are satisfied that the Audit Partnership has sufficient resources in both quantity and capability to fulfil responsibilities. We present a full analysis of resources on the following page to support this conclusion.
11. However, we must clarify that our audit plan cannot address all risks across the Council and represents our best deployment of what are inevitably limited audit resources. In approving the plan, the Audit Committee recognises this limitation. We will keep the Committee abreast of any changes in our assessment of resource requirement as we monitor the risks posed to the Council. In particular, we will revise this resource assessment afresh each year.

12. Operational guidance on PSIAS 2030 (Resource Management) sets out a range of factors Heads of Audit must consider when evaluating whether the level of resource available is sufficient to fulfil responsibilities. Our analysis of the audit partnership against this guidance is outlined below:

Audit Resource Evaluation 2016/17			
Step	Question to consider	Response	Resource Indication
1	Did you have sufficient resource to complete your prior year plan?	Marginal under-delivery of the plan anticipated (97% completion forecast) due principally to in-year maternity vacancies and lost time from inducting new staff. Similar issues not anticipated for 2016/17 and so no immediate barrier known to completing the plan.	No change in audit resource for this year
Changes To The Organisation			
2	How has the size of the organisation changed?	No significant change.	No change in audit resource for this year
3	How has the complexity of the organisation changed?	No significant change of structure at Head of Service level but the Council is currently recruiting into two Director positions as part of a revised overall structure. The Council continues to consider new commercial opportunities.	No change in audit resource for this year
4	How has the risk appetite of the organisation changed?	While not formally documented, our risk workshops over the course of the year and the formation of the comprehensive risk register indicates the authority is increasingly willing to take on (or support) more ambitious projects to support delivery of its priorities.	More audit resource needed this year
5	How has the risk profile of the organisation changed?	This greater ambition, coupled with the greater risks inherent in a challenging public sector environment with limited resources and expanding and diversifying responsibilities, suggests a greater risk profile.	More audit resource needed this year
6	How has the organisation's control environment changed?	Consistently, audit reports on key controls record sound/strong assurance results.	Less audit resource needed this year
Changes To The Audit Service			
7	What was the outcome of the QAIP/EQA?	Full conformance.	No change in audit resource for this year

Audit Resource Evaluation 2016/17			
Step	Question to consider	Response	Resource Indication
8	What changes have there been to audit professional standards & guidance?	Changes to standards on 2nd line of defence capabilities in particular point to a broader audit role if useful to authorities. This is notable as Internal Audit takes on more responsibilities around risk management.	More audit resource needed this year
9	What efficiencies have there been within the audit service?	Continued bedding in of new audit approach and templates. Largely clearing backlog of 2013/14 and earlier recommendations for follow up.	Less audit resource needed this year
10	How have Board expectations of the audit service and its role changed?	There are a range of projects/innovative areas where audit assurance input is valuable, especially in early stages of developing projects.	More audit resource needed this year
Overall Summary			
	What level of audit resource is needed compared to last year?	There is a marginally greater need for audit resource in 2016/17 than 2015/16. Principally this is due to increase in the general risk environment the Council continues to operate in, the Council's commercial ambitions, and the introduction of a new Corporate Leadership Team in the form of two new Director appointments. Weighing against are continued efficiencies within the audit service and a consistently reliable control environment.	More audit resource needed this year
	Do you have sufficient resource to complete your audit plan?	I am confident that this plan delivers sufficient resources to support a reliable and comprehensive Head of Audit opinion at year end.	Yes

Resource evaluation in accordance with Standard 2030 on Resource Management

Basis of our plan: risk assessment

13. In compiling the four year strategic plan in 2015 we undertook a comprehensive evaluation of all areas of potential assurance need (the 'audit universe') and the risks and priorities of the Council. It is not efficient to run that evaluation in full every year and so the 2016/17 planning has concentrated on adapting and evolving our understanding of the internal control, governance and risk framework. We will undertake a more comprehensive review ahead of the 2017/18 audit plan, including a new four-year plan which will extend out to 2020/21.
14. What we have done for 2016/17 is an analysis of the projects and other audit work originally scheduled in the four-year plan we presented in March 2015 and considered their continuing relevance and utility to the Council based on our understanding of how its risks and priorities have developed. To form this analysis we have:
 - Considered the results of audit work conducted in 2015/16 (including non-project work ,follow-up of recommendations and work completed at other authorities),
 - Consulted widely with officers, including meeting individually with each Head of Service and presenting an earlier draft of this plan to the Shared Service Board which includes the Council's s.151 Officer.
 - Reviewed the Council's strategic plan and risk documentation, including direct participation across the year at officer led risk workshops.
15. These steps stand in addition to our day-to-day work across the year in keeping plans flexible and responsive to new information and feedback from officers, Members and the broader environment the Council operates in.
16. The work identified for 2016/17 is set out on the following page, along with further notes of the ground we expect the review to cover (although specific audit scopes with be agreed with audit sponsors during engagement planning) and comments on any changes from the 2016/17 plan outlined in our 4 year strategic plan of Mach 2015.

2016/17 Operational Audit Plan

Project titles and descriptions	Plan Days	2016/17 Updates
Core Finance Reviews		
Payroll - Substantive testing on high risk areas, including procedures for starters and leavers	5 ²	Retained per original plan
Housing Benefits - To review any changes to process and test key controls, considering particularly online services.	12 ²	Retained per original plan but shift focus slightly to include self and online services
Accounts Payable - To verify any changes to the system since 2015/16 and substantive testing of invoice payment	10	Retained per original plan
General Ledger: Journals & Feeder Systems - Document system and test key controls	15	Retained per original plan
Treasury Management - To review compliance with treasury management strategy, in particular capital borrowing.	15	Retained per original plan
Corporate Governance Reviews		
Freedom of Information - To review processes and controls for ensuring compliance with statutory obligations.	15	Retained per original plan
ICT Controls and Access - To review ICT access controls on key systems, including remote access. Also considering action in response to external ICT reviews.	8 ²	Retained per original plan
Corporate Governance - To build on initial review in 2015/16 and consider the Council's arrangements for meeting the revised Corporate Governance Code applicable from 1 April 2016.	10	Retained per original plan
Corporate Projects Review - To consider management of corporate projects	10	Moved to 16/17 plan following deferral from 15/16.
Performance Management - To review implementation of refreshed service planning and performance management processes.	10	Retained per original plan
Operational Reviews		
Park & Ride - To review contract management, including data validation of information provided by contractor.	15	Moved to 16/17 following deferral from 15/16 to assess impact of P&R site closure on scope.
Public Conveniences - To review basis of charging for maintenance and continuing service provision.	15	Addition to 16/17 plan following discussion with officers.
ICT Procurement - To review effectiveness of ICT procurement both centrally through the Project Framework and within services.	7 ²	Retained from original plan

Project titles and descriptions	Plan Days	2016/17 Updates
Crematorium - To assess regulatory compliance and development plan	15	Retained from original plan
Facilities Management - To review facilities service against its service plan.	15	Retained from original plan
HR Policy Compliance - To review effectiveness of measures to monitor and enforce compliance with HR policies.	10 ²	Retained from original plan
Discretionary Housing Payments - To review compliance with policy on awarding discretionary housing payments, including exercise of judgement and payment controls.	15	Addition to 16/17 plan following deferral from 15/16 to align with work elsewhere in the Partnership
Tourism - To review progress on achieving aims set out in the Destination Management Plan	15	Re-scoped from original plan to narrow focus (was 'museum & tourism').
Parks & Open Spaces - To review parking strategy plus controls on Mote Park car park ticketing and season ticket controls.	15	Retained from original plan but scope broadened to include Mote Park parking charges
Community Safety Unit - To consider CSU workload management and response times	15	Addition to 16/17 plan following discussion with officers.
Residents' Parking - To review administration of permits and controls for handling income, including new online facility	8 ²	Retained from original plan but scope broadened to include online applications
Public Health - To review progress against range of delivery plans plus use and accounting of grant funding	15	Addition to 16/17 plan following discussion with officers.
Building Control Operations - To review service delivery of fee earning and non-fee earning services and controls on income handling. Also consider complaints management and KPIs.	15	Retained from original plan
Elections - To focus on IER and project management of elections process	15	Retained from original plan
Land Charges - To review service performance and income handling controls.	6 ²	Retained from original plan
Non-Project Work		
Audit Committee Support - Attendance at, preparation and advice to Audit Committee and Members, including training and briefings	13	Retained from original plan, increase from 10 days to include briefings programme.
Recommendation Follow-Up - Consider implementation of audit recommendations as part of quarterly exercise.	40	Reduced from 60 days originally, following working through of backlog

Project titles and descriptions	Plan Days	2016/17 Updates
Counter Fraud Support - To monitor and refresh corporate policies and administer and investigate matches identified by National Fraud Initiative (NFI) and Kent Intelligence Network (KIN)	40	Increased from 20 days to reflect need for policy refresh and creation of KIN
Risk Management Support - To assist the Council in identifying and managing strategic and operational risks.	40	Increased from 20 days to reflect anticipated expansion of audit role
Project Board Support - To contribute directly to project boards.	3	Reduced from 8 days following reduction in number of projects.
Contingency - To provide space for responses to risks arising in year, including requests for ad hoc advice or support	50	Retained from original plan, aimed at 10% contingency
Projects removed from 2016/17 Plans		
Online Management	0	Objectives included in scope of 15/16 Customer Services review.
ICT Networks	0	Brought forward to 2015/16 following discussion with officers
CCTV	0	Deferred to 17/18 pending review of contract.
Building Control Fees	0	Swapped with operational review following discussion with officers, so deferred until 2017/18.
Total Audit Days	500	

² Shared service review jointly funded from audit plans of participating authorities.

17. At Appendix II, we show this plan in place against the remainder of our strategic plan up to 2018/19. This includes a small number of consequential amendments to 2017/18 and 2018/19, particularly when work has been re-scheduled. We will re-consider those changes and set out further detail as part of our planning for 2017/18 and subsequent years.

Delivering audit work

18. The risk-based approach taken to forming the plan is integrated within our approach to individual projects. In addition to any specific objectives agreed with the audit sponsor at the time of drawing up the audit scope each project considers the strategies, risks and objectives relevant to the service area under review.
19. We will conduct each review in line with our standard audit methodology which is aligned to the Public Sector Internal Audit Standards. The roles and responsibilities for successful delivery of audit projects are set out also in our Audit Charter. An updated Charter for 2016/17 is also included on today's agenda and will be provided to every audit sponsor.
20. Each of these audit reviews will culminate in an assurance rated report, giving our view on whether the particular area is operating effectively. We will keep these rating levels consistent with our revised approach adopted first in 2014/15, with details of the assurance levels included as a reminder to Members in this report at appendix III.
21. We will also, where appropriate, make recommendations for improvement. These recommendations are graded as set out in appendix III and followed up by our audit team when due for implementation. Recommendations that we find have not been implemented where there is ongoing risk to the Council are reported in the first instance to the Council's Leadership Team. Also, Senior Managers responsible for services that consistently fail to address audit recommendations may be invited to provide further explanation to Members at the Audit, Governance & Standards Committee.
22. The plan also recognises the non-project work we deliver, using our experience and expertise to assist the Council in pursuit of its priorities. We undertake this work in line with the arrangements set out in the Charter, in particular with those safeguards aimed at preserving our independence and objectivity.
23. Typically the non-project work will not result in an assurance graded output, but rather an alternative format relevant to the engagement and agreed with the work's sponsor. In any event, we will inform the Audit Committee of the outcomes of non-audit work through our interim and year end reports.

Monitoring delivery

24. We undertake our audit work against our standard audit approach, which has been assessed in our EQA as conforming with the PSIAS. In addition we adhere to the professional standards, roles and responsibilities as set out in the Charter.
25. As part of this approach we are careful to ensure the quality and consistency of our work. With respect to individual audit projects, each undergoes internal review focussing on each stage from compilation of the original brief, through completion of fieldwork and ultimately our reporting.
26. We undertake broader quality assurance of our work as detailed in our annual reports which include a full self-assessment against the PSIAS.
27. Our service is also monitored each quarter by an Audit Shared Service Board; Paul Riley is Maidstone's representative. The Board receives performance and financial monitoring reports on the progress of the service. The set of performance indicators against which we report are included at appendix V, and we also report outturn on these indicators to the Audit Committee twice a year, as part of our interim report in September, and the annual report in June.
28. We are also dedicated to continuing to develop and enhance the professional expertise and experience of our audit team. In 2016/17 we have three of the team studying for professional qualifications in addition to the five who gained qualifications in 2015/16. We include more details about the audit team and the work we will be undertaking in 2016/17 to support and enhance their development within appendix III.

Appendix II: Maidstone Borough Council: Updated Strategic Plan

Core Finance & Corporate Governance Reviews

Service	Audit Project	2016/17	2017/18	2018/19
Core Financial Systems		67 days 6 reviews	74 days 6 reviews	56 days 6 reviews
Finance & Resources	Bank/Treasury	15		10
Finance & Resources	Budget Management		15	
Finance & Resources	General Ledger	15		10
Finance & Resources	Payments & Receipts	10	10	10
Finance & Resources	Procurement		15	
HR Shared Service	Payroll	5	10	8
Revenues & Benefits	Business Rates		12	6
Revenues & Benefits	Council Tax		12	12
Revenues & Benefits	Discretionary Payments (MKIP)	10		
Revenues & Benefits	Housing Benefits	12		
Corporate Governance		53 days 5 reviews	65 days 6 reviews	58 days 6 reviews
Chief Executive	Business Continuity			10
Housing & Community	Safeguarding		10	
ICT Shared Service	ICT Controls/Access	8		8
Legal Partnership	Members' Allowances		15	
Legal Partnership	Register of Interests		10	10
Policy & Communications	Corporate Governance	10	5	5
Policy & Communications	Corporate Projects Review	10		15
Policy & Communications	Data Protection		15	
Policy & Communications	Freedom of Information	15		
Policy & Communications	Performance Management	10		10
Policy & Communications	Risk Management		10	

Operational Reviews

Service	Audit Project	2016/17	2017/18	2018/19
Operational Reviews		194 days 15 reviews	237 days 20 reviews	184 days 15 reviews
Commercial & Economic Development	Cobtree Manor			15
Commercial & Economic Development	Cultural Development			15
Commercial & Economic Development	Hazlitt Centre	15		
Commercial & Economic Development	Leisure Centre			15
Commercial & Economic Development	Market		15	
Commercial & Economic Development	Marketing & Sales		15	
Commercial & Economic Development	Museum			15
Commercial & Economic Development	Parks & Open Spaces	15		
Commercial & Economic Development	Tourism	15		
Environment & Street Scene	Animal Welfare		15	
Environment & Street Scene	Building Control Operations	15		0
Environment & Street Scene	Cemetery			15
Environment & Street Scene	Commercial Waste			15
Environment & Street Scene	Crematorium	15		
Environment & Street Scene	Public Conveniences	15		
Environment & Street Scene	Street Cleaning		15	
Environment & Street Scene	Waste Collection Contract (ABC/SBC)		10	
Finance & Resources	Corporate Support: Property		15	
Finance & Resources	Elections & Registration	15		
Finance & Resources	Facilities Management	15		
Finance & Resources	Insurance		15	
Finance & Resources	VAT Management			15
Housing & Community	Air Quality/Pollution (MKIP)		6	
Housing & Community	Community Halls		15	
Housing & Community	Community Safety Unit	15		
Housing & Community	Food Safety (MKIP)			6
Housing & Community	Homelessness		15	

Service	Audit Project	2016/17	2017/18	2018/19
Operational Reviews		194 days 15 reviews	237 days 20 reviews	184 days 15 reviews
Housing & Community	Housing Allocations			15
Housing & Community	Housing Grants		15	
Housing & Community	Licensing		15	
Housing & Community	Public Health	15		
HR Shared Service	Health & Safety		15	
HR Shared Service	HR Policy Compliance (MKIP)	8		
HR Shared Service	Recruitment (MKIP)		8	
ICT Shared Service	ICT Procurement (MKIP)	7		
ICT Shared Service	Information Security (MKIP)			6
ICT Shared Service	Technical Support (MKIP)		6	
Legal Partnership	Legal Services (MKIP)		6	
Parking	Park & Ride	15		15
Parking	Parking Enforcement		8	7
Parking	Parking Income		7	
Parking	Residents Parking	8		
Planning & Development	Building Control Fees			15
Planning & Development	Planning Enforcement			15
Planning Support	Land Charges (MKIP)	6		
Planning Support	Planning Income (MKIP)		6	
Policy & Communications	Complaints		15	

29. Audit projects noting more than one client (e.g. ABC/SBC) are reviews of services delivered in partnership. In such instances our work is co-funded between the partners' audit plans and the audit output will be made available to all on the same basis. Precise timings of work within a given year will be subject to negotiation with individual audit sponsors.

Other Work

Service	Audit Project	Partnership	2016/17	2017/18	2018/19
Risk Management			40 days	40 days	40 days
Policy & Communications	Risk Management Support		40	40	40
Counter Fraud			40 days	40 days	40 days
Finance & Resources	NFI Co-ordination and investigation		5	5	5
Finance & Resources	Proactive work and policy administration		30	30	30
Finance & Resources	KIN Co-ordination and investigation		5	5	5
Audit Follow Ups			40 days	40 days	40 days
Various	Quarterly follow up exercise		40	40	40
Consultancy and other work			66 days	16 days	82 days
Various	Supporting / attending project boards		3	3	3
Policy & Communications	Supporting & attending Audit Committee		13	13	13
TBC	Unalloc contingency/consultancy time		50	0	66

Overall Summary

Work Type	2016/17	2017/18	2018/19
Project Work (leading to assurance rating)	314 days 26 reviews	376 days 32 reviews	298 days 27 reviews
Core Financial Systems	67	74	56
Corporate Governance	53	65	58
Operational Reviews	194	237	184
Other Work (unrated reporting)	186 days	136 days	202 days
Risk Management	40	40	40
Counter Fraud	40	40	40
Audit Follow Up	40	40	40
Consultancy/Contingency	66	26	82
Total Audit Resources Available	500 days	512 days*	500 days

*In 2017/18 we will be undergoing a full risk assessment exercise for the audit plan, and so anticipate the total allocated days to be re-allocated accordingly to the assessment outcomes.

Appendix III: Mid Kent Audit Team

Management

Management

Rich Clarke CPFA ACFS (Head of Audit Partnership): Rich became head of the audit partnership on 1 April 2014 joining the partnership from KPMG, where he had a range of internal and external audit clients across the public sector including LB Islington, Woking BC, East Kent Hospitals University NHS Trust, the Foreign and Commonwealth Office and the Civil Aviation Authority. Rich is a Chartered Accountant (CPFA) and during 2015 undertook and passed further study to become an Accredited Counter Fraud Specialist (ACFS).

Russell Heppleston CMIIA (Deputy Head of Audit Partnership): Russell started working for the Maidstone / Ashford partnership in November 2005, and continued his role as Auditor for the Mid Kent Audit Service when it was established in 2010. He progressed through professional qualifications with the Institute of Internal Auditors (IIA) to achieve both Practitioner and Chartered member status. Having been appointed as Audit Manager for Swale and Maidstone in 2013, Russell was subsequently appointed as Deputy Head of Audit Partnership in the 2015 restructure. During 2016/17 Russell will be studying to achieve accreditation with the Institute of Risk Management.

Frankie Smith CMIIA (Audit Manager – Swale & Tunbridge Wells): Frankie Smith started her career in Internal Audit at Kent County Council in 2001 as a Trainee Auditor. In December 2001 she was appointed to the role of Auditor at Maidstone Borough Council. Over the last 15 years she has completed audits at Ashford, Maidstone, Swale and Tunbridge Wells and became fully CMIIA qualified in August 2015. Frankie was appointed to the role of Audit Manager for Swale and Tunbridge Wells in August 2015.

Alison Blake ACCA, CIRM (Audit Manager – Ashford & Maidstone): Alison joined the internal audit partnership in 2012. Prior to this Alison worked for South Coast Audit for 7 years where she undertook internal audit work across a range of NHS clients in East Kent. During Alison's career she has completed a wide range of audit work including finance, information governance and risk management, system reviews and reviews of compliance with legislation with the aim of working with the client to help them achieve their objectives and the objectives of the organisation as a whole. Following Alison's recent return from maternity leave she takes on the role of Audit Manager for Ashford and Maidstone.

Auditors & Senior Auditors

Mark Goodwin (Senior Auditor): Mark joined Ashford Borough Council in January 1999 having previously worked at Maidstone Borough Council in an audit role. He was a founder member of the Ashford and Maidstone Internal Audit Partnership before this developed into the four-way Mid Kent Audit Partnership in April 2010. He is an experienced auditor who has audited extensively the full spectrum of Council services and activities across a number of local authorities. During 2015 Mark also completed a qualification as a CIPFA Accredited Counter Fraud Technician.

Claire Walker (Senior Auditor): Claire joined the audit partnership in September 2010, and has wide experience in a variety of sectors and bodies; Local and Central Government, Arts, Broadcasting, Financial Services, NGOs & Not For Profit Sector (domestic & foreign), also Lottery Fund distribution QUANGOS (New Opportunities Fund, Big Lottery Fund, Millennium, Commission, Olympic Delivery Agency, Heritage Lottery Fund, and Sport England) and the associated grant making programmes (in house and outsourced grant administered programmes). Claire delivered some training & mentoring projects for the FCO, DFID and the World Bank in addition to work on European Social Fund projects. Within Local Government Claire has undertaken a wide range of audits with a focus on legal compliance, contracts and governance arrangements. Other audit experience covers outsourcing functions, due diligence, and fraud investigations.

Jo Herrington PIIA (Auditor): Jo joined the audit partnership on 30 September 2013. She joined the partnership from Gravesham BC, where she worked for nearly nine years. She gained experience of working in the Finance department and the Revenues department before settling in the Internal Audit team in September 2009, who operated a shared management arrangement with Tonbridge & Malling BC. As part of the Internal Audit team she gained broad experience conducting financial and operational audit reviews, as well as being involved in working groups across the authority. Jo was promoted to the position of Senior Auditor during the 2015 restructure.

Jen Warrillow PIIA (Auditor): Jen joined Mid Kent Audit in September 2013 from Kent County Council where she trained as an Internal Auditor. She recently completed study for Practitioner of the Institute of Internal Auditors status and during 2015 studied to become a Chartered Member of the Institute. At KCC Jen undertook a wide range of audits including financial, governance and grant funding internally for the Council and externally for Parish Councils. Previous to joining KCC, Jen worked as an investigator for Swale BC and then Tonbridge & Malling BC. Jen was promoted to the position of Senior Auditor during the 2015 restructure. Jen is currently on maternity leave, scheduled to return to the team in July 2016.

Paul Goodwin AAT (Auditor): Paul has been employed by Tunbridge Wells Borough Council for over 26 years of which nearly all has been in Internal Audit. Paul is a qualified Accounting Technician.

Andy Billingham (Auditor): Andy joined the Partnership on 7 December 2015. He had previously worked for Swale Borough Council for 10 years within the Revenues and Benefits department gaining extensive knowledge of local government processes and procedures whilst dealing with complex disputes and representing the authority at Tribunals. Andy holds a degree in History as well as an Institute of Revenue Rating and Valuation qualification

Trainee Auditors & Others

Ben Davis (Trainee Auditor): Ben joined the team in March 2015 as a trainee auditor. He holds a degree in Modern History from UEA and has previous experience in finance teams in the private and voluntary sectors. Ben began training towards achieving a professional qualification through the Chartered Institute of Public Finance and Accountancy (CIPFA) and was successful in passing the first stage of the qualification in December 2015.

Helen Pike (Trainee Auditor): Helen joined the audit team in July 2015 as a trainee auditor. Her previous work experience is extensive and incorporates spells in occupations as diverse as TV programme scheduling and emergency ambulance despatch but joined us most recently from the finance and administration team of the Kent Institute for the Blind. Helen has recently embarked on studying for the Institute of Internal Audit Professional Certificate as the first step towards becoming a Chartered Internal Auditor (CIA).

Louise Taylor (Audit Team Administrator): The Audit Partnership restructure in 2015 created the role of audit team administrator to assist the team in various tasks including monitoring performance management, archiving our reports and managing our audit software. Following a trial period, this post was taken by Louise who had previously worked in the Planning department of Maidstone Borough Council and has extensive experience working with local authorities.

We also have facility within the audit service to seek and deploy additional specialist resource depending on the needs of the service and of our local authority partners.

Appendix III: Assurance & Recommendation Ratings

Assurance Ratings 2016/17 (unchanged from 2014/15 and 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 2016/17 (unchanged from 2014/15 and 2016/17)

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 V: Performance Indicators

Area	Ref	Indicator
Finance	F1	Cost per audit day
	F2	Audits completed on budget
	F3	Chargeable days
Internal Process	I1	Full PSIAS conformance
	I2	Audits completed on time
	I3	Draft reports on time
Customer	C1	Satisfaction with assurance
	C2	Final reports on time
	C3	Satisfaction with conduct
Learning & Developing	L1	Implemented recommendations
	L2	Training plan achieved
	L3	Satisfaction with skills

Audit, Governance & Standards	21 March 2016
Is the final decision on the recommendations in this report to be made at this meeting?	Yes

Internal Audit Charter 2016/17

Final Decision-Maker	Audit, Governance & Standards Committee
Lead Head of Service	Rich Clarke – Head of Audit Partnership
Lead Officer and Report Author	Russell Heppleston – Deputy Head of Audit Partnership
Classification	Public
Wards affected	N/A

<p>This report makes the following recommendations to this Committee:</p> <ol style="list-style-type: none"> 1. That the Committee approves the Internal Audit Charter 2016/17. 2. That the Committee notes the Audit Partnership's view that the Partnership is operating with sufficient independence and freedom from managerial interference to fulfil its responsibilities in line with Public Sector Internal Audit Standards, and will continue to do so.

<p>This report relates to the following corporate priorities:</p> <ul style="list-style-type: none"> • Keeping Maidstone Borough an attractive place for all • Securing a successful economy for Maidstone Borough <p>This report is concerned with the internal control and governance of the Council. Successful controls and effective governance are a crucial underpinning for all corporate priorities.</p>
--

Timetable	
Meeting	Date
Audit, Governance & Standards Committee	21 March 2016

Internal Audit Charter 2016/17

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The report is provided in order to allow the Committee to consider and approve the revised Internal Audit Charter 2016/17.
-

2. INTRODUCTION AND BACKGROUND

- 2.1 An Audit Charter is a requirement of Public Sector Internal Audit Standards (Standard 1000) and is a foundational document setting out the purpose, authority and responsibility of the service. A partial extract, giving an introduction to the position of the Charter within the Standards is below:

1000 Purpose, Authority and Responsibility

The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.

Interpretation:

The internal audit charter is a formal document that defines the internal audit activity's purpose, authority and responsibility. The internal audit charter establishes the internal audit activity's position within the organisation, including the nature of the chief audit executive's functional reporting relationship with the board; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the board.

Public sector requirement

The internal audit charter must also:

- define the terms 'board' and 'senior management' for the purposes of internal audit activity;
- cover the arrangements for appropriate resourcing;
- define the role of internal audit in any fraud-related work; and
- include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.

1000.A1

The nature of assurance services provided to the organisation must be defined in the internal audit charter. If assurances are to be provided to parties outside the organisation, the nature of these assurances must also be defined in the internal audit charter.

1000.C1

The nature of consulting services must be defined in the internal audit charter.

- 2.2 In March 2015 the then Audit Committee approved the 2015/16 Charter which was scheduled to be revised and, if necessary, updated each year. This report includes proposed updates to the Charter.
-

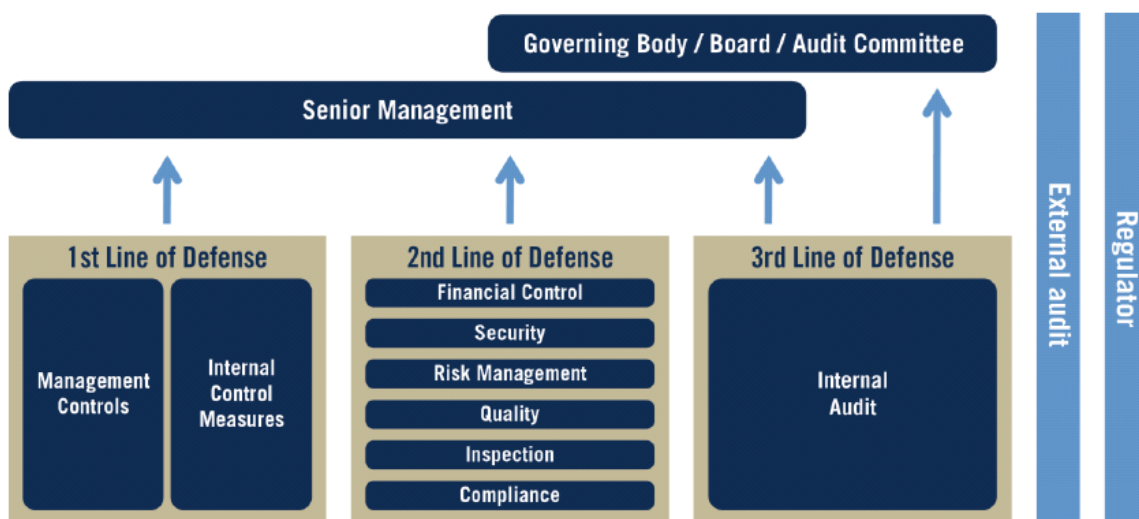
3. AVAILABLE OPTIONS

- 3.1 Audit, Governance and Standards Committee as part of its terms of reference must maintain oversight of the internal audit function and its activities. The Charter proposed sets out the basis on which the function operates. We recommend no alternative course of action.
-

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 Some of the updates for 2016/17 are merely taking the opportunity of a revision to tidy up the document. This includes correcting one or two typographical errors and standardising the terminology (for example, using “Audit Partnership” to refer specifically to this service and leaving “internal audit” to denote the practice of internal audit more generally).
- 4.2 The more substantial part of the update seeks to build on Supplemental Guidance issued recently by the Institute of Internal Auditors (IIA) on how and whether internal audit can take up broader roles within an organisation. These broader roles are often referred to as ‘second line of defence’ roles.
- 4.3 The ‘three lines of defence’ model is commonly used to describe controls existing within an organisation and is summarised in the diagram below (extracted from the IIA Guidance).

Figure 1



- 4.4 Traditionally, Internal Audit operates solely within the third line and that is the norm in many sectors (even most non-Local Government parts of the public sector). Indeed, the Audit Standards are written in the expectation that internal audit will not have any role outside

the third line which may impede (or appear to impede) its independence.

- 4.5 However, the global IIA has been under pressure recently from, among others, the UK Internal Audit Standards Advisory Board (which includes the Head of Audit Partnership) to recognise that in many organisations a good audit function could successfully play a number of roles, and that Standards could usefully acknowledge and inform those roles. In particular, the IASAB sought to avoid a situation where existing guidance could be read to forbid auditors from undertaking those roles even where there are clear benefits to them doing so.
- 4.6 In response, the IIA has now issued a Supplemental Guidance report entitled "Internal Audit and the Second Line of Defence". That Guidance acknowledges that audit services may often possess the skills, knowledge and expertise to successfully fulfil certain second line of defence roles and doing so could be beneficial especially in smaller organisations. Fundamentally, it acknowledges that organisations can – provided they do so knowingly and having weighed up the benefits – accept certain risks to the independence and objectivity of audit.
- 4.7 A key component of accepting those risks is being aware of the safeguards to independence that would operate, and having those safeguards acknowledged and approved by the Audit, Governance and Standards Committee. The more substantive amendments proposed to our Internal Audit Charter set out those safeguards.
- 4.8 At present, audit does not occupy any roles that comprise second line of defence functions. The Charter sets out the safeguards that would operate in the event of the Audit Partnership being asked to undertake those roles by Management. In particular, the Charter considers the safeguards that would operate if the Audit Partnership were to play a more prominent role in Risk Management and Counter Fraud, including ownership of relevant corporate policies.
- 4.9 To be clear, the Head of Audit Partnership is satisfied that the Partnership currently operates with required independence and freedom from interference and that it would continue to do so, subject to the described safeguards, in the event of being asked to take on further responsibilities. Consistent with the Public Sector Internal Audit Standards, the Head of Audit Partnership will contact Members immediately in the event of significant threat to independence or interference from Management.
- 4.10 We propose that the Audit, Governance and Standards Committee approve the Internal Audit Charter for 2016/17.

5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 The Charter was shared in draft with the Council's Corporate Governance Group (which includes the Monitoring Officer, the Head of Finance & Resources (s151 Officer) and Head of Policy & Communications. The Charter was subsequently considered by the Council's Corporate Leadership Team, before being shared with the Audit Partnership Shared Service Board. The document set out in the appendices reflects outcome of those discussions.

6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 The revised Charter will be circulated with the Internal Audit Plan (a report also on tonight's agenda) to all Heads of Service and Senior Officers and included within the Audit Partnership's Audit Manual to guide the work of the audit team when completing work at Maidstone BC.

7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	The report supports the good governance, internal control and risk management of Maidstone Borough Council and so contributes broadly to achievement of its corporate priorities.	Rich Clarke Head of Audit Partnership 10 March 2016
Risk Management	The report introduces no risks that require separate description in the Council's risk registers, nor materially impacts any currently described.	
Financial	There are no additional costs or savings associated with this proposal.	
Staffing	There are no staffing implications associated with this proposal.	
Legal	Internal Audit is a required function in accordance with the Accounts & Audit Regulations 2015. An Internal Audit Charter is a requirement of the Public Sector Internal Audit Standards.	
Equality Impact Needs Assessment	This report does not describe circumstances which require an Equality Impact Needs Assessment.	
Environmental/	There are no environmental or sustainable	

Issue	Implications	Sign-off
Sustainable Development	development implications for this report.	
Community Safety	There are no community safety implications for this report.	
Human Rights Act	There are no implications for the Council's responsibilities under the Human Rights Act in this report.	
Procurement	There are no procurement implications for this report.	
Asset Management	There are no asset management implications for this report.	

8. REPORT APPENDICES

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

- Appendix I: Maidstone Internal Audit Charter 2016/17 (tracked changes version to highlight updates proposed from 2015/16)
- Appendix II: Maidstone Internal Audit Charter 2016/17 (without tracked changes for final approval)

9. BACKGROUND PAPERS

None

MID KENT AUDIT

Internal Audit Charter

(Marked Up Version)

Maidstone Borough Council



Internal audit charter

1. The Internal Audit Charter (the 'Charter') is the formal document that defines internal audit's purpose, authority and responsibility at Maidstone Borough Council (the 'Council'). The Charter establishes ~~internal audit~~ the Audit Partnership's position within the authority, including the nature of the Head of Audit Partnership's functional reporting relationships. The Charter also authorises access to records, personnel and physical properties relevant to the performance of engagement and defines the scope of internal audit activities.
2. Final approval of the Charter resides with the Audit, Governance & Standards **Committee**, but it will be reviewed each year by the Head of Audit Partnership in consultation with the Shared Services Board.

Comment [RDC1]: One of a number of administrative changes reflecting the name of the Committee and the MBC Officer representative on the Shared Service Board. Further such edits presented without comment.

Mission

3. The Audit Partnership acknowledges and aspires to achieving the mission of Internal Auditing provided by the Institute of Internal Auditors (IIA):

*To enhance and protect organisational value by providing stakeholders with risk based, and objective ~~and reliable~~ assurance, advice and **insight**.*

Comment [RDC2]: Minor adjustment to mission wording following IIA's implementation of the new International Professional Practices Framework (IPPF) in July 2015.

Scope of work

4. The scope of the Audit Partnership's work includes, in the first instance, tasks in support of the annual Head of Internal Audit Opinion. This work covers three areas:

Internal Control

5. 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.

Corporate Governance

6. Corporate governance is the system of rules, practices and processes by which the Council is directed and controlled.

Risk Management

7. Risk management is the process of identifying, quantifying and managing the risks that the Council faces in attempting to achieve its objectives.
8. In addition to those three core areas the Audit Partnership may, subject to specific arrangements, undertake engagements in the areas of counter fraud, operational risk management or advisory as discussed elsewhere in this Charter.

Authority of internal audit

9. Internal Audit is a statutory service as defined within the Accounts and Audit Regulations ~~2011-2015~~ (the 'Regulations') which require the Council ~~to maintain an adequate and undertake an effective internal audit of its accounting records and of its system of internal control in accordance with proper practices to evaluate the effectiveness of its . risk management, control and governance processes, taking into account public sector internal auditing standards).~~
10. Deriving authority from those Regulations and those authorising this Charter, the Audit Partnership has free and unrestricted ability to plan and undertake audit assignments deemed necessary to fulfil its scope.
11. To enable full discharge of its duties, the Head of Audit Partnership and his team are authorised to:
- Have a right of direct access to the Chair of the Audit, Governance & Standards Committee;
 - Have unrestricted access to all functions, records, property and personnel;
 - Obtain assistance where necessary from Council officers and contractors involved in subject of audit engagements.
12. The Head of Audit Partnership and his team are not authorised to perform any operational duties for the Council, initiate or approve accounting transactions (except where directly related to the administration of the service) and direct the activities of any Council employee (except insofar as they have been appropriately assigned to assist engagements, or as described with the safeguards in this Charter).

Comment [RDC3]: Wording to reflect updates to R5 in 2015 Regs.

Responsibility

13. The Head of Audit Partnership and his team have responsibility to undertake their work at all times in accordance with the Public Sector Internal Audit Standards (the 'Standards') ~~and the IIA's Code of Ethics (the 'Code') and the broader IIA's International Professional Practices Framework (the IPPF)~~. In addition, those members of the team who have membership of professional bodies will comply with the relevant requirements of that organisation. Undertaking work in accordance with the Standards will include:
- Developing a flexible risk-based audit strategy and annual plan in consultation with senior management and presented annually to the Audit, Governance & Standards Committee for review and approval. The Audit, Governance & Standards Committee will also be invited to review and approve significant changes to the plan;
 - Tracking the status of agreed management actions and providing regular updates to the Audit, Governance & Standards Committee, including escalation of items of significant risk;

Comment [RDC4]: See above, IPPF issued by IIA in July 2015.

- Issuing periodic reports to senior management and the Audit, Governance & Standards Committee summarising results of internal audit work;
- Continuing liaison with the Council's external auditors and other assurance providers to seek optimal assurance coverage;
- Communicating regularly with relevant stakeholders on progress of the ~~internal audit service~~ Audit Partnership, its work and findings; and
- Keeping the Shared Services Board (and so, the Director of ~~Environment & Shared Services~~ Finance & Business Improvement) informed on the performance of the ~~internal audit service~~ Audit Partnership.

Reporting lines

- The Head of Audit Partnership has responsibility for day to day management of the ~~internal audit team~~ Audit Partnership. The Head of Audit Partnership reports administratively to the Director of Mid Kent Services and, with respect to activities undertaken at the Council, reports functionally to the Director of ~~Environment & Shared Services~~ Finance & Business Improvement as the Council's representative on the Audit Partnership Board. Organisationally, the Head of Audit Partnership reports to the Audit, Governance & Standards Committee. The Head of Audit Partnership also has a direct right of access to the Chief Executive as and when required.
- Should the Head of Audit Partnership not be satisfied with the response of senior management to or engagement with a given audit review this will be highlighted to the relevant Director in the first instance and escalated to the Audit, Governance & Standards Committee if the matter remains unresolved.

Independence and objectivity

- The ~~internal audit service~~ Audit Partnership is and will remain free from interference in determining the scope and nature of its work and communicating its results. The Head of Audit Partnership will comment on and affirm the independence and objectivity of the service in individual reports and, at least annually, in summary reports to the Audit, Governance & Standards Committee. The summary reports will consider and report separately to the Committee on each area of the Audit Partnership's functions.

Comment [RDC5]: To allow reporting on separate independence procedures that may operate around risk, counter fraud, audit and advisory.

Accountability

- The Head of Audit Partnership, in the discharge of his duties, will be accountable to the Audit, Governance & Standards Committee and the Director of ~~Environment & Shared Services~~ Finance & Business Improvement (through the Audit Partnership Board). This will include the provision of an annual Head of Audit Opinion as well as periodic reporting on significant issues and audit findings.

Management responsibilities

18. To be effective, the ~~internal audit service~~Audit Partnership requires full co-operation of senior management. In approval of this Charter the Audit, Governance & Standards Committee and the Director of ~~Environment & Shared Services~~Finance & Business Improvement direct management to co-operate with ~~internal audit~~the Audit Partnership in the delivery of the service. This includes, but is not limited to, agreeing suitable briefs for audit engagements, acting as audit sponsors, providing access to appropriate records, personnel and systems, responding to draft reports and implementing management actions in line with agreed timescales.
19. Senior management also undertakes to keep the ~~internal audit service~~Audit Partnership abreast of significant proposed changes in processes, systems or organisation, newly identified significant risks and all suspected or detected fraud, corruption or impropriety.
20. Senior management will also ensure that the ~~internal audit service~~Audit Partnership has access to sufficient resources to fulfil the audit plan as directed by the Audit, Governance & Standards Committee. Responsibility for arranging and deploying resources in fulfilment of the plan rests with the Head of Audit Partnership.

Comment [RDC6]: Harmonising terminology

Non Audit Work

Consultancy

21. The Standards allow that Internal Audit resource may sometimes be more usefully focussed towards providing advice rather than assurance. Where appropriate, the service may act in a consultancy capacity by giving guidance, providing that:
 - The objectives of the engagement address governance, risk management or internal control,
 - The request has been approved by a member of the Corporate Leadership Team,
 - The service has the right skills, experience and available resource, and
 - ~~Internal audit~~The Audit Partnership's involvement will not constitute a conflict of interest, compromise the appearance or fact of its independence and will not involve assuming a management role in providing advice.
22. The Head of Audit Partnership is responsible for ensuring all requests are reviewed in accordance with the above criteria before making the final decision. The specific role of ~~Internal Audit~~the Audit Partnership in any particular engagement will be agreed with the sponsor, documented within the assignment plan and reported to the Audit, Governance & Standards Committee at the next opportunity.
23. With respect to significant requests, defined as those which require the purchase of additional resources or amendment to the agreed audit plan, the Head of Audit Partnership

will consult the Chair of the Audit, Governance & Standards Committee before accepting the engagement.

Risk Management

24. Internal Audit~~The Audit Partnership~~'s role is Risk Management will be guided by the Institute of Internal Auditors position paper on *The Role of Internal Auditing in Enterprise-Wide Risk Management* ~~and documented in the Council's Risk Management Strategy.~~
~~Internal Audit~~The Audit Partnership will not undertake roles defined as inappropriate by that guidance. Inappropriate roles include setting the Council's risk appetite, imposing a risk management process and taking on full accountability for risk management. ~~Where Internal Audit undertake roles defined as 'legitimate internal audit roles with safeguards' the nature and extent of those safeguards will be agreed with the Director of Environment & Shared Services and reported to the Audit Committee.~~

25. The position paper lists the following as legitimate internal audit roles with safeguards:

- Co-ordinating risk management activities,
- Consolidated risk reporting
- Developing risk approach for approval and its subsequent maintenance
- Facilitating identification and evaluation of risks, and
- Coaching management in responding to risks.

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26. The Council's Risk Management Strategy allows for the Audit Partnership to undertake all of those roles, providing that safeguards are in place and agreed through the Audit Charter. The safeguards include:

- Internal separation of duties within the Audit Partnership, managed through the Deputy Head of Audit Partnership role. The Deputy Head of Audit Partnership will lead on reviews of the risk management approach which are reported separately to the Audit, Governance & Standards Committee and sponsored by the Director of Finance & Business Improvement.
- The Audit Partnership's resource input into risk management will be approved each year by the Audit, Governance & Standards Committee through the Audit Plan and monitored through update reports.
- Overall responsibility for approving the risk management approach remains with the Policy & Resources Committee acting on the advice of the Council's Corporate Leadership Team. The Audit, Governance & Standards Committee retains its constitutional role of conducting its own assessments on the effectiveness of the Council's risk management approach which may, if required, also include independent review.

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24-27. Although not part of the Council's internal controls, the Audit, Governance & Standards Committee may also draw assurance from any work completed by the Council's external auditors in completing their work supporting the Value for Money conclusion.

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Counter Fraud

28. Internal Audit's role ~~The Audit Partnership's role~~ on Counter Fraud will be in accordance with the Council's *Counter Fraud Strategy* and with the resources approved by the Audit, Governance & Standards Committee in the Annual Audit Plan.

29. This role may include developing and maintaining relevant policies, including the *Counter Fraud Strategy* itself for approval by appropriate officer groups and the Policy & Resources Committee or Audit, Governance & Standards Committee as required by the Council's constitution.

25-30. The Audit Partnership may also undertake training and awareness raising activity for officers and Members on the Council's *Counter Fraud Strategy* and related policies and procedures. Such training will be undertaken in consultation with appropriate officer groups.

26-31. Internal Audit ~~The Audit Partnership~~ may assist or lead, as needed, in the identification and investigation of ~~significant~~ suspected fraudulent activities within the Council and notify Management and the Audit, Governance & Standards Committee of the results. This may include examining matches identified by the National Fraud Initiative, the Kent Intelligence Network or any other data matching activities.

27-32. Where a significant investigation requires purchase of additional resource or amendment to the agreed audit plan the Head of Audit Partnership will consult the Chair of the Audit, Governance & Standards Committee after discussion with the Director of ~~Environment & Shared Services~~ Finance & Business Improvement.

Major Projects

28-33. Internal Audit ~~The Audit Partnership~~ will be informed of major projects and their progress through continuing discussion with Management. ~~Internal Audit~~ The Audit Partnership's response to major projects will be proportionate to the risk in terms of the inclusion of specific audit work within the annual audit plan. Where a project team seeks advice or further support from Internal Audit, ~~we the Audit Partnership~~ will treat that request as one for consultancy support as described from paragraph 21.

Relationships

29-34. The Head of Audit Partnership and the audit team are involved in a wide range of relationships whose quality ~~are~~ is important in supporting the effective delivery of the audit function.

Relationships with management

~~30-35.~~ The ~~internal audit service~~Audit Partnership will maintain effective relationships with managers at the Council. This will include consultation in the audit planning process both at an overall plan level and with respect to the scope of individual audit projects as well as regular meetings with key stakeholders. Timing of audit work will also be agreed in conjunction with Management.

Relationships with external auditors and regulators

~~31-36.~~ The ~~internal audit service~~Audit Partnership and Grant Thornton LLP have an established and sound working relationship described in more detail within the *Internal/External Audit Protocol* presented to the ~~(then)~~ Audit Committee in March 2014. ~~We-Each~~ will continue to rely upon and draw from each other's work subject to the limits and duties determined by our respective responsibilities and professional standards. This enables ~~us to evaluate~~evaluation and review ~~of work and only leading to~~re-performance only where necessary. ~~We will~~The Audit Partnership and Grant Thornton LLP meet regularly and share ~~our~~ plans and reports.

~~32-37.~~ The ~~internal audit service~~Audit Partnership will also take account of the results and reports from any other external inspections or reviews when planning and undertaking audit work. Where appropriate the Head of Audit Partnership or appropriately delegated representative will represent the service in consultation and discussion with external agencies, inspectors or regulators.

Relationships with Members

~~33-38.~~ The Head of Audit Partnership will be the first point of contact for Members, in particular members of the Audit, Governance & Standards Committee. However, ~~we the~~Audit Partnership places great store in gaining and maintaining an effective working relationship with Members and so will foster good contacts throughout the internal audit service as appropriate.

~~34-39.~~ The Head of Audit Partnership will have the opportunity to meet separately (that is, without other officers in attendance) with the Chair of the Audit, Governance & Standards Committee and other Members if desired.

Standards of internal audit practice

~~35-40.~~ This Charter recognises the mandatory nature of the IIA definition of Internal Auditing and Code of Ethics ~~and~~ the Public Sector Internal Audit Standards and the International Professional Practices Framework. The ~~Internal Audit team~~Audit Partnership comply with these standards.

Quality assurance

~~36-41.~~ The Standards require that audit be subject to a quality assurance and improvement programme. For ~~Mid Kent Audit~~the Audit Partnership, that programme incorporates both internal and external elements.

Internal assurance

37.42. All ~~of our~~ audit engagements are subject to review by management ~~and the Head of Audit Partnership~~ prior to finalisation. These reviews seek to ensure that work undertaken is consistent with the Standards, consistent with the risks associated with the area under review and that conclusions are supported by detailed work undertaken. ~~We will vary~~The Audit Partnership varies the range and scope of reviewers to help maintain consistency and support learning within the service.

External assurance

38.43. An external assessment must be conducted at least once every five years by a qualified, independent assessor from outside the organisation. The ~~service's Audit Partnership's~~ most recent such assessment was completed by the Institute of Internal Auditors in 2014, with results reported to the ~~(then)~~ Audit Committee. The Head of Audit Partnership will keep the need for external assurance under review and discuss options with the Director of ~~Environment & Shared Services~~Finance & Business Improvement and the Audit, Governance & Standards Committee as the need arises.

This Charter is authorised within Maidstone Borough Council:

~~Director of Environment & Shared Services: David Edwards~~Director of Finance & Business Improvement: tbc

Audit, Governance & Standards Committee Chair: Councillor ~~Alistair Black~~Steve McLaughlin

With the agreement of:

Head of Audit Partnership: Rich Clarke

Mid Kent Services Director: Paul Taylor

Agreed by Audit, Governance & Standards Committee:
2016

~~30 March 2015~~21 March

Next Review required: Annually

Internal Audit Charter

Maidstone Borough Council



Internal audit charter

1. The Internal Audit Charter (the 'Charter') is the formal document that defines internal audit's purpose, authority and responsibility at Maidstone Borough Council (the 'Council'). The Charter establishes the Audit Partnership's position within the authority, including the nature of the Head of Audit Partnership's functional reporting relationships. The Charter also authorises access to records, personnel and physical properties relevant to the performance of engagement and defines the scope of internal audit activities.
2. Final approval of the Charter resides with the Audit, Governance & Standards Committee, but it will be reviewed each year by the Head of Audit Partnership in consultation with the Shared Services Board.

Mission

3. The Audit Partnership acknowledges and aspires to achieving the mission of Internal Auditing provided by the Institute of Internal Auditors (IIA):

To enhance and protect organisational value by providing stakeholders with risk based, and objective assurance, advice and insight.

Scope of work

4. The scope of the Audit Partnership's work includes, in the first instance, tasks in support of the annual Head of Internal Audit Opinion. This work covers three areas:

Internal Control

5. 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.

Corporate Governance

6. Corporate governance is the system of rules, practices and processes by which the Council is directed and controlled.

Risk Management

7. Risk management is the process of identifying, quantifying and managing the risks that the Council faces in attempting to achieve its objectives.
8. In addition to those three core areas the Audit Partnership may, subject to specific arrangements, undertake engagements in the areas of counter fraud, operational risk management or advisory as discussed elsewhere in this Charter.

Authority of internal audit

9. Internal Audit is a statutory service as defined within the Accounts and Audit Regulations 2015 (the 'Regulations') which require the Council 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.
10. Deriving authority from those Regulations and those authorising this Charter, the Audit Partnership has free and unrestricted ability to plan and undertake audit assignments deemed necessary to fulfil its scope.
11. To enable full discharge of its duties, the Head of Audit Partnership and his team are authorised to:
 - Have a right of direct access to the Chair of the Audit, Governance & Standards Committee;
 - Have unrestricted access to all functions, records, property and personnel;
 - Obtain assistance where necessary from Council officers and contractors involved in subject of audit engagements.
12. The Head of Audit Partnership and his team are not authorised to perform any operational duties for the Council, initiate or approve accounting transactions (except where directly related to the administration of the service) and direct the activities of any Council employee (except insofar as they have been appropriately assigned to assist engagements, or as described with the safeguards in this Charter).

Responsibility

13. The Head of Audit Partnership and his team have responsibility to undertake their work at all times in accordance with the Public Sector Internal Audit Standards (the 'Standards'), the IIA's Code of Ethics (the 'Code') and the broader IIA's International Professional Practices Framework (the IPPF). In addition, those members of the team who have membership of professional bodies will comply with the relevant requirements of that organisation. Undertaking work in accordance with the Standards will include:
 - Developing a flexible risk-based audit strategy and annual plan in consultation with senior management and presented annually to the Audit, Governance & Standards Committee for review and approval. The Audit, Governance & Standards Committee will also be invited to review and approve significant changes to the plan;
 - Tracking the status of agreed management actions and providing regular updates to the Audit, Governance & Standards Committee, including escalation of items of significant risk;
 - Issuing periodic reports to senior management and the Audit, Governance & Standards Committee summarising results of internal audit work;

- Continuing liaison with the Council's external auditors and other assurance providers to seek optimal assurance coverage;
- Communicating regularly with relevant stakeholders on progress of the Audit Partnership, its work and findings; and
- Keeping the Shared Services Board (and so, the Director Finance & Business Improvement) informed on the performance of the Audit Partnership.

Reporting lines

14. The Head of Audit Partnership has responsibility for day to day management of the Audit Partnership. The Head of Audit Partnership reports administratively to the Director of Mid Kent Services and, with respect to activities undertaken at the Council, reports functionally to the Director of Finance & Business Improvement as the Council's representative on the Audit Partnership Board. Organisationally, the Head of Audit Partnership reports to the Audit, Governance & Standards Committee. The Head of Audit Partnership also has a direct right of access to the Chief Executive as and when required.
15. Should the Head of Audit Partnership not be satisfied with the response of senior management to or engagement with a given audit review this will be highlighted to the relevant Director in the first instance and escalated to the Audit, Governance & Standards Committee if the matter remains unresolved.

Independence and objectivity

16. The Audit Partnership is and will remain free from interference in determining the scope and nature of its work and communicating its results. The Head of Audit Partnership will comment on and affirm the independence and objectivity of the service in individual reports and, at least annually, in summary reports to the Audit, Governance & Standards Committee. The summary reports will consider and report separately to the Committee on each area of the Audit Partnership's functions.

Accountability

17. The Head of Audit Partnership, in the discharge of his duties, will be accountable to the Audit, Governance & Standards Committee and the Director of Finance & Business Improvement (through the Audit Partnership Board). This will include the provision of an annual Head of Audit Opinion as well as periodic reporting on significant issues and audit findings.

Management responsibilities

18. To be effective, the Audit Partnership requires full co-operation of senior management. In approval of this Charter the Audit, Governance & Standards Committee and the Director of Finance & Business Improvement direct management to co-operate with the Audit Partnership in the delivery of the service. This includes, but is not limited to, agreeing suitable briefs for audit engagements, acting as audit sponsors, providing access to appropriate records, personnel and systems, responding to draft reports and implementing management actions in line with agreed timescales.
19. Senior management also undertakes to keep the Audit Partnership abreast of significant proposed changes in processes, systems or organisation, newly identified significant risks and all suspected or detected fraud, corruption or impropriety.
20. Senior management will also ensure that the Audit Partnership has access to sufficient resources to fulfil the audit plan as directed by the Audit, Governance & Standards Committee. Responsibility for arranging and deploying resources in fulfilment of the plan rests with the Head of Audit Partnership.

Non Audit Work

Consultancy

21. The Standards allow that Internal Audit resource may sometimes be more usefully focussed towards providing advice rather than assurance. Where appropriate, the service may act in a consultancy capacity by giving guidance, providing that:
 - The objectives of the engagement address governance, risk management or internal control,
 - The request has been approved by a member of the Corporate Leadership Team,
 - The service has the right skills, experience and available resource, and
 - The Audit Partnership's involvement will not constitute a conflict of interest, compromise the appearance or fact of its independence and will not involve assuming a management role in providing advice.
22. The Head of Audit Partnership is responsible for ensuring all requests are reviewed in accordance with the above criteria before making the final decision. The specific role of the Audit Partnership in any particular engagement will be agreed with the sponsor, documented within the assignment plan and reported to the Audit, Governance & Standards Committee at the next opportunity.
23. With respect to significant requests, defined as those which require the purchase of additional resources or amendment to the agreed audit plan, the Head of Audit Partnership

will consult the Chair of the Audit, Governance & Standards Committee before accepting the engagement.

Risk Management

24. The Audit Partnership's role is Risk Management will be guided by the Institute of Internal Auditors position paper on *The Role of Internal Auditing in Enterprise-Wide Risk Management*. The Audit Partnership will not undertake roles defined as inappropriate by that guidance. Inappropriate roles include setting the Council's risk appetite, imposing a risk management process and taking on full accountability for risk management.
25. The position paper lists the following as legitimate internal audit roles with safeguards:
- Co-ordinating risk management activities,
 - Consolidated risk reporting
 - Developing risk approach for approval and its subsequent maintenance
 - Facilitating identification and evaluation of risks, and
 - Coaching management in responding to risks.
26. The Council's *Risk Management Strategy* allows for the Audit Partnership to undertake all of those roles, providing that safeguards are in place and agreed through the Audit Charter. The safeguards include:
- Internal separation of duties within the Audit Partnership, managed through the Deputy Head of Audit Partnership role. The Deputy Head of Audit Partnership will lead on reviews of the risk management approach which are reported separately to the Audit, Governance & Standards Committee and sponsored by the Director of Finance & Business Improvement.
 - The Audit Partnership's resource input into risk management will be approved each year by the Audit, Governance & Standards Committee through the Audit Plan and monitored through update reports.
 - Overall responsibility for approving the risk management approach remains with the Policy & Resources Committee acting on the advice of the Council's Corporate Leadership Team. The Audit, Governance & Standards Committee retains its constitutional role of conducting its own assessments on the effectiveness of the Council's risk management approach which may, if required, also include independent review.
27. Although not part of the Council's internal controls, the Audit, Governance & Standards Committee may also draw assurance from any work completed by the Council's external auditors in completing their work supporting the Value for Money conclusion.

Counter Fraud

28. The Audit Partnership's role on Counter Fraud will be in accordance with the Council's *Counter Fraud Strategy* and with the resources approved by the Audit, Governance & Standards Committee in the Annual Audit Plan.
29. This role may include developing and maintaining relevant policies, including the *Counter Fraud Strategy* itself for approval by appropriate officer groups and the Policy & Resources Committee or Audit, Governance & Standards Committee as required by the Council's constitution.
30. The Audit Partnership may also undertake training and awareness raising activity for officers and Members on the Council's *Counter Fraud Strategy* and related policies and procedures. Such training will be undertaken in consultation with appropriate officer groups.
31. The Audit Partnership may assist or lead, as needed, in the identification and investigation of suspected fraudulent activities within the Council and notify Management and the Audit, Governance & Standards Committee of the results. This may include examining matches identified by the National Fraud Initiative, the Kent Intelligence Network or any other data matching activities.
32. Where a significant investigation requires purchase of additional resource or amendment to the agreed audit plan the Head of Audit Partnership will consult the Chair of the Audit, Governance & Standards Committee after discussion with the Director of Finance & Business Improvement.

Major Projects

33. The Audit Partnership will be informed of major projects and their progress through continuing discussion with Management. The Audit Partnership's response to major projects will be proportionate to the risk in terms of the inclusion of specific audit work within the annual audit plan. Where a project team seeks advice or further support from Internal Audit, the Audit Partnership will treat that request as one for consultancy support as described from paragraph 21.

Relationships

34. The Head of Audit Partnership and the audit team are involved in a wide range of relationships whose quality is important in supporting the effective delivery of the audit function.

Relationships with management

35. The Audit Partnership will maintain effective relationships with managers at the Council. This will include consultation in the audit planning process both at an overall plan level and

with respect to the scope of individual audit projects as well as regular meetings with key stakeholders. Timing of audit work will also be agreed in conjunction with Management.

Relationships with external auditors and regulators

36. The Audit Partnership and Grant Thornton LLP have an established and sound working relationship described in more detail within the *Internal/External Audit Protocol* presented to the (then) Audit Committee in March 2014. Each will continue to rely upon and draw from each other's work subject to the limits and duties determined by our respective responsibilities and professional standards. This enables evaluation and review of work leading to re-performance only where necessary. The Audit Partnership and Grant Thornton LLP regularly share plans and reports.
37. The Audit Partnership will also take account of the results and reports from any other external inspections or reviews when planning and undertaking audit work. Where appropriate the Head of Audit Partnership or appropriately delegated representative will represent the service in consultation and discussion with external agencies, inspectors or regulators.

Relationships with Members

38. The Head of Audit Partnership will be the first point of contact for Members, in particular members of the Audit, Governance & Standards Committee. However, the Audit Partnership places great store in gaining and maintaining an effective working relationship with Members and so will foster good contacts throughout the internal audit service as appropriate.
39. The Head of Audit Partnership will have the opportunity to meet separately (that is, without other officers in attendance) with the Chair of the Audit, Governance & Standards Committee and other Members if desired.

Standards of internal audit practice

40. This Charter recognises the mandatory nature of the IIA definition of Internal Auditing and Code of Ethics, the Public Sector Internal Audit Standards and the International Professional Practices Framework. The Audit Partnership comply with these standards.

Quality assurance

41. The Standards require that audit be subject to a quality assurance and improvement programme. For the Audit Partnership, that programme incorporates both internal and external elements.

Internal assurance

42. All audit engagements are subject to review by management prior to finalisation. These reviews seek to ensure that work undertaken is consistent with the Standards, consistent

with the risks associated with the area under review and that conclusions are supported by detailed work undertaken. The Audit Partnership varies the range and scope of reviewers to help maintain consistency and support learning within the service.

External assurance

43. An external assessment must be conducted at least once every five years by a qualified, independent assessor from outside the organisation. The Audit Partnership's most recent such assessment was completed by the Institute of Internal Auditors in 2014, with results reported to the (then) Audit Committee. The Head of Audit Partnership will keep the need for external assurance under review and discuss options with the Director of Finance & Business Improvement and the Audit, Governance & Standards Committee as the need arises.

This Charter is authorised within Maidstone Borough Council:

Director of Finance & Business Improvement: tbc

Audit, Governance & Standards Committee Chair: Councillor Steve McLoughlin

With the agreement of:

Head of Audit Partnership: Rich Clarke

Mid Kent Services Director: Paul Taylor

Agreed by Audit, Governance & Standards Committee:

21 March 2016

Next Review required:

Annually

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Monday 21st March 2016

Is the final decision on the recommendations in this report to be made at this meeting?

Yes

Audit Committee Update – March 2016

Final Decision-Maker	Audit, Governance & Standards Committee
Lead Head of Service	Head of Finance & Resources
Lead Officer and Report Author	Paul Holland, Senior Finance Manager – Client Accountancy
Classification	Public
Wards affected	N/A

This report makes the following recommendations to this Committee:

1. It is recommended that the Audit, Governance & Standards Committee notes the External Auditor's update report attached at Appendix A

Issues for Consideration:

To consider the report of the External Auditor on the proposed Audit Programme for 2015/16. Representatives from Grant Thornton UK LLP will be present at the meeting to present their report and answer any questions.

This report relates to the following corporate priorities:

- Securing a successful economy for Maidstone Borough – delivery of value for money services.

Timetable

Meeting	Date
Audit, Governance & Standards Committee	21 st March 2016

Audit Committee Update – March 2016

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report is to communicate to the Audit, Governance & Standards Committee a report on the progress in delivering the responsibilities of the Council's External Auditors.
- 1.2 The report also includes emerging issues and developments relevant to the Council along with any questions that may arise as a result of those emerging issues.

2. INTRODUCTION AND BACKGROUND

- 2.1 The Audit Committee Update Report will provide a report on the progress of the work of the External Auditor's Grant Thornton UK LLP, in discharging their responsibilities as outlined in the above at Paragraph 1. A copy of the report is attached at **Appendix A**.

3. REASONS FOR RECOMMENDATIONS

- 3.1 External Audit Services are provided by Grant Thornton UK LLP who successfully tendered for the five year contract from 2012/13 following the abolition of the Audit Commission's audit practice.
- 3.2 Members have previously indicated that they found this type of report to be useful.
- 3.3 Representatives of Grant Thornton UK LLP will be at the meeting to present the report and answer any questions.

Alternative action and why not recommended

- 3.4 In accordance with the respective responsibilities of both the External Auditor and the Audit and Governance Committee, a progress report update of this nature is judged to be appropriate for consideration. To not consider the report could weaken the Audit, Governance & Standards Committee's capacity to discharge its responsibilities in relation to External Audit and governance.

4. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	The report is focused on ensuring that the Auditor's Opinion on the 2015/16 Financial Statements is issued by the Statutory deadline of the 30 th September 2016.	Head of Finance & Resources
Risk Management	This report supports the Committee in the delivery of its Governance responsibilities. It also helps to mitigate the risk of non-compliance with the statutory timetable for production and audit of the annual accounts through timely communication of any potential issues.	Head of Finance & Resources
Financial	The financial implications arising from the proposed work will be contained in the Audit Plan referred to in the Report at Appendix A	Head of Finance & Resources
Staffing	None	[Head of Service]
Legal	None	[Legal Team]
Equality Impact Needs Assessment	None	[Policy & Information Manager]
Environmental/Sustainable Development	None	[Head of Service or Manager]
Community Safety	None	[Head of Service or Manager]
Human Rights Act	None	[Head of Service or Manager]
Procurement	None	[Head of Service & Section 151 Officer]
Asset Management	None	[Head of Service & Manager]

5. REPORT APPENDICES

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

- Appendix A: Grant Thornton Progress Report and Update
-

6. BACKGROUND PAPERS

None

Audit, Governance and Standards Committee Maidstone Borough Council Progress Report and Update Year ended 31 March 2016

21 March 2016

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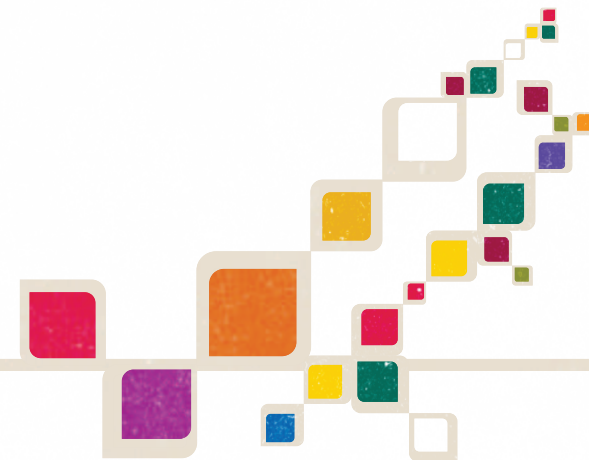
Executive

T 07792 549 288

E pratheesh.kulendran@uk.gt.com



The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.



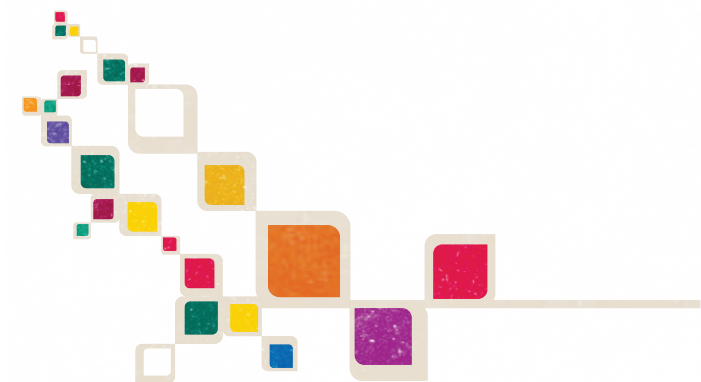
Introduction

This paper provides the Audit, Governance and Standards Committee with a report on progress in delivering our responsibilities as your external auditors.

Members of the Audit, Standards and Governance Committee can find further useful material on our website www.grantthornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

- Innovation in public financial management (December 2015); www.grantthornton.global/en/insights/articles/innovation-in-public-financial-management/
- Knowing the Ropes – Audit Committee; Effectiveness Review (October 2015); www.grantthornton.co.uk/en/insights/knowing-the-ropes--audit-committee-effectiveness-review-2015/
- Making devolution work: A practical guide for local leaders (October 2015) www.grantthornton.co.uk/en/insights/making-devolution-work/

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

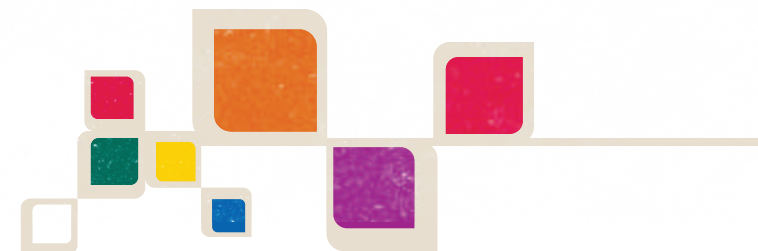


Progress at 21st March 2016



2015/16 work	Planned Date	Complete?	Comments
Fee Letter We are required to issue a 'Planned fee letter for 2015/16' by the end of April 2015	April 2015	Yes	The 2015-16 fee letter was issued during April 2015 and confirmed a fee of £50,475 for the 2015-16 Accounts Audit.
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2015-16 financial statements.	March 2016	In progress	Our audit plan has been drafted and is included as a separate agenda item for the Audit, Governance and Standards Committee to consider.
Interim accounts audit Our interim fieldwork visit plan included: <ul style="list-style-type: none"> • updated review of the Council's control environment • updated understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • planning for the proposed Value for Money conclusion. 	January to March 2016	In progress	Our interim audit work is in progress. This includes early audit testing where practical to support a more efficient final accounts audit. We are due back on site w/c the 21 st of March to undertake further early testing to reduce further the work needed at year end.
Final accounts audit Including: <ul style="list-style-type: none"> • audit of the 2015-16 financial statements • proposed opinion on the Council's accounts 	July 2016	Not yet due	We are planning to complete our audit by the end of July. as part of the transition to the earlier closedown and audit cycle from 2017-18 The findings from this work will be presented within our Audit Findings Report, which will be presented to the Audit, Governance and Standards Committee in September 2016.

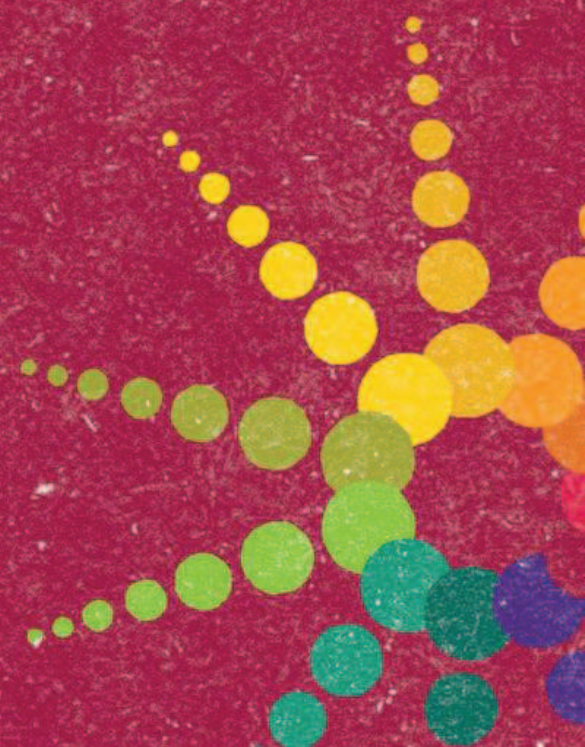
Progress at 21st March 2016



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2015/16 work	Planned Date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work has changed and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".</p> <p>The guidance confirmed the overall criterion as; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties 	January to July 2016	In progress	<p>We have yet to complete our initial risk assessment and will present an update on this to the Audit, Governance and Standards Committee in July 2016.</p> <p>The findings from this work will be included within our Audit Findings Report, which will be presented to the Audit, Governance and Standards Committee in September 2016.</p>
<p>Housing Benefits</p> <p>We are required to certify the Council's Housing Benefit Claim in accordance with the HBCOUNT methodology as agreed between Public Sector Audit Appointments (PSAA) and the Department for Work and Pensions.</p>	August to October 2016	Not yet due	<p>We presented the 2014-15 Certification Report, summarising the results of the 2014-15 Housing Benefit work at the Audit, Governance and Standards Committee in January 2016. Updates on the 2015-16 Housing Benefit work will be provided to the Committee as required during the course of the work.</p>

Local Government Accounting and other issues



IFRS 13 - 'Fair Value Measurement'

The 2015/16 Accounting Code applies IFRS 13 'Fair Value Measurement' for the first time. The standard sets out a single framework for measuring fair value and defines fair value as the 'price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date'.

There is no public sector adaptation to IFRS13 but the Treasury and therefore the Code has adapted IAS 16 Property, Plant and Equipment so that operational assets (providing service potential) are no longer held at fair value but current value. As such IFRS 13 does not apply to operational assets. This new definition of current value means that the measurement requirements for operational property, plant and equipment providing service potential have not changed from the prior year.

However, surplus assets will need to be measured under the new definition of fair value, reflecting the highest and best use from the market participant perspective.

Other areas affected by the new standard include investment property, available for sale financial assets and those items where fair values are disclosed - for example, long term loans and PFI liabilities. IFRS 13 also introduces extensive disclosure requirements.



Local Authorities need to:

- review their classification of surplus assets and investment properties
- discuss IFRS13 with their property valuers and treasury advisers to ensure that the fair values provided are produced in line with the new standard
- update accounting policies and disclosures to reflect the new standard

Highways Network Asset

CIPFA announced at the recent Local Government Accounting Conferences some key messages with regards to changes in accounting for the Highways Network Asset form 2016/17. These included:

- Transport Infrastructure Assets will now be referred to as single asset, the Highways Network Asset (HNA)
- this will be measured at Depreciated Replacement Cost (DRC) using the Modern Equivalent Asset (MEA) basis of valuation from 1 April 2016 and will be applied prospectively rather than requiring a full retrospective restatement
- the new requirements only apply to authorities with assets meeting the definition of a single HNA asset

CIPFA's expects that the transport infrastructure assets held by district councils/ non-highways authorities will be scoped out of the new requirements as assets are unlikely to form a single interconnected network. However, district councils will need to consider the nature of their transport infrastructure assets to assure themselves and evidence that their transport infrastructure assets are not part of an interconnected network.

The 2016/17 Accounting Code which will include further details on these announcements is expected to be published in Spring 2016. Grant Thornton has produced a short briefing on these announcements which is available from your Engagement Lead and Engagement Manager and will provide further briefings as further details become available requirements.

Unlodged National Non-Domestic Rate (NNDR) appeals

Last year, there were primarily no provisions for unlodged non-domestic rates appeals as appeals received on or after 1 April 2015 were only backdated to 1 April 2015. The effect of last years announcement was supposed to put authorities in the position as if the revaluation had been done in 2015 as initially intended before the extension to 2017. This was only a one year reprieve and so any unlodged appeals at 31 March 2016 will only be backdated to 1 April 2015 and therefore may not be material.

However, this year, local authorities will need to estimate a provision for unlodged appeals but as above it may not be material.

Under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and the Code it is in only extremely rare cases that a reliable estimate cannot be made. Therefore, if your local authority does have such an instance, the rationale needs backing up: both in terms of disclosures (as a contingent liability) and in providing evidence to those charged with governance as to why a reliable estimate for the provision cannot be made.

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Grant Thornton Publications

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Reforging local government: Summary findings of financial health checks and governance reviews

The recent autumn statement represents the biggest change in local government finance in 35 years. The Chancellor announced that in 2019/20 councils will spend the same in cash terms as they do today and that "better financial management and further efficiency" will be required to achieve the projected 29% savings. Based on our latest review of financial resilience at English local authorities, this presents a serious challenge to many councils that have already become lean.



Our research suggests that:

- the majority of councils will continue to weather the financial storm, but to do so will now require difficult decisions to be made about services
- most councils project significant funding gaps over the next three to five years, but the lack of detailed plans to address these deficits in the medium-term represents a key risk
- Whitehall needs to go further and faster in allowing localities to drive growth and public service reform including proper fiscal devolution that supports businesses and communities
- local government needs a deeper understanding of their local partners to deliver the transformational changes that are needed and do more to break down silos
- elected members have an increasingly important role in ensuring good governance is not just about compliance with regulations, but also about effective management of change and risk
- councils need to improve the level of consultation with the public when prioritising services and make sure that their views help shape council development plans.

Our report is available at <http://www.grantthornton.co.uk/en/insights/reforging-local-government/>, or in hard copy from your Engagement Lead or Engagement Manager.

CFO Insights – driving performance improvement

CFO insights is an online analysis tool that gives those aspiring to improve the financial position of their local authority instant access to insight on the financial performance, socio-economy context and service outcomes of every council in England, Scotland and Wales.

The tool provides a three-dimensional lens through which to understand council income and spend by category, the outcomes for that spend and the socio-economic context within which a council operates. This enables comparison against others, not only nationally, but in the context of their geographical and statistical neighbours. CFO Insights is an invaluable tool providing focused insight to develop, and the evidence to support, financial decisions.

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We are happy to organise a demonstration of the tool if you want to know more.

Innovation in public financial management

In December 2015 we issued a report, which drew on a survey of almost 300 practitioners worldwide, also includes insights from experts at the International Consortium on Governmental Financial Management (ICGFM) and the Massachusetts Institute of Technology's Centre for Finance and Policy.

The report is the latest in a decade-long series jointly published by Grant Thornton and the ICGFM and it covers four major topics that, globally, will impact on the future of public financial management:

Changing practices. Our research showed that the biggest issue ahead will be finding the political commitment to support more difficult innovations on the agenda – such as increasing public engagement.

The right PPP formula. 90% of respondents felt that substantial investment in infrastructure was required to drive economic growth. In this age of austerity, most governments are also seeking ways to attract outside investment – with the majority using some form of public-private partnership (PPP). Many countries remain inexperienced with such arrangements and the results of

their application have been mixed. There has been little improvement since our 2011 survey, which shows that it takes a long time to develop the requisite skills and experience to make PPPs work.

Transparency with technology. Public financial managers are convinced of the importance of enhancing transparency and most are trying to be innovative in this area. However, most are using outdated digital tools. Fewer than half use social media to enhance openness. Even among the best, most transparency efforts are focussed on releasing data sets than data insights.

The new normal. Public financial management remains weighed down by the effects of the global financial crisis, but respondents also focussed on important developments since 2008, such as the Eurozone problems and the collapse of commodity prices. This suggests that public financial management is having to come to terms with not just the lessons one major financial crisis, but with how governments can live with less over the long term.

Our report, Innovation in public financial management, can be downloaded from our website:

<http://www.grantthornton.global/en/insights/articles/innovation-in-public-financial-management/>

Grant Thornton reports



2016 Transparency Report

Grant Thornton's commitment to quality underpins all that we do and this is reflected in our 2016 Transparency Report.

We have more than 42,000 people in over 130 countries and this report is a public statement of our commitment to provide high-quality services to businesses and organisations operating throughout the world.

It is designed to help clients, audit committees, regulators and the public, who make up our many stakeholders, understand us better.

The report covers the three key aspects of our business, namely:

- Audit and assurance;
- Taxation; and
- Advisory services.

The report provides information on our audit methodology and sets out how we monitor the quality of our work and engage with external regulators.

It also covers our arrangements for governance and management and sets out our most recent financial information.

The report can be downloaded from our website:

www.grantthornton.global/globalassets/1.-member-firms/global/grant-thornton-global-transparency-report-2016.pdf

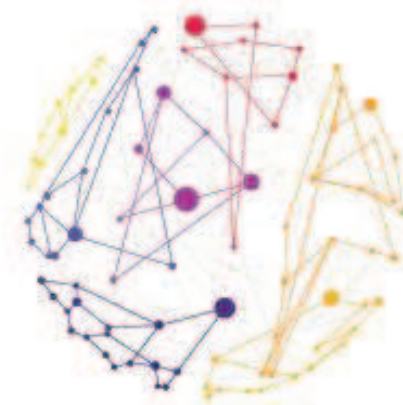
Alternatively, hard copies can be provided by your Engagement Lead or Audit Manager.

Grant Thornton reports



Transparency report 2016

Our commitment to brighter futures





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Agenda Item 11

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Monday 21st March 2016

Is the final decision on the recommendations in this report to be made at this meeting?

Yes

External Auditor's Audit Plan 2015/16

Final Decision-Maker	Audit, Governance & Standards Committee
Lead Head of Service	Head of Finance & Resources
Lead Officer and Report Author	Paul Holland, Senior Finance Manager – Client Accountancy
Classification	Public
Wards affected	N/A

This report makes the following recommendations to this Committee:

1. It is recommended that the Audit, Governance & Standards Committee notes the External Auditor's Audit Plan as attached at **Appendix A**

This report relates to the following corporate priorities:

- Securing a successful economy for Maidstone Borough – delivery of value for money services.

Timetable

Meeting	Date
Audit, Governance & Standards Committee	21 st March 2016

External Auditor's Audit Plan 2015/16

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 To consider the report of the External Auditor on the proposed Audit Plan for 2015/16. Representatives from Grant Thornton UK LLP will be present at the meeting to present their report and answer any questions.

2. INTRODUCTION AND BACKGROUND

- 2.1 The external auditor produces an annual audit plan for the financial statements audit opinion and value for money conclusion. As in previous years this work will be undertaken by Grant Thornton, the appointed auditors. A copy of the plan is attached at **Appendix A**.
- 2.2 The Audit, Governance & Standards Committee is asked to note this report as part of its responsibilities in relation to external audit.

3. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 3.1 The report details the external auditor's plan for ensuring the delivery of the audit opinion and value for money conclusion by the statutory deadline and notes the significant risks identified, the results of the work undertaken to date and the anticipated audit fee. It is considered appropriate for the Committee to receive this information at this time.

4. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	The financial statements audit and value for money conclusion are a mechanism through which accountability and value for money can be demonstrated to the public.	Head of Finance & Resources
Risk Management	The audit plan helps mitigate the risk of failing to meet the statutory deadline for the audit opinion and value for money conclusion.	Head of Finance & Resources
Financial	The anticipated audit fee for 2015/16 is £64,385, which covers the financial statements audit and grant certification	Head of Finance & Resources

	work.	
Staffing	None	[Head of Service]
Legal	None	[Legal Team]
Equality Impact Needs Assessment	None	[Policy & Information Manager]
Environmental/Sustainable Development	None	[Head of Service or Manager]
Community Safety	None	[Head of Service or Manager]
Human Rights Act	None	[Head of Service or Manager]
Procurement	None	[Head of Service & Section 151 Officer]
Asset Management	None	[Head of Service & Manager]

5. REPORT APPENDICES

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

- Appendix A: External Auditor's Audit Plan 2015/16

6. BACKGROUND PAPERS

None

The Audit Plan for Maidstone Borough Council

Year ending 31 March 2016

21 March 2016

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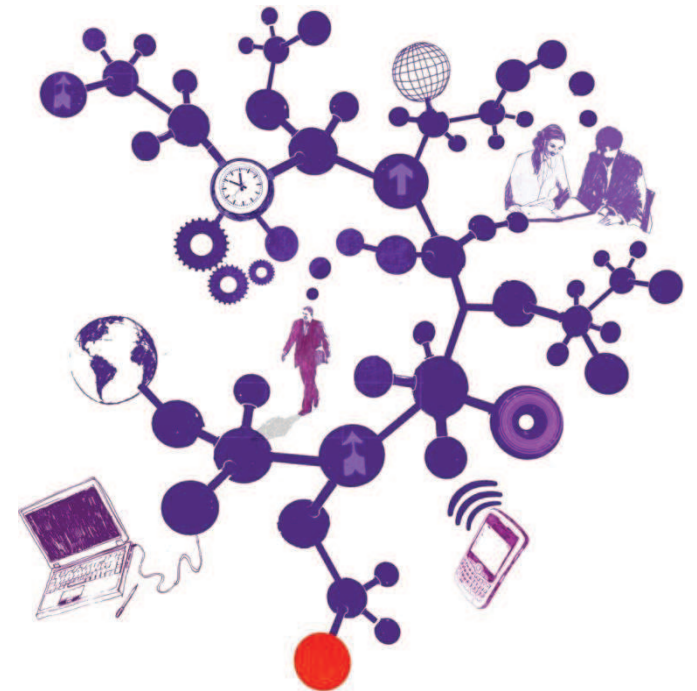
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Audit, Governance and Standards Committee
Maidstone Borough Council
Maidstone House
King St
Maidstone
ME15 6JQ

21 March 2016

Dear Members of the Audit, Governance and Standards Committee

Audit Plan for Maidstone Borough Council for the year ending 31 March 2016

This Audit Plan sets out for the benefit of those charged with governance (in the case of Maidstone Borough Council, the Audit, Governance and Standards Committee), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Council and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with the Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015.

Our responsibilities under the Code are to:

- give an opinion on the Council's financial statements;
- satisfy ourselves the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Yours sincerely

Darren Wells
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Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.

Challenges/opportunities

1. Autumn Statement 2015 and financial health

- The Chancellor proposed that local government would have greater control over its finances, although this was accompanied by a 24% reduction in central government funding to local government over 5 years.
- Despite the increased ownership, the financial health of the sector is likely to become increasingly challenging.
- Whilst the Council is on target to achieve its financial targets for 2015-16, there is a need to identify £6.520m of savings over the next five years within the updated Medium Term Financial Plan.



2. Devolution

- The Autumn Statement 2015 also included proposals to devolve further powers to localities.
- Discussions on the devolution agenda in Kent are at a relatively early stage.



3. Redevelopment Plans

- The Council has a range of significant development schemes in the pipeline for the coming years.
- There will need to be robust decision making made around which schemes to progress to ensure those selected provide the largest benefit to the Council.
- These schemes will also require a considerable level of capital investment and the Council will need to make sure that it has sufficient resources available to deliver these schemes.



4. Earlier closedown of accounts

- The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 May and 31 July respectively by the 2017/18 financial year.



Our response

- We will consider the Council's plans for ensuring its financial sustainability as part of our work to reach our Value for Money (VfM) conclusion.
- This will include consideration of the plans being put in place to identify the level of savings required.

- We will maintain an understanding of any developing plans as part of our work in reaching a VfM conclusion.

- We will review current progress on the significant development schemes as part of our work in reaching our VfM conclusion.
- We will also undertake a review of the Council's capital budgets and financial plans again as part of our work in reaching our VfM conclusion.

- We will work with you to identify areas of your accounts production where you can learn from good practice in other authorities.
- We aim to complete all substantive work in our audit of your financial statements by 31 July 2016 as a 'dry run', giving you a chance to identify any development areas in advance of 2017/18.

Developments and other requirements relevant to your audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

Developments and other requirements

1. Fair value accounting

- A new accounting standard on fair value (IFRS 13) has been adopted and applies for the first time in 2015/16.
- This will have a particular impact on the valuation of surplus assets within property, plant and equipment which are now required to be valued at fair value in line with IFRS 13 rather than the existing use value of the asset. It is anticipated that this will not have a material impact for the Council.
- Investment property assets are required to be carried at fair value as in previous years, but the Council needs to ensure the requirements of IFRS13 are being considered when performing these valuations.
- There are a number of additional disclosure requirements of IFRS 13.

2. Corporate governance

- The Accounts and Audit Regulations 2015 require local authorities to produce a Narrative Statement, which reports on your financial performance and use of resources in the year, and replaces the explanatory foreword.
- You are required to produce an Annual Governance Statement (AGS) as part of your financial statements.

3. Highways Network Assets

- Although you are not required to include Highways Network Assets until 2016/17, we anticipate this will not have a significant change to your financial statements as per the CIPFA guidance.
- However the Council needs to confirm it is satisfied it falls outside the scope of the updated guidance.

4. Other requirements

- The Council is required to submit a Whole of Government accounts pack on which we provide an auditor's report.
- The Council completes a housing benefit subsidy claim upon which audit certification is required

Our response

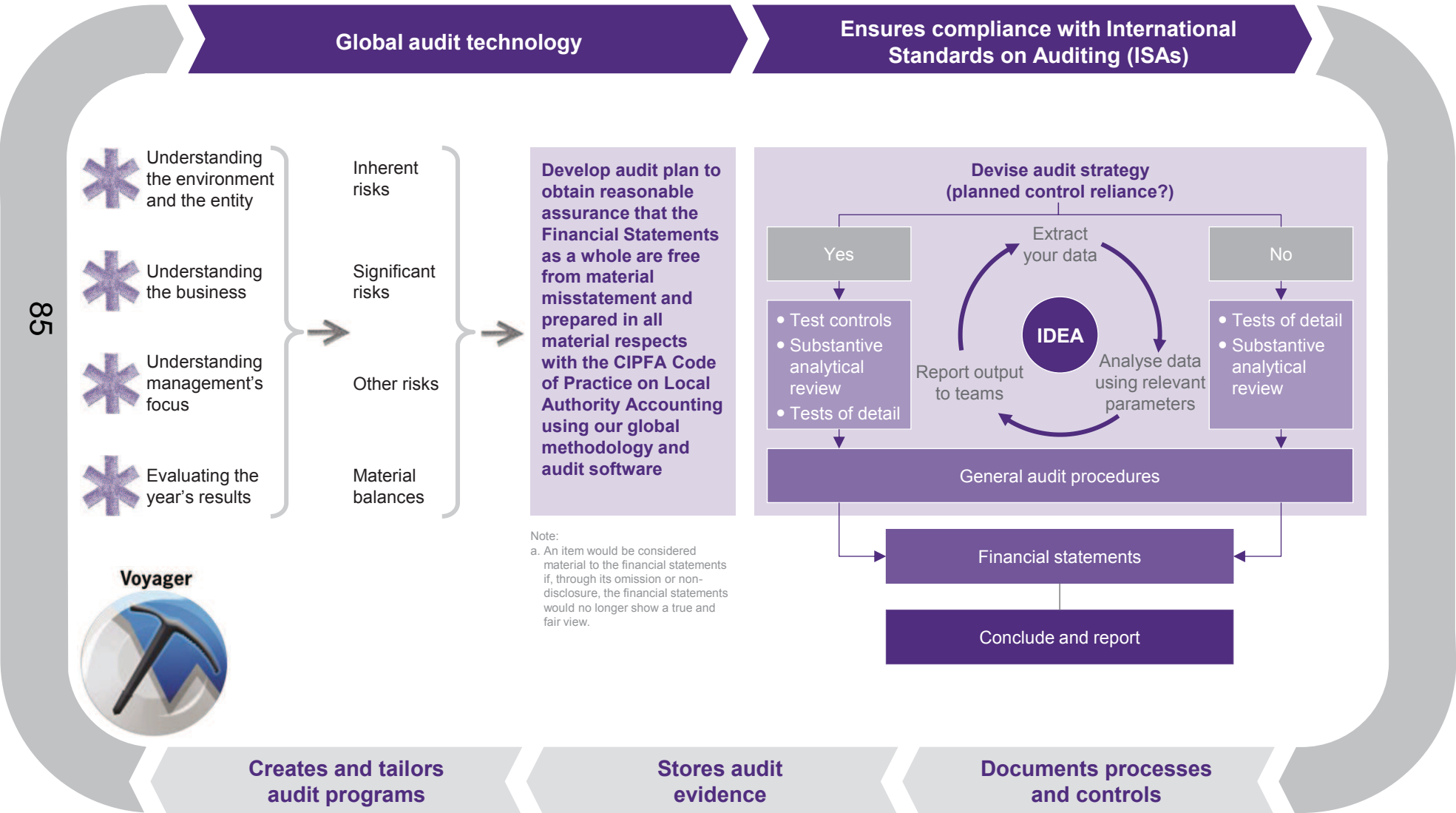
- We will keep the Council informed of changes to the financial reporting requirements for 2015/16 through ongoing discussions and invitations to our technical update workshops.
- We will discuss this with you at an early stage, including reviewing the basis of valuation of your surplus assets and investment property assets to ensure they are valued on the correct basis.
- We will review your draft financial statements to ensure you have complied with the disclosure requirements of IFRS 13.

- We will review your Narrative Statement to ensure it reflects the requirements of the CIPFA Code of Practice when this is updated, and make recommendations for improvement.
- We will review your arrangements for producing the AGS and consider whether it is consistent with our knowledge of the Council and the requirements of CIPFA guidance.

- We will consider the Council's assessment against the updated guidance, and if appropriate, discuss your plans for valuation of these assets at an early stage to gain an understanding of your approach and suggest areas for improvement.

- We will carry out work on the WGA pack in accordance with requirements
- We will certify the housing benefit subsidy claim in accordance with the requirements specified by Public Sector Audit Appointments Ltd.

Our audit approach



Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit.

The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As is usual in public sector entities, we have determined materiality for the statements as a whole as a proportion of the gross revenue expenditure of the Council. For purposes of planning the audit we have determined overall materiality to be £1,794k (being 2% of the prior year gross revenue expenditure). We will consider whether this level is appropriate during the course of the audit and will advise you if we revise this.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £89.7k.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'. For the Council we have determined that cash warrants a lower level of materiality due to its sensitive nature and have set materiality for this area at £500k.

Significant risks identified

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315). In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing - ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
<div>87</div> The revenue cycle includes fraudulent transactions	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Maidstone Borough Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Maidstone Borough Council, mean that all forms of fraud are seen as unacceptable.
Management over-ride of controls	Under ISA 240 it is presumed that the risk of management over-ride of controls is present in all entities.	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Review of the basis of accounting estimates, judgments and decisions made by management in previous years to assess if there are risks for the current year. <p>Further work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management at year end • Testing of journal entries • Review of the journals control environment • Review of any unusual significant transactions.

Other risks identified

"The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures"(ISA (UK & Ireland) 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit approach
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	Work completed to date: <ul style="list-style-type: none">• Walkthrough of operating expenses system, updating our understanding. Further work planned: <ul style="list-style-type: none">• Substantive testing of expenditure covering the whole of 2015-16• Test creditor payments, including accruals, for completeness, classification and occurrence• Review of control account reconciliations• Cut-off testing• Review of allocating/apportioning expenses.
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	Work completed to date: <ul style="list-style-type: none">• Identification and walkthrough of controls on the payroll system. Further work planned: <ul style="list-style-type: none">• Reconcile employee remuneration per the payroll system to the general ledger.• Perform substantive testing of employee expenses.• Perform trend analysis of movements in total employee costs and follow up testing on unexpected movements.• For the pension fund liability recognised in the accounts, review the basis of the scheme, evaluate the work performed by the scheme actuary and test the basis on which the liability is recognised in the financial statements.

Other risks identified (continued)

Other risks	Description	Audit approach
Valuation of pension fund net liability	The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.	<p>Work planned:</p> <ul style="list-style-type: none"> Identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. Review the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out. Undertake procedures to confirm the reasonableness of the actuarial assumptions made. Review the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. Test the data provided to the actuary.

Other risks identified (continued)

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous section but will include

- Heritage assets
- Assets held for sale
- Cash and cash equivalents
- Borrowing and other liabilities (long term and short term)
- Provisions
- Usable and unusable reserves
- Movement in Reserves Statement and associated notes
- Statement of cash flows and associated notes
- Taxation and non-specific grants
- Officers' remuneration note
- Leases note
- Related party transactions note
- Capital expenditure and capital financing note
- Financial instruments note
- Housing Revenue Account and associated notes
- Collection Fund and associated notes
- Funds held on trust note

Other audit responsibilities

- We will undertake work to satisfy ourselves that disclosures made in the Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge of the Council.
- We will read the Narrative Statement and check that it is consistent with the statements on which we give an opinion and disclosures are in line with the requirements of the CIPFA Code of Practice.
- We will carry out work on consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We will give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts

Value for Money

Background

The Local Audit & Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') require us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The National Audit Office (NAO) issued its guidance for auditors on value for money work in November 2015.

The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

This is supported by three sub-criteria as set out below:

Sub-criteria	Detail
Informed decision making	<ul style="list-style-type: none">• Acting in the public interest, through demonstrating and applying the principles and values of good governance• Understanding and using appropriate cost and performance information to support informed decision making and performance management• Reliable and timely financial reporting that supports the delivery of strategic priorities• Managing risks effectively and maintaining a sound system of internal control.
Sustainable resource deployment	<ul style="list-style-type: none">• Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions• Managing assets effectively to support the delivery of strategic priorities• Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	<ul style="list-style-type: none">• Working with third parties effectively to deliver strategic priorities• Commissioning services effectively to support the delivery of strategic priorities• Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for Money (continued)

Risk assessment

We shall carry out an initial risk assessment based on the NAO's guidance. In our initial risk assessment, we will consider :

- our cumulative knowledge of you, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements.
- the findings of other inspectorates and review agencies.
- any illustrative significant risks identified and communicated by the NAO in its Supporting Information.
- any other evidence which we consider necessary to conclude on your arrangements.

Following the completion of this risk assessment, we will issue a separate planning document setting out our planned work for 2015/16 to meet our duties in respect of the VfM conclusion. This will include any significant risks identified, along with details of the work we plan to carry out to address these risks.

Reporting

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and in the Annual Audit Letter.

We will include our conclusion as part of our report on your financial statements which we will give by 30 September 2016.

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

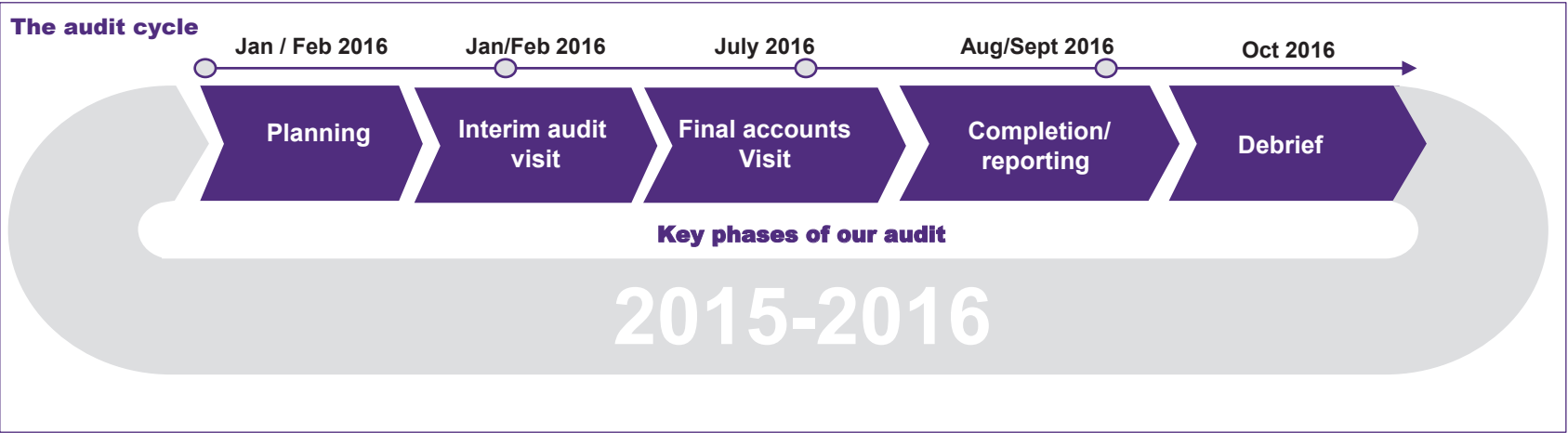
	Work performed	Conclusion
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We have also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Walkthrough testing 93	<p>We have completed walkthrough tests of the Council's controls operating in areas where we consider there is a risk of material misstatement to the financial statements. These include the following; operating expenditure, employee remuneration and welfare benefits.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements</p>

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusion
Review of information technology controls	<p>We performed a high level review of the general IT control environment, as part of the overall review of the internal controls system.</p> <p>IT (information technology) controls were observed to have been implemented in accordance with our documented understanding.</p>	Our work has not identified any material weaknesses which are likely to adversely impact on the Council's financial statements.
Work to be started during early testing commencing 21st March 94	<p>The areas we aim to start work on are as follow;</p> <ol style="list-style-type: none"> 1) Employee Remuneration 2) Expenditure 3) Property Plant And Equipment (including opening balances, additions and disposals) 4) Journals 5) National Non-Domestic Rates – appeals provision methodology and arrangements for pooling 6) Related Party Transactions 7) The management process for Material estimates, provisions and accruals. 8) Review of accounting policies 9) Grants and precept demands 10) Housing benefits module 2 11) Review of any new leases 	We will update the Council on the progress of this work at the Audit, Governance and Standards Committee meeting in July.

Key dates



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Date	Activity
January / February 2016	Planning and interim audit visit
w/c 21 March 2016	Early Testing Visit
21 March 2016	Presentation of audit plan to the Audit, Governance and Standards Committee
July 2016	Year end fieldwork
August / September 2016 (TBC)	Audit findings clearance meeting with Director of Finance
September 2016 (TBC)	Report audit findings to those charged with governance (Audit, Governance and Standards Committee)
By 30 September 2016	Sign financial statements opinion

Fees and independence

Fees

	£
Council audit	50,475
Grant certification	13,910
Total audit fees (excluding VAT)	64,385

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list.
- The scope of the audit, and the Council and its activities, have not changed significantly.
- The Council will make available management and accounting staff to help us locate information and to provide explanations.
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited
- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Fees for other services

Service	Fees £
Risk and Opportunity Development Workshop	5,462

Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings Report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (UK & Ireland) (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings Report will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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