

MAIDSTONE BOROUGH COUNCIL

AUDIT COMMITTEE

26 JANUARY 2015

REPORT OF HEAD OF AUDIT PARTNERSHIP

Report prepared by Russell Heppleston – Audit Manager

1. INTERIM - INTERNAL AUDIT REPORT 2014/15

1.1 Issue for Decision

- 1.1.1 The report provides an update to the Committee on work conducted by the Internal Audit service up to December 2014. In addition, the report provides updates on work conducted by the team, and highlights the impact of our work through assessment of management's work in implementing agreed audit recommendations.

1.2 Recommendation of the Head of Audit Partnership

- 1.2.1 That the Audit Committee **notes** the results of the work of the Internal Audit team as shown in the attached report.
- 1.2.2 That the Audit Committee **notes** the revised operational audit plan for the remaining year, as outlined in the attached report.

1.3 Reasons for Recommendation

- 1.3.1 Internal Audit is a statutory service under the Accounts & Audit Regulations 2011. The principle objective of Internal Audit is to examine and evaluate the adequacy of the Council's systems of internal controls, risk management and corporate governance.
- 1.3.2 As those charged with overseeing Governance, the Terms of Reference for the Audit Committee require it to 'review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary'. In order for the Committee to fulfil its duties regular updates are provided to the Committee on the performance and effectiveness of the Internal Audit Service.

1.4 Alternative Action and why not Recommended

- 1.4.1 The role of the Audit Committee includes the consideration of risk, controls and governance across the whole Council, in accordance with its terms of reference. Therefore, the Committee needs to have an awareness of the work

conducted by Internal Audit, in order to adequately fulfil its duties. We recommend no alternative course of action.

1.5 Impact on Corporate Objectives

1.5.1 The role of the Audit Committee includes the consideration of risk, controls and governance across the whole Council. Having an effective Audit Committee therefore has an impact across all of the Council’s Corporate Objectives.

1.6 Risk Management

1.6.1 Internal Audit seeks to establish and evaluate the controls that Management have put in place to manage risks.

1.7 Other Implications

1.7.1 None directly

1.	Financial	
2.	Staffing	
3.	Legal	
4.	Equality Impact Needs Assessment	
5.	Environmental/Sustainable Development	
6.	Community Safety	
7.	Human Rights Act	
8.	Procurement	
9.	Asset Management	

1.8 Relevant Documents

1.8.1 Appendices

1.8.1.1 Interim Internal Audit Report (April – December 2014)

1.8.2 Background Documents

1.8.2.1 None

IS THIS A KEY DECISION REPORT?

THIS BOX MUST BE COMPLETED

Yes

NO

No

If yes, this is a Key Decision because:

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Wards/Parishes affected:

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Interim Internal Audit Report

April 2014 – December 2014

Maidstone



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 2011 that require the Council to undertake an adequate and effective internal audit of its accounting records and its systems of internal control in accordance with the 'proper practices'. From 1 April 2013 the 'proper practices' are the Public Sector Internal Audit Standards (PSIAS) that replaced the Code of Practice for Internal Audit in Local Government in the UK.
3. The Head of Audit Partnership must provide an annual opinion on the overall adequacy and effectiveness of the Council's framework of control, governance and risk. The opinion takes into consideration:
 - 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. This report provides an update to the Committee across all three areas covered in the opinion and the performance of the Internal Audit service for the first half of the year. In addition, the report provides updates on work conducted by the team, and highlights the impact of our work through assessment of management's work in implementing agreed audit recommendations.

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

Internal Control

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.
6. We obtain audit evidence to support the Head of Audit opinion on internal control principally through completing the reviews set out within our agreed audit plan, approved by this Committee in March 2014.

Audit Plan Progress

7. The table below highlights progress against the audit plan by quarter up to December 2014. Since the plan was agreed in March 2014 there have been a number of revisions to the scheduling of audit projects over each quarter. The table below provides a summarised update of progress against the audit plan. (The audit plan is attached in Appendix II):

December 2014/15		Audit Plan*			Status		
Authority	Quarter work planned to begin	Planned Audits	Revised		Completed	Work in Progress	Not Started
Maidstone	Q1	9	7		7	0	0
Maidstone	Q2	9	6		5	1	0
Maidstone	Q3	8	9		1	7	1
Maidstone	Q4	8	6		0	0	6
Total Assurance Projects		34	28		13	8	7

* See Appendix II

8. At the half yearly position the team have completed 13 audit projects, of which 7 include a full assessment and assurance rating. We have 8 projects in progress that we expect to complete by the end of the quarter. The remaining projects (7) fall due towards the end of the year and will be scheduled as appropriate.
9. Our audit plan must remain a flexible, reactive document capable of adaptation to the changing risks the Council faces as its needs and priorities develop. This year is no exception, and as a result there have been a small number of changes agreed with officers to the audit plan as presented to this Committee in March 2014. We detail these changes in appendix II.

Audit Review Findings to Date: Assurance Rated Reports

10. We have completed seven projects that included an assessment and assurance rating. An extract from each report, supporting the conclusion of the audit, is included below. We are pleased to report that officers have accepted our audit findings, and have set target dates for implementing the recommendations. We will follow up that implementation as the recommendations fall due over the coming months.

	Head of Service	Title	Assurance Rating
1	Head of Finance & Resources	Business Rates Retention (Risk)	STRONG
2	Head of ICT Shared Service	Compliance with Computer Use	SOUND
3	Head of Finance & Resources	VAT Management	SOUND
4	Head of Policy & Communications	Members' Allowances	SOUND
5	Head of Finance & Resources	Bank Reconciliation	SOUND
6	Head of Policy & Communications	Communications: Social Networking	SOUND
7	Head of Planning & Development	Emergency Planning	WEAK

Business Rates Retention (Risk)

11. We conclude based on our audit work that there are **STRONG** controls in place for the successful management of the risks associated with the Business Rates Retention Scheme.
12. The Council has identified and assessed the risks associated with the business rates retention scheme within its Medium Term Financial Strategy. Our testing confirmed that adequate actions exist to mitigate these risks though the current controls are not formally documented or assigned. The Council has sought to identify opportunities to maximise income through the scheme, analysing and approving appropriately where taken forward for implementation. The Council successfully manages and monitors its involvement in the Mid Kent Pool as part of the overall business rates retention scheme. The Council has additional resilience with regards to operating the scheme through the operation of the shared service.

Compliance with Computer Use Policy (ICT)

13. We conclude based on our audit work that there are **SOUND** controls in place to ensure the Council operates in compliance with its Computer Use Policy (the Policy).
14. Our work establishes the Policy is widely available and effectively incorporated within induction. Staff demonstrate a good awareness of the Policy both in their knowledge and day to day ICT use. The Policy is comprehensive, covering a range of ICT activity from purchase and disposal of hardware, guidance on software use and controls to monitor and inhibit unauthorised activity and connections. This is notable also because a shared Policy will soon be implemented across MKIP. However, we identified weaknesses for the Council to address in how it tracks hardware assets from purchase onto the asset register and ultimately to disposal.

VAT Management

15. We conclude based on our audit work that there are **SOUND** controls in place for the successful management of VAT returns in compliance with VAT legislation and the procedures adopted by HMRC.
16. Our work established that officers responsible for administering VAT have appropriate experience and knowledge to provide advice and support. Our testing also confirmed that input and output VAT is accurately accounted and allocated within the finance system. The Council prepares accurate and well evidenced VAT returns submitted each month in line with HMRC procedures. We did however identify that the Council does not currently monitor its partial exemption position in year. The Council was close to its exemption limit in 2012/13 (4.92% against a 5% limit), so a relatively small unexpected change in position could result in having to make repayments.

Members' Allowances

17. We conclude based on our audit work that the Council has **SOUND** controls in place over the management and administration of the Members' Allowances Scheme.
18. The Council's Members' Allowances Scheme fully complies with Regulations. Allowances and expenses paid to Members are paid in accordance with the Scheme and the Council's Financial Regulations. However, the total allowances paid for 2013/14 have not been correctly reported on the Council's website and the Members Allowance Scheme does not currently include the allowances paid to the Mayor and Deputy Mayor.

Bank Reconciliation

19. We conclude based on our audit work that there are **SOUND** controls in place over the reconciliation processes for the Councils bank account.
20. We established that the Council conducts its bank reconciliations in compliance with its Financial Procedure Rules. We did identify some minor weaknesses on clearing suspense accounts, particularly the timeliness and level of retained evidence.

Communications: Social Networking

21. We conclude based on our audit work that there are **SOUND** controls in place over the management and use of the Council's external and internal communications through the use of social media.
22. The Council has a clear Social Media Policy with controls to ensure content is reviewed before publishing. The Council is making good use of its social media presence, particularly during emergency events. We did however identify some areas for improvement to ensure that the controls in the policy reflect how the controls work in practice.

Emergency Planning

23. We conclude based on our audit work that emergency planning has **WEAK** controls to mitigate its risks and achieve its objectives.
24. Our review satisfies us that the Council is capable of responding to emergency events, not least because of the substantial capabilities and dedication of its staff as demonstrated in the floods last winter. However, there are significant weaknesses in the underlying plans and processes which leave the Council potentially vulnerable in being able to deal effectively with larger or more sustained events and leave it disproportionately reliant on staff goodwill to deliver its Major Emergency Plan. These weaknesses include a Plan that does not fully comply with legal requirements, uncertainty on the role of staff working in partnership and a potential lack of resources – including unfilled staff posts. In addition, we identified that the Council has no asset register for emergency supplies, as well as gaps in the security and re-stocking of the assets it holds.
25. Since we completed our review the service has continued to address our findings and work towards implementing the recommendations. None of the recommendations had implementation dates before 31 December 2014 and so we will begin our work reviewing the service in January 2015 and onwards as the actions fall due. However, an interim report from the service is encouraging and documents actions such as establishing a cross-partner dialogue and revising elements of the major emergency plan to align with legal requirements. We will report in full on the follow up of recommendations, and any potential revision to the assurance rating, in our year-end report to Members.

Audit Review Findings to Date: Non-Assurance Rated Reports

26. In addition we have completed six projects from the audit plan that have not been assigned an assurance rating. These projects have been delivered as agreed within the audit plan, but the scope of the projects have been to either support the Council more broadly, or support the further advancement and delivery of the Internal Audit service.

No.	Title	Type of work	Conclusion / Output
1	Business Assurance Mapping	Internal Project	The assurance map will be used to assist in creation of the Internal Audit strategic plan. It highlights the various forms of assurance received by the Council, which are in addition to Internal Audit. For instance, regulators and accreditations.
2	Teammate Development: Team Central	Internal Audit Service	Implementation of the internal audit recommendation tracking and reporting software to support the facilitation and management of the follow-up process.
3	Individual Electoral Registration: Data Matching	Special Project	Data matching of the electoral register with DWP to reduce the number of errors and invalid returns in the run up to the introduction of IER. Approx. 4,000 matches were reported.
4	Investigation Liaison Protocol	Procedure	Please see the Corporate Governance section of the report.
5	Fraud Risk Review	Compliance	Please see the Corporate Governance section of the report.
6	National Fraud Initiative	Data Matching	Please see the Corporate Governance section of the report.

Follow-up of Internal Audit Recommendations

27. In July 2014 the Audit Committee were asked to agree a revised process for the follow up of audit recommendations. Work has been on-going throughout the first half of the year to systematically follow-up on all audit recommendations that fell due by the 30 September 2014. The table below sets out our findings from that review:

Project	Agreed Actions	Actions Falling Due by 30/09/14	Actions Completed	Outstanding Actions past due date	Actions Not Yet Due
Public Sector Equalities Duty	15	14	14	0	1
Freedom of Information	5	3	3	0	2
Car Park Income & Season Tickets	3	1	1	0	2
Commercial Waste	8	8	8	0	0
Waste Collection Payment Processes	2	3	2	1	0
Treasury Management	5	3	3	0	2
Housing Options	4	2	1	1	1
VAT Management	2	1	1	0	1
Business Rates Retention Scheme (Risk)	3	2	0	2	1
Project Management Framework	14	12	12	0	2
CCTV	10	6	1	5	4
Museum Collections	13	9	9	0	4
Community Safety Grants	2	2	2	0	0
Food Safety (Commercial)	12	8	8	0	4
Accounts Receivable	5	5	5	0	0
General Ledger Feeder Systems & Journals	3	1	1	0	2
Property Income	6	2	0	2	4
Housing Grants	2	1	1	0	1
Mid Kent Legal Services	6	6	6	0	0
Mid Kent ICT - PC Internet Controls	18	2	2	0	16
Mid Kent HR - Recruitment	8	6	6	0	2
TOTAL	146	97	86	11	49
			89%		

Summary of Findings

28. Of the 21 audit projects that have been followed-up three originally received an adverse assurance rating of **limited**:
- Freedom of Information
 - Museum Collections
 - Housing Options
29. Each service has worked hard to address the issues raised in the audit, and has implemented the majority of recommendations falling due by the 30 September 2014. We have re-tested where appropriate and conclude that the controls for Freedom of Information and Museum Collection now provide a **substantial** level of assurance. As this review was conducted using the 2013/14 assurance ratings, we have for continuity, re-assessed the level of assurance as per the previous levels.
30. The remaining audit recommendations for Housing Options are not yet due, but we will follow them up later in the year and consider a re-assessment as appropriate.
31. Of the 96 recommendations falling due the Council has fully implemented 86 (89%). There are 11 actions which were outstanding at the time of reporting and the relevant Directors are putting in place actions to follow up progress.
32. The Council has successfully implemented all high priority recommendations which were due before 30 September 2014.
33. This is a highly creditable achievement and demonstrates audit and services working closely together to help improve the way the Council conducts its business.
34. We will follow up actions due after 30 September, including those arising as we complete our 2014/15 audit plan, later in the year. We will provide a final position to Members as part of our Annual Review in June 2015.

Corporate Governance

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

36. We obtain audit evidence to support the Head of Audit Opinion through completion of relevant reviews in the audit plan, as well as specific roles on key project and management groups. We also consider matters brought to our attention by Members or staff through whistleblowing and the Council's counter fraud and corruption arrangements.

37. We attend the following corporate groups:

- Corporate governance group
- Information governance group

38. We have also provided, and continue to provide, appropriate project assurance to the following ongoing enterprises within the Council:

- Cashless Pay & Display
- Energy generation
- Commercialisation strategy
- Rent Accounting System

39. We also prepared a response alongside partners on behalf of the four authorities to the CLG consultation on secondary legislation following on from the Local Audit and Accountability Act 2014. The consultation covered areas such as:

- Applying the legislation to smaller authorities (such as parishes),
- Arrangements for allowing collective procurement including the rules around using a 'specified person' to arrange and monitor audit provision,
- Timetable for accounts publication including bringing the publication date forward from 30 September to 31 July, Rights of access for local authority electors, including harmonising a single inspection window and
- Transparency Code for smaller bodies.

40. Our response to the consultation made the following main points:

- Any change to the date of the sign off accounts must balance the benefits against the costs. In a continuing time of financial restraint in the public sector, it is timely to consider the complexity of accounts while proposing earlier closedown. Reduced timescales are difficult but achievable, however will require assistance from CIPFA to stem and turn back the growth of local authority financial statements.
- The Regulations will need to ensure authorities are sufficiently informed to take the irrevocable opt-in/out decision [to allow a specified individual to select an

auditor and audit fee on its behalf], including setting out clearly how a specified person will manage and control its costs.

- We feel there is no pressing need to alter current public inspection arrangements, save the moves to online advertisement and streamlining to remove auditor involvement.
- The present publication of expenditure by local authorities is working well and enforcing through regulation will risk disrupting an effective process.
- We welcome general moves towards increasing 'online default' in information publishing.

41. The Government has now responded to the consultation, making minor changes to the proposals but retaining the key intentions of supporting large-scale joint procurement and bringing forward the date by which the audited accounts must be approved from 30 September to 31 July.
42. We were also commissioned by the three MKIP Chief Executives (Maidstone, Tunbridge Wells and Swale) to complete a project review examining implementation of the Planning Support shared service. This review was reported separately to the MKIP Board on 10 December with a summary report to Overview & Scrutiny Task & Finish Group on 8 December.

Counter Fraud & Corruption

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

Investigations

44. During the period covered by this report there have been no matters raised with us that required investigation.

Whistle-blowing

45. The Council's whistleblowing policy nominates internal audit as one route through which Members and officers can safely raise concerns on inappropriate or even criminal behaviour. During 2014/15 so far we have received no such declarations.

Investigation Liaison Protocol

46. In July we established a joint protocol with colleagues in Human Resources setting out roles and responsibilities in the event of matters arising that might require joint or parallel investigations. The purpose of the protocol is to ensure that in the event of an investigation we work seamlessly to ensure that the right outcomes are achieved for the Council. Although no such matters have arisen at Maidstone Borough Council we have seen the protocol working effectively to assist investigations undertaken elsewhere in the audit partnership.

Fraud Risk Review

47. As directed within our audit plan we undertook a fraud risk review of the Council's arrangements for tackling corporate fraud and corruption. We assessed against the CIPFA Counter Fraud Code published in October 2014 (though available in draft since July).
48. Our review concluded that the Council is currently not in a position to make a 'compliant' declaration in its 2014/15 Annual Governance Statement. We will be working with the Council for the remainder of the year to improve the Counter Fraud arrangements, and strengthen the position to achieve adherence with the Code.

National Fraud Initiative

49. We have continued as co-ordinator of the Council's response to the National Fraud Initiative (NFI). NFI is a statutory data matching exercise, and we are required by law to submit various forms of data, securely, to the Audit Commission. Members may wish to note that the NFI regime will survive the end of the Audit Commission in March 2015 as it will become part of the Cabinet Office's responsibilities.
50. The 2014/15 NFI exercise includes the following services:
 - Creditors
 - Payroll
 - Housing Benefits
 - Licensing
 - Parking
 - Insurance
51. The Audit Commission will release matches in January 2015 for investigation. We will report any outcomes in the annual audit report to the Audit Committee later in the year.

Audit Commission Fraud Survey 2014

52. We coordinate and complete the survey and submit the information to the Audit Commission in May each year. There were no issues of concern reported. The results of the survey form part of the Audit Commission's annual publication "Protecting the Public Purse".

Attempted Frauds

53. So far this year we have helped to investigate a number of attempted frauds across the partner sites, though none with Maidstone BC as intended victim. Following on from these investigations though, we have provided guidance and support across the partnership sites to raise awareness and help prepare officers on how to identify and respond so these threats should they occur.

54. Recent attempts include:

- A fraudulent e-mail purporting to be from the Chief Executive was sent to the Finance department requesting a payment be made. The Council's robust financial procedures meant that the request went no further, and through the diligence of officers was highlighted immediately. IT department traced the original email address and a notification was sent to officers to remain diligent.
- Phoney requests to change bank details of suppliers – Councils have received a number of requests to change bank details. These are an increasingly common means of attempting fraud; seeking to misdirect a council in routing a payment to the fraudster's account rather than to the genuine supplier. The controls in place over the changing supplier bank details are strong, and officers independently verify any requests to change standing data. An all staff message was sent out across the Council to reinforce the needs for strong financial controls, and to thank the officers for identifying and dealing with the attempted fraud so quickly and effectively.

Risk Management

55. Risk management is the process of identifying, quantifying and managing the risks that the Council faces in attempting to achieve its objectives.
56. We obtain audit evidence to support the Head of Audit Opinion through completion of our audit plan plus continuing monitoring of and contribution to the Council's risk management processes.
57. The Council currently has 6 strategic risks in the following themes:
 - Effective Transport
 - Skills for Employment
 - Affordable Housing
 - Clean Environment
 - Reduce Deprivation
 - Value for Money
58. At present, the Council plans to revisit and update its strategic risks in 2015/16, following on from resetting its corporate priorities.
59. More widely we are currently working with the Council to help improve the overall process and clarify the role of the audit service in assisting the Council's risk management. As part of this work, we will work with members and officers to develop a new risk management policy and strategy that will better guide the Council prior to reviewing and refreshing its strategic risks as well as providing clearer management for key operational risks.
60. We will update the Committee as this work progresses.

Mid Kent Audit Service Update

61. During September we agreed a refreshed collaboration agreement between the four Mid Kent Audit authority partners (Maidstone, Swale, Ashford and Tunbridge Wells). All four partners have re-affirmed their commitment to the partnership, and secured the arrangements for the next four and half years. The review and refresh of the collaboration agreement enabled the following improvements:
- Transfer of officers to one single employee (Maidstone).
 - Creation of a single shared budget – bringing with it greater opportunity for investment in training and development.
 - Re-affirming the role Internal Audit has on counter fraud and risk management.
 - A commitment to data sharing between the Councils; allowing us to more clearly highlight and report learning and good practice.
62. In June we advertised a secondment opportunity across all 4 authorities, and were able to successfully appoint into the role an officer from the Maidstone Finance team. This was the first time that such an opportunity had been offered, and has been a great experience for us. The service has benefited greatly by having an experienced professional from within the Council, and the individual has been able to develop internal audit skills and insight that would not have otherwise been possible.
63. Looking forward, we aim to continue to grow the service by reinstating the career grade position dormant for more than five years. This will allow us to develop an individual within the team through to a professional qualification.
64. Three members of the team are currently studying towards professional internal audit qualifications with the Institute of Internal Auditors. We are pleased to report a 100% success rate within the team on IIA exams in 2014/15 and hope to build on that during 2015/16, looking to end that year with more than half the team holding a professional qualification. Also we have a member of the team studying towards the Certificate in International Risk Management that will give us more specialised knowledge and expertise.
65. The successful completion of professional studies for the team will mean that Mid Kent audit will hold qualifications in the following areas:
- Internal Audit
 - Finance
 - Counter fraud and investigation
 - Risk Management
66. Both the Head of the Partnership and Maidstone Audit Manager are grateful for the continuing efforts of the audit team who have worked extremely hard over the last nine months during a period of significant change and transition. The achievements and improvements in service standards would not have been possible without their continued commitment, determination and highest levels of professionalism.

Performance

67. Aside from the progress against our audit plan we also report against a number of specific performance measures designed to monitor the quality of service we deliver to partner authorities. The Audit Board (with David Edwards as Maidstone's representative) considers these measures at each of its quarterly meetings, and also consolidated into reports submitted to the MKIP Board (which includes the Council's Chief Executive and Leader).
68. Below is an extract of the most recent such performance report. We have withheld only one measure from publication – cost per audit day – as it is potentially commercially sensitive in the event of the Partnership seeking to sell its services to the market. We would be happy, however, to discuss with Members separately on request.
69. Note that most figures are for performance across the Partnership. Given how closely we work together as one team, as well as the fact we examine services shared across authorities, it is not practical to present authority by authority data.

Measure	Outturn @ 6m	Outturn @9m	Target & Commentary
Customer satisfaction overall	100%	100%	Based on customer satisfaction survey circulated with each completed audit project.
Customer satisfaction with audit conduct	100%	100%	Based on customer satisfaction survey.
Customer satisfaction with auditor skills	100%	100%	Based on customer satisfaction survey
Chargeable days	72%	75%	Based on the proportion of available days spend on productive work rather than administration, training and so on. General target in local government audit is 70%.
Audits completed on time	36%	41%	Proportion of individual reviews completed according to timescales agreed at the outset of the audit. This is a new practice introduced in 2014/15 and forecasts have not taken adequate account of barriers such as staff availability, but we are developing more flexible approaches in response.
Audits completed on budget	41%	47%	Proportion of individual audit reviews completed within an agreed days budget as set out in the audit plan. This has been impacted by a move to comprehensive time recording which means manager time features in the outturn but not in the budget, but still represents an improvement on the equivalent 2013/14 figure (18%).
Draft report timeliness	12 days (median)	10 days (median)	Our target is to provide a draft report within 10 working days of completing fieldwork. This is a new target and drafts are a new part of the reporting process which is still becoming established.
Final report timeliness	5 days (median)	4 days (median)	Our target is to provide a final report within 5 working days of the closing meeting to agree recommendations.
Conformance to Public Sector Internal Audit Standards	50/56	50/56	As per report to Members in March 2014. We will be re-assessed by the Institute of Internal Auditors in early 2015 but are currently on track to achieve their recommendations before the end of 2014.
Recommendations implemented on time	n/a	89%	As reported elsewhere in this update.

Acknowledgements:

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

Appendix I: Assurance & Priority level definitions

Assurance Ratings 2014/15

<p>Strong – Controls within the service are well designed and operating as intended, exposing the service to no uncontrolled risk. There will also often be elements of good practice or value for money efficiencies which may be instructive to other authorities. Reports with this rating will have few, if any; recommendations and those will generally be priority 4.</p>	<p>Sound – Controls within the service are generally well designed and operated but there are some opportunities for improvement, particularly with regard to efficiency or to address less significant uncontrolled operational risks. Reports with this rating will have some priority 3 and 4 recommendations, and occasionally priority 2 recommendations where they do not speak to core elements of the service.</p>	<p>Effective Service</p>
<p>Weak – Controls within the service have deficiencies in their design and/or operation that leave it exposed to uncontrolled operational risk and/or failure to achieve key service aims. Reports with this rating will have mainly priority 2 and 3 recommendations which will often describe weaknesses with core elements of the service.</p>	<p>Poor – Controls within the service are deficient to the extent that the service is exposed to actual failure or significant risk and these failures and risks are likely to affect the Council as a whole. Reports with this rating will have priority 1 and/or a range of priority 2 recommendations which, taken together, will or are preventing from achieving its core objectives.</p>	<p>Ineffective Service</p>

Recommendation Ratings 2014/15

Priority 1 (Critical) – To address a finding which affects (negatively) the risk rating assigned to a Council strategic risk or seriously impairs its ability to achieve a key priority. Priority 1 recommendations are likely to require immediate remedial action. Priority 1 recommendations also describe actions the authority **must** take without delay.

Priority 2 (High) – To address a finding which impacts a strategic risk or key priority, which makes achievement of the Council's aims more challenging but not necessarily cause severe impediment. This would also normally be the priority assigned to recommendations that address a finding that the Council is in (actual or potential) breach of a legal responsibility, unless the consequences of non-compliance are severe. Priority 2 recommendations are likely to require remedial action at the next available opportunity, or as soon as is practical. Priority 2 recommendations also describe actions the authority **must** take.

Priority 3 (Medium) – To address a finding where the Council is in (actual or potential) breach of its own policy or a less prominent legal responsibility but does not impact directly on a strategic risk or key priority. There will often be mitigating controls that, at least to some extent, limit impact. Priority 3 recommendations are likely to require remedial action within six months to a year. Priority 3 recommendations describe actions the authority **should** take.

Priority 4 (Low) – To address a finding where the Council is in (actual or potential) breach of its own policy but no legal responsibility and where there is trivial, if any, impact on strategic risks or key priorities. There will usually be mitigating controls to limit impact. Priority 4 recommendations are likely to require remedial action within the year. Priority 4 recommendations generally describe actions the authority **could** take.

Advisory – We will include in the report notes drawn from our experience across the partner authorities where the service has opportunities to improve. These will be included for the service to consider and not be subject to formal follow up process.

Appendix II: Audit Plan Progress 2014/15

No.	Q	Audit Project	Not Yet Planned	Brief Agreed	Fieldwork Commenced	Draft Report	Final Report	Assurance Rating
		Audit Assurance Projects						
1	Q1	Business Rates Retention (Risk)		◆	◆	◆	◆	STRONG
2	Q1	Compliance with Computer Use		◆	◆	◆	◆	SOUND
3	Q1	VAT Management		◆	◆	◆	◆	SOUND
4	Q2	Members Allowances		◆	◆	◆	◆	SOUND
5	Q2	Emergency Planning		◆	◆	◆	◆	WEAK
6	Q2	Bank Reconciliation		◆	◆	◆	◆	SOUND
7	Q2	Communications & Social Networking		◆	◆	◆	◆	SOUND
8	Q2	Leisure Centre Contract		◆	◆	◆		
9	Q3	Data Protection		◆	◆	◆		
10	Q3	Members & Officers Declarations of Interest		◆	◆	◆		
11	Q3	Payroll (Systems Audit)		◆	◆	◆		
12	Q3	Waste Collection Contract		◆	◆			
13	Q3	Planning Support Shared Service - Income Controls		◆	◆	◆		
14	Q3	Accounts Payable		◆				
15	Q3	Corporate Governance		◆				
16	Q3	Corporate Credit Cards	◆					
17	Q4	Asset Management Plan	◆					
18	Q4	Procurement	◆					
19	Q4	Rent Accounting System	◆					
20	Q4	Repair & Renew Grant - Sign-off	◆					
21	Q4	Business Rates (Systems audit)	◆					
22	Q4	ICT: Business Support	◆					
		Other Projects						
23	Q1	Business Assurance Mapping		◆	◆	◆	◆	COMPLETE
24	Q1	Teammate Development: Team Central		◆	◆	◆	◆	COMPLETE
25	Q1	Individual Electoral Registration: Data Matching		◆	◆	◆	◆	COMPLETE
26	Q1	Investigation Liaison Protocol		◆	◆	◆	◆	COMPLETE
27	Q2	Fraud Risk Review		◆	◆	◆	◆	COMPLETE
28	Q3	National Fraud Initiative		◆	◆			PHASE 1

Changes to the Audit Plan

The Internal Audit plan needs to be flexible and reactive to the changing risks of the Council. As the needs and priorities of the Council change, assurance work is re-directed to ensure that it remains relevant and valuable. The plan is therefore reviewed regularly, and projects are removed, added or deferred accordingly.

Following consultation and agreement with management, it is considered a more valuable use of Internal Audit resources and more valuable assurance to make the following changes to the plan:

Removed from the Plan (where assurance has been provided elsewhere)

No.	Head of Service	Title	Outcome	Comments
1	Head of Policy & Communication	Channel Shift Project	REMOVED	The project has not advanced yet to a stage where audit assurance would be useful.
2	Head of Environment & Public Realm	Street Cleansing	REMOVED	Internal quality assessment conducted. Low Risk.
3	Head of Policy & Communication	Information Management	REMOVED	The area has received an external assessment.
4	Head of Internal Audit Partnership	Risk Management Framework	REMOVED	This time will be used to support Risk Management Strategy work in Q4.
5	Head of Commercial & Economic Development	Commercialisation Programme	REMOVED	The Head of Audit Partnership has provided guidance on risk and controls through consultation on the Commercialisation Strategy rather than through a dedicated audit project.
6	Head of Policy & Communication	Customer Services	REMOVED	The service received an external review in November 2014.

Projects Deferred from the Plan

No.	Head of Service	Title	Outcome	Comments
1	Head of Finance & Resources	Commercial Property Development	DEFERRED	Delays in the project to be subject of audit review means we have had to defer our work accordingly into 2015/16.
2	Head of Planning & Development	Land Charges	DEFERRED	Delays in the project to be subject of audit review means we have had to defer our work accordingly into 2015/16.
3	Head of Planning & Development	Business Continuity Planning	DEFERRED	Delays in the project to be subject of audit review means we have had to defer our work accordingly into 2015/16.

Projects Added to the Plan

No.	Head of Service	Title	Outcome	Comments
1	Head of Finance & Resources	Individual Electoral Registration (IER): Data Matching	ADDED	Service Request to provide assurance over the integrity of IER data transfer.
2	Head of Finance & Resources	Repair & Renew Grant	ADDED	Internal Audit review is a requirement of the grant award.
3	Head of Internal Audit Partnership	Fraud Protocol	ADDED	Finalisation work from 2013/14.