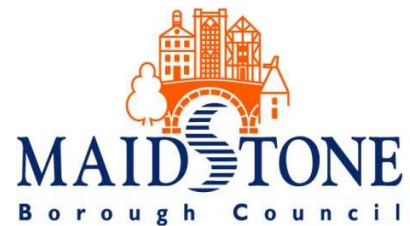# Interim Internal Audit & Assurance Report

# November 2016

# Maidstone Borough Council

# Introduction

1. Internal audit is an objective and independent assurance and consulting service designed to enhance and protect the Council's values and priorities. It helps the Council by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance.

2. Regulation 5 of the Accounts and Audit Regulations 2015 shows the authorities must keep an internal audit service. That service must "*evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance*".

3. We base our work on the *Public Sector Internal Audit Standards* [the Standards]. These stem from, and extend, the Institute of Internal Audit's Global Standards, Code of Ethics and International Professional Practices Framework. This means internal audit at the Council conforms to the same demands present across similar services throughout the world in public, private and voluntary organisations.

4. The Standards demand an annual opinion from the Chief Audit Executive (the Head of Audit Partnership fulfils this role at the Council). The Opinion considers internal control, corporate governance and risk management. It is a key part of the overall assurance Members and Officers of the Council draw on when evaluating governance. The diagram below[1] shows internal audit's position alongside other sources of assurance:
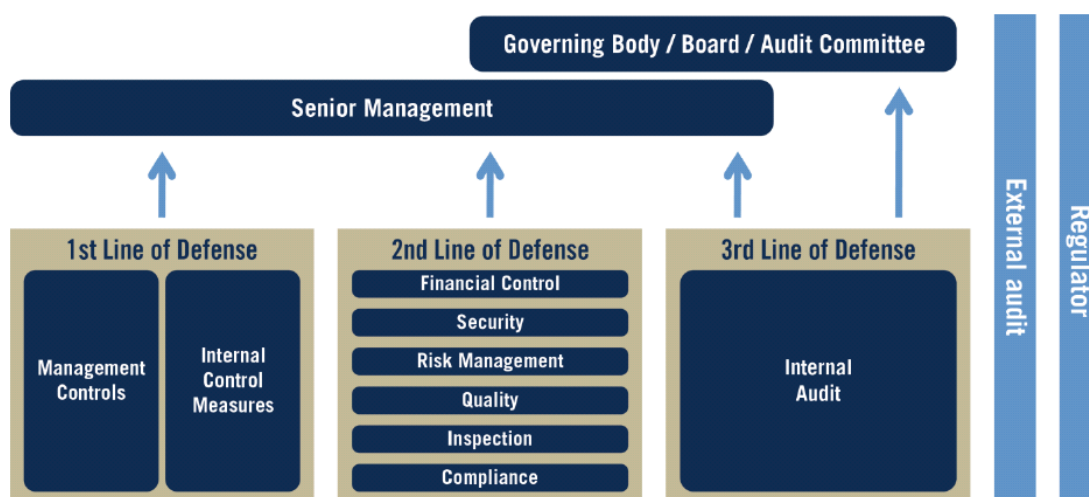


5. This report updates Members on progress and findings so far as we complete the Audit Plan approved by this Committee in March 2016.

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[1] Taken from the Institute of Internal Audit's Professional Practices Framework. Like all IIA publications intended for a global audience, it uses US spelling.

# Internal Control

6. Internal control is how the Council ensures achievement of its objectives. In particular, internal control achieves and displays effectiveness and efficiency, reliable financial reporting and compliance with law, rules and policies. It incorporates both financial and non-financial aspects.

7. We gather evidence to support this part of the Opinion principally through completing the reviews set out in our audit plan. Besides considering the findings of each review individually we must assess whether there are any overall messages we need to report to Members and Senior Management.

8. Our work to complete the 2016/17 plan is in progress and we will need to be substantially closer to conclusion before forming the Opinion. However, at this interim point, we have emerging concerns on strength and resilience in some internal controls. Although the weaknesses we have identified vary within each review, they share a common thread in that they principally represent issues around the second line of defence. This covers those controls which work to identify and correct any failures in the Council's direct management controls before they can expose the Council to risk or harm. Some of our findings so far signal that certain of these second line controls are not working consistently or comprehensively.

9. These weaknesses apply specifically to areas where the Council has entered new areas of business (such as *Mote Park Café*), manage new ways of working (*Section 106)* or working through third parties (*Hazlitt Theatre*).

10. We have shared this overall message with Senior Management who had independently identified some of the key weaknesses. Management are already acting to address these areas, and will take further action in response to their own review and audit recommendations. Inevitably, these measures will take some time before their effects show through in our audit findings.

## Audit Plan Progress

11. The table below shows progress in days delivered against the plans

| Type of work | Plan Days | To Oct 16 | To Oct % | Forecast Y/E | Forecast % |
|---|---|---|---|---|---|
| Assurance Projects | 314 | 111 | 35% | 316 | 100% |
| Concluding 15/16 | 0 | 67 | n/a | 67 | n/a |
| Other Work | 186 | 130 | 70% | 190 | 102% |
| Total (excl 15/16) | 500 | 238 | 48% | 506 | 101% |

## Audit Review Findings so far

12.   The table below summarises audit project findings and outturn up to the date of this report.  Where there are material matters finished between report issue and committee meeting we will provide a verbal update.  (* = days split between partners, MBC only shown).

| | Review Type | Title | Plan Days | 16/17 Days | Report Issue | Assurance Rating | Notes |
|---|---|---|---|---|---|---|---|
| **2015/16 Assurance Projects Completed After 1 April 2016** | | | | | | | |
| | Operational | Service Improvement | 15 | 1 | Apr-16 | STRONG | Reported to Members Jul-16 |
| | Operational | Licensing | 15 | 1 | Apr-16 | SOUND | Reported to Members Jul-16 |
| | Operational | ICT Network Controls | 5* | 5* | Apr-16 | STRONG | Reported to Members Jul-16 |
| | Operational | Community Safety | 15 | 3 | Apr-16 | SOUND | Reported to Members Jul-16 |
| | Operational | Mote Park & Cobtree Café | 15 | 4 | May-16 | WEAK | Reported to Members Jul-16 |
| | Finance | Payroll | 5* | 4* | May-16 | STRONG | Reported to Members Jul-16 |
| | Operational | Learning & Development | 8* | 7* | May-16 | SOUND | Reported to Members Jul-16 |
| | Operational | Garages | 15 | 10 | Jun-16 | SOUND | Reported to Members Jul-16 |
| | Operational | Litter Enforcement | 13 | 11 | Jun-16 | SOUND | Reported to Members Jul-16 |
| I | Governance | Good Governance Framework | 5* | 4* | Jul-16 | n/a | |
| II | Operational | Section 106 Agreements | 15 | 17 | Aug-16 | WEAK | |
| **Planned 2016/17 Assurance Projects Completed to Date** | | | | | | | |
| III | Finance | Housing Benefits | 11* | 11* | Oct-16 | SOUND | |
| IV | Operational | Hazlitt Centre Contract Monitoring | 15 | 15 | Nov-16 | WEAK | |
| **Planned 2016/17 Assurance Projects In Progress** | | | | | | | |
| | Finance | Treasury Management | 15 | 2 | | | Planning stage |
| | Operational | Elections | 15 | 2 | | | Planning stage |
| | Operational | Park & Ride | 15 | 1 | | | Planning stage |
| | Governance | Corporate Projects Review | 10 | 1 | | | Planning stage |
| | Operational | ICT Procurement | 15 | 1 | | | Planning stage |

| | Review Type | Title | Plan Days | 16/17 Days | Report Issue | Assurance Rating | Notes |
|---|---|---|---|---|---|---|---|
| | Operational | Residents' Parking | 8* | 1* | | | Planning stage |
| | Governance | Performance Management | 10 | 4 | | | Fieldwork stage |
| | Operational | Public Conveniences | 15 | 10 | | | Fieldwork stage |
| | Operational | Discretionary Housing Payments | 10 | 9 | | | Fieldwork stage |
| | Operational | Facilities Management | 15 | 11 | | | Draft Report Stage |
| **Additional 2016/17 Assurance Projects** | | | | | | | |
| | Governance | Corporate Health & Safety | n/a | 40 | | | Draft Report Stage |
| **Planned 2016/17 Assurance Projects Yet To Begin** | | | | | | | |
| | Finance | Payroll | 5* | | | | |
| | Finance | Accounts Payable | 10 | | | | |
| | Finance | General Ledger: Journals | 15 | | | | |
| | Governance | Freedom of Information | 15 | | | | |
| | Governance | ICT Controls & Access | 8* | | | | |
| | Governance | Corporate Governance | 10 | | | | |
| | Operational | Crematorium | 15 | | | | |
| | Operational | Tourism | 15 | | | | |
| | Operational | Community Safety Unit | 15 | | | | |
| | Operational | Public Health | 15 | | | | |
| | Operational | Building Control Operations | 15 | | | | |
| **Planned 2016/17 Assurance Projects Postponed or Cancelled** | | | | | | | |
| | Operational | HR Policy Compliance | 15 | 1 | | | Held over until 2017/18 owing to management capacity and pursuit of Investors in People accreditation |
| | Operational | Land Charges | 15 | 0 | | | Held over until 2017/18 to allow service to establish following division of Planning Support back to TWBC |
| | Operational | Parks & Open Spaces | 15 | 2 | | | Primary objectives moved to parking review as Mote Park Season Tickets administration role moved.  Further review in 2017/18 will examine Open Spaces strategy. |

## I: Good Governance Framework Review

13.     Our review against the Framework confirms all 4 Councils are on course to meet each of its 7 principles before preparing their 2016/17 Governance Statements.  We also identified several notable examples of good governance at each Council.

14.     However, some steps would further help each Council to bring their existing governance approaches up-to-date or raise their profile.  One example is to consider the currency of corporate policies and update or recirculate where needed.

15.     During the review, we identified the following areas of notable practices at each Council:

| Notable practice | Areas for improvement |
|---|---|
| **ABC**<br>- Clear and financed approach for addressing fraud and corruption<br>- Review of medium term financial plans<br>- Good succession planning and officer development | **ABC**<br>- Limited benchmarking at corporate level<br>- Broadening scope of risk management across the Council |
| **MBC**<br>- Well managed transition to Committee governance in 2015/16<br>- Information governance approach | **MBC**:<br>- Counter fraud policies and approach<br>- Limited benchmarking at corporate level<br>- Setting in risk management into decision making and defining risk appetite |
| **SBC**<br>- Collaborative working with external groups and youth forum<br>- Risk and performance management<br>- Actively seeks benchmarking, peer review and external accreditation for continuing corporate learning. | **SBC**<br>- Counter fraud policies and approach<br>- Increasing Member training attendance |
| **TWBC**<br>- Good external links.<br>- Member skills gap analysis.<br>- Project management approach. | **TWBC**:<br>- Counter fraud policies and approach<br>- Service planning and operational risk management |

16.     Before preparing the 2016/17 Governance Statement, each council should consider a more detailed self-assessment against the Framework's key principles

## II: Section 106 Agreements

17.     We conclude based on our audit work that the service has **Weak** controls in operation to manage the risks for recording and monitoring Section 106 Agreements.

18.     We undertook our work at a transitional time for the service.  It has already identified a need to improve its procedures to prepare for the Community Infrastructure Levy (CIL) and implement its software (Exacom).

19.     Our appraisal of the Exacom system identified that, once implemented, it can address several weaknesses in current control design. In particular it will improve resilience and lessen the heavy reliance currently placed on the case knowledge of the s106 Monitoring Officer.

20.     We identified concerns on monitoring spend by dates, where  the Council have had to return funds to developers unused with further balances identified at risk.  We also identified opportunities to improve how the Council releases funds for 3rd party contributions and provide better governance on project delivery.

21.     Our work also considered operation of shared arrangements with Swale BC.  Our report includes recommendations to formalise the agreement and so give the Council greater security and certainty in management.

## III: Housing Benefits

22.     We conclude based on our audit work that Housing Benefit has **Sound** controls in place to manage its risks and support its objectives.

23.     Our previous review of the Housing Benefit system in May 2015 found effective controls in operation.  Since then the Council has made only minor updates and so design remains robust.  Our testing in this review identified those controls also remain effectively operated.

24.     One area of more significant change is allowing claimants to present more information online.  We are satisfied design and operation of controls for online submission is effective.

25.     We identified some areas for the service to improve, including clarifying the appeals process and in transferring claimants onto Universal Credit.

## IV: Hazlitt Centre Contract Monitoring

26. We conclude based on our audit work that there are **Weak** controls in operation within the service to monitor the Hazlitt Arts Centre contract. We cannot therefore currently say whether the provider (Parkwood Leisure) is managing and operating the Hazlitt in accordance with Contract. We provide the definitions of our assurance ratings at appendix II.

27. Parkwood Leisure currently runs the Hazlitt Theatre on a contract awarded by the Council in 2013. The contract, which runs until 2028, includes comprehensive measures to allow the Council to survey and assess theatre management and performance. The measures include arrangements to deliver oversight of, among other areas, building maintenance, profitability, business planning and complaints handling.

28. However, our work identified these arrangements have limited effect in practice, severely weakening the Council's oversight into the theatre's management. For example, we found the Council has not sought a business plan for the Theatre, confirmed health and safety arrangements or settled how Parkwood should record and report its performance. Most significantly, we identified serious problems with regards to building maintenance. The Theatre's fire doors – assessed as unfit by ROSPA following an inspection in April 2016 – remained below required standards when we undertook fieldwork in October. This fact alone exposes theatre patrons to such significant risk that we raised it immediately with senior management as a critical recommendation.

## Audit Recommendations

29. Our approach to recommendations means at the end of each report we agree with management an action in response and a date for implementation. We then follow up recommendations individually when they fall due, compiling results together each quarter in a report to Senior Management.

30. In the first half of 2016/17 we raised a **CRITICAL** recommendation related to our work on reviewing *Hazlitt Centre Contract Monitoring*.

| R1: Fire Doors | Priority 1: Critical |
|---|---|
| **Resolve the findings of the ROSPA Fire Risk Assessment**<br><br>The Council has a duty to protect visitors to the building. Taking swift action to address the significant issues around the first risk assessment with ensure the safety of patrons of the Theatre. | |

31. Consistent with this priority level we raised the matter immediately with management. We will update Members on progress towards implementation through our usual reporting.

32. Where we originally reported a **Weak** assurance rating, we also revisit this rating each quarter. Note that we have issued no **Poor** assurance rating reports at the Council. We consider whether management has made enough progress through fulfilling recommendations to resolve concerns behind the adverse assurance rating. When we believe management have made enough progress to materially minimise the risk, we alter our assurance rating to **Sound**. However we continue following up outstanding recommendations until completed.

33. Our most recent reporting considered recommendations due before 1 July 2016. The table below summarises progress.

| Project and original assurance rating (W/So/Str) | Agreed Actions | Falling due before 1/10/16 | Actions Completed | Outstanding Actions past due date | Actions Not Yet Due |
|---|---|---|---|---|---|
| **Projects with actions brought forward from 2015/16 and completed during 2016/17** | | | | | |
| Accounts Payable: So | 1 | 1 | 1 | 0 | 0 |
| Accounts Receivable: So | 2 | 2 | 2 | 0 | 0 |
| Housing Options: W | 4 | 4 | 4 | 0 | 0 |
| **Projects with actions to carry forward into the rest of 2016/17 and beyond** | | | | | |
| Members' & Officers' Interests: W | 8 | 7 | 7 | 0 | 1 |
| Members' Allowances & Expenses: So | 2 | 1 | 1 | 0 | 1 |
| Budget Setting: So | 3 | 2 | 2 | 0 | 1 |
| Procurement: So | 2 | 0 | 0 | 0 | 2 |
| Business Continuity: W | 9 | 2 | 2 | 0 | 7 |
| Safeguarding: W | 12 | 7 | 7 | 0 | 5 |
| Temporary Accommodation: So | 4 | 1 | 1 | 0 | 3 |
| Licensing: So | 3 | 0 | 0 | 0 | 3 |
| Community Safety: So | 7 | 0 | 0 | 0 | 7 |
| Litter Enforcement: So | 5 | 0 | 0 | 0 | 5 |
| Garage: So | 6 | 0 | 0 | 0 | 6 |
| Section 106: W | 7 | 0 | 0 | 0 | 7 |
| Mote Park & Cobtree Café: W | 14 | 12 | 11 | 1 | 2 |
| **TOTAL** | **89** | **39** | **38** | **1** | **50** |
| | | **44%** | **43%** | **1%** | **56%** |

34.     We are currently reviewing recommendations for implementation during the second quarter of 2016/17 (those due before 1 October 2016).  We will report to Management on progress towards the end of November and include results in our usual reporting to Members.

35.     Note the table above excludes reviews which did not feature recommendations for action (such as the *Good Governance* review).  The table also excludes reviews issued before this report but where no recommendations were due in quarter 1 2016/17 (such as *Hazlitt Centre Contract Management*).

36.     The set of reviews we are following-up through the first quarter of 2016/17 includes 6 we assessed as providing only **Weak** assurance.  The table below describes progress to date in each area:

| Review | Final Report Issued | Commentary |
|---|---|---|
| Housing Options | May-14 | Re-assessed as Sound February 2015. All recommendations now implemented. |
| Members' & Officers' Interests | Mar-15 | Re-assessed as Sound September 2015. One remaining recommendation to be considered in quarter two 16/17. |
| Safeguarding | Oct-15 | Re-assessed as Sound September 2016. Some recommendations remain on rolling out suitable training due for implementation in quarter 2 2016/17. |
| Business Continuity | Mar-16 | Progress made on some recommendations, but remains a need to communicate and test a comprehensive plan. Implementation scheduled during quarter 3 2016/17. |
| Mote Park & Cobtree Café | May-16 | Insufficient progress made towards implementing recommendations to consider re-assessment, including continued discrepancies in takings reconciliations. Further review scheduled in quarter 2. |
| Section 106 Agreements | Aug-16 | First tranche of recommendations due for implementation quarter 2 2016/17 |

# Corporate Governance

37. Corporate governance is the system of rules and practices that direct and control the Council.

38. We gain 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.

39. We attend the Council's Information Governance and Corporate Governance Groups. We also comment on other decisions and papers according to the Council's governance practices.

40. During the year we also undertook a specific review examining the Council's position for compliance with the new Code of Corporate Governance published by CIPFA/SOLACE in April 2016. We report the main conclusions of that review earlier in this report.

## Counter Fraud & Corruption

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

42. The Cabinet Office is preparing a set of Counter Fraud Standards similar to the Public Sector Internal Audit Standards (PSIAS). Unlike the PSIAS, these standards will not be compulsory in local government. However they will represent a significant signal of 'best practice' for counter fraud arrangements in the broader public sector.

43. Once published, we will review the Counter Fraud Standards and use them as part of an exercise to refresh the breadth of the Council's counter fraud policies. These include the overall Counter Fraud Strategy, plus approaches to tackling bribery, corruption and money laundering. We expect to bring those policies to this Committee as a set sometime in the new year dependent on the timing of the Cabinet Office publishing its standards.

**Investigations**

44.     We are undertaking a significant counter fraud investigation at the Council on a matter which arose following a referral.  As that investigation is in progress we cannot share details now, but we have kept senior management informed of developments and offered advice on control weaknesses identified.  Subject to developments, we will include further information for Members in our annual report.

**Whistle-blowing**

45.     Following support and approval from this Committee, the Council's new Whistleblowing Policy is in place from September 2016.  This new policy brings the Council up-to-date with current legislation and best practice, addressing the concerns detailed in our report of January 2016.

46.     The Policy is now available online and the dedicated anonymous reporting site and telephone line described in the Policy are active.

47.     We launched the Policy to staff by Wakey Wakey (the Council's newsletter delivered weekly to all staff) and at Staff Forum in mid-November.  We are also preparing accompanying an e-Learning module and have updated the relevant section within the Staff Handbook given to all new starters.

48.     A key part of the new arrangements is to ensure transparency in reporting to Management and Members what issues arise from staff concerns.  Therefore we will include further details, including a breakdown of issues raised (where we are free to do so) within our annual report.

**National Fraud Initiative**

49.     The National Fraud Initiative (NFI) is a compulsory national exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud.  Previously, the Audit Commission ran NFI but, following its abolition, responsibility passed to the Cabinet Office.

50.     The NFI works on a two-year cycle which involves the release of matches (most recently in January 2015) for local authorities and others to look into.  Each match represents a finding which could, potentially, point to a fraud or error but needs further investigation to confirm.  The table below shows progress so far on matches from the 2015 release.

| Dataset | Matches | Complete | In Progress | % Examined |
|---|---|---|---|---|
| Creditors | 870 | 408 | 0 | 47% |
| Housing Benefit Claimants | 1,233 | 1,057 | 90 | 86% |
| Insurance Claimants | 4 | 4 | 0 | 100% |
| Payroll | 11 | 11 | 0 | 100% |
| Taxi Drivers | 5 | 3 | 2 | 60% |
| Council Tax SPD | 2,223 | 1,960 | 261 | 88% |
| **Total** | **4,346** | **3,443** | **353** | **79%** |

51. We have already reviewed all 'high priority' matches identified by the Cabinet Office (those viewed, from their experience, as being particularly likely to identify fraud or error). The remaining matches are lower priority but we will still examine them with the aim of completing the exercise before release of new data.

52. From review of the 3,443 matches completed so far we have not identified any circumstances prosecutable as fraud but have found **55** cases of error with a total value of **£23,029**. This is an average of £419 per error, or a return of £6.70 for every individual match examined.

53. The Cabinet Office plan to release the next set of matches in January 2017 and we are co-ordinating the Council's approach to collecting and uploading data. This work includes ensuring the Council publishes proper fair use notices so it can lawfully upload personal data. That notice is now on the Council's website here.

54. In November 2016 the Cabinet Office published its NFI National Report. The report summarises findings from the exercise across the UK and includes data submitted by the Council. The national picture it describes, across the areas relevant to the Council, we summarise in the table below:

| Dataset | Example match | # Outcomes | £ Recovered |
|---|---|---|---|
| Creditors | Trader submits duplicate invoice | 3,448 | £4.5m |
| HB Claimants | Failing to declare a change of circumstance | 6,606 | £39.2m |
| Payroll | Working while claiming sickness | 109 | £5.0m |
| Council Tax SPD | Failure to qualify as living with other adults | 37,825 | £37.4m |
| **Total** | | **47,988** | **£86.1m** |

# 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.　The Council recognised the need to improve its risk management arrangements last year, and in June 2015 the Policy and Resources Committee (PRC) approved and adopted a refreshed risk management framework, incorporating detailed procedures and clearer guidance on how to define impact and likelihood levels for risk. Following that approval, we have been working with the Council to implement, embed and coordinate the effective running of the risk process.

57.　Since our last update to this Committee in July 2016 we have been meeting with risk owners across the Council and working with services to update the *comprehensive risk register* and to improve the quality of risk information available to the Council.

58.　In accordance with the framework, risk updates are reported to Corporate Leadership Team (CLT) quarterly and to PRC twice a year. The most recent update was reported in **October 2016**. This report included an update on the assessment of 10 corporate level risks, along with an update of significant risks identified through operational risk assessments. In order to maintain effective oversight of risks, the corporate level risks will feature on all future reports to PRC, along with details on the actions being taken to manage impact and likelihood of those highest scoring risks.

**Corporate Risk Profile**

59.　This matrix shows each of the corporate risks and plots them onto the risk matrix based on the highest impact and overall likelihood:



R1: Lack of progress on transport infrastructure
R2: Increasing difficulty in recruiting & retaining skilled staff
R3: Significant commercial failure
R4: Not agreeing local plan
R5: MKIP fails to develop a coherent vision for its future
R6: Further financial restriction
R7: Over cautious administration
R8: Demographic change
R9: Slow or inaccurate decision making
R10: IT requirements progress faster than budget allows

60. The next stage will be for corporate level risk owners (a member of CLT supported by a Head of Service) to identify planned actions to address each of the risks, and then to re-assess impact and likelihood. This will enable us to report changes to the risk profile, and escalate where necessary, risks that fall above the appetite level of the Council (currently those risks in the red and black area on the matrix).

61. Further work planned this year includes working with the Council's Policy Team to integrate risk and service planning, working with CLT and Members on formulating a risk appetite statement, and updating the risk implication process for Council decision making. We will continue to report risk information and outcomes to Audit, Governance and Standards Committee and through Policy and Resources Committee throughout the year.

# Mid Kent Audit Service Update

## Team Update

62.  In the first half of 2016/17 we bade farewell to one of our trainee auditors who left the partnership to change career into healthcare.  However, following a full recruitment exercise drawing 37 applications we appointed Louise Taylor, previously our team administrator, to the Trainee position.  Louise originally joined the team as part time administrator in November 2015 and has integrated well and shown great enthusiasm for continuing her career in audit. She will now work full-time as a trainee, beginning professional qualifications with the Institute of Internal Audit.

63.  As a result, the Team Administrator role has fallen vacant.  Previously we could not join in the Council's apprentice scheme as none of the roles covered audit responsibilities; however we can shape our administrator role to meet the scheme.  So we have offered our administrator role to a local young person who will join us as an apprentice later this month.

## Quality Assurance and Improvement

64.  We continue to develop our Quality and Improvement Plan including, for 2016/17 a revision and refresh to our audit manual.  See appendix A for an extract, summarising our audit approach. Our manual and approach is now on a par, or even ahead of, leading practice in the public sector. Leading on from this CIPFA invited the Head of Audit Partnership to prepare and present national training to around 50 other local authority audit services on Insights into Internal Audit Professional Standards.

65.  We have also kept ahead of changes to Audit Standards through the role the Head of Audit Partnership has as Local Government Representative on the Internal Audit Standards Advisory Board (IASAB). The IASAB is the body that recommends changes applicable across the UK public sector.  The forthcoming changes to Standards include those consulted by the Global Institute for Internal Audit in autumn 2016.  Although the revisions will not apply in the public sector until 1 April 2017 (subject to consultation and agreement with devolved governments) we already show conformance.  This includes with Standards 1320 and 2060 which the IIA has adapted to extend and clarify matters for reporting to Members.

*Standard 1320: Reporting on the Quality Assurance and Improvement Plan*

| Reporting Requirement | Comments |
|---|---|
| Scope and frequency of internal and external assessments | We gained an external quality assessment considering conformance across the Public Sector Internal Audit Standards in April 2015.  We will seek another before April 2020.<br>We undertake a full internal assessment against the Standards each year. |
| Conclusions of assessors | The IIA decided we fully conform with standards.  Our self-assessments since conclude we have upheld conformance. |
| Corrective action plans | Not applicable. |
| Qualifications and independence of assessors | The IIA team all held suitable professional qualifications and experience.  They were also fully independent of the audit service and the authorities. |

*Standard 2060: Reporting To The Board*

| Reporting Requirement | Comments |
|---|---|
| The Audit Charter | Reported in March 2016.  We will consider the need for a revision as part of our 2017/18 planning in March 2017. |
| Independence of internal audit | We can confirm the continued utility of independence safeguards described in the Charter.  The internal audit service works independently and reports free from any inappropriate pressure or influence from management. |
| Audit Plan and Progress | Reported earlier in this document. |
| Resource requirements | Reported in our 2016/17 plan in March 2016.  We continue to receive strong support from the authorities who provide sufficient resources to complete plans agreed by Members. |
| Results of audit | Reported earlier in this document. |
| Conformance with the Standards | As above, we work in full conformance with the Standards. |
| Risks accepted by management that may be unacceptable to the Council | We are aware of no risks currently accepted by management that we feel would be unacceptable to Members.  See the section in this report on Risk Management for information on the significant risks recognised by management and proposed and active mitigations. |

## Performance

66. Aside from progress against our audit plan we report on several specific performance measures designed to oversee the quality of audit service we deliver to partner authorities. The Audit Partnership Board (with Mark Green, Director of Finance and Business Improvement representing Maidstone) considers these measures at each quarterly meeting. Our performance also features in reports presented to the MKS Board (which includes the Council's Chief Executive and Leader).

67. The table below shows our most recent outturn on these performance measures. Note that data is for performance across the partnership rather than council specific (but there are no significant variations from authority to authority).

| Measure | 2015/16 Outturn | 2016/17 Target | Q2 16/17 Outturn |
|---|---|---|---|
| Cost per audit day | On target | n/a | 5% ahead of target |
| % projects completed within budgeted days | 60% | 75% | 75% |
| % of chargeable days | 63% | 70% | 74% |
| Full PSIAS conformance | 56/56 | 56/56 | 56/56 |
| Audit projects completed within deadlines | 76% | 80% | 88% |
| % draft reports within ten days of fieldwork end | 68% | 80% | 81% |
| Satisfaction with assurance (score /4) | 3.2 | 3.4 | 3.7 |
| Final reports presented within 5 days of closing | 92% | 90% | 93% |
| Satisfaction with auditor conduct (score /4) | 3.5 | 3.75 | 3.86 |
| Recommendations implemented as agreed | 98% | 95% | 89% |
| Exam success | 100% | 75% | 75% |
| Satisfaction with auditor skill (score /4) | 3.2 | 3.4 | 3.7 |

68. We continue on a positive trend for performance across the measures, meeting all but one target in Quarter 2. Notably, this continues the strong upward performance in completing projects to budget (from 18% in 2013/14, rising to 47% in 2014/15 and now at 75%) and to agreed deadlines (up from 41% in 2014/15 to 88% now). We have achieved this result while keeping costs below target per audit day, enhancing audit quality and improving satisfaction scores measured through our post-audit surveys.

69. As always, we could not have achieved this performance without the dedicated expert support of the entire audit team, and the management of Mid Kent Audit offer profound thanks for their skill and hard work. We also thank the Members and Officers who continue to inform, support and guide our work.
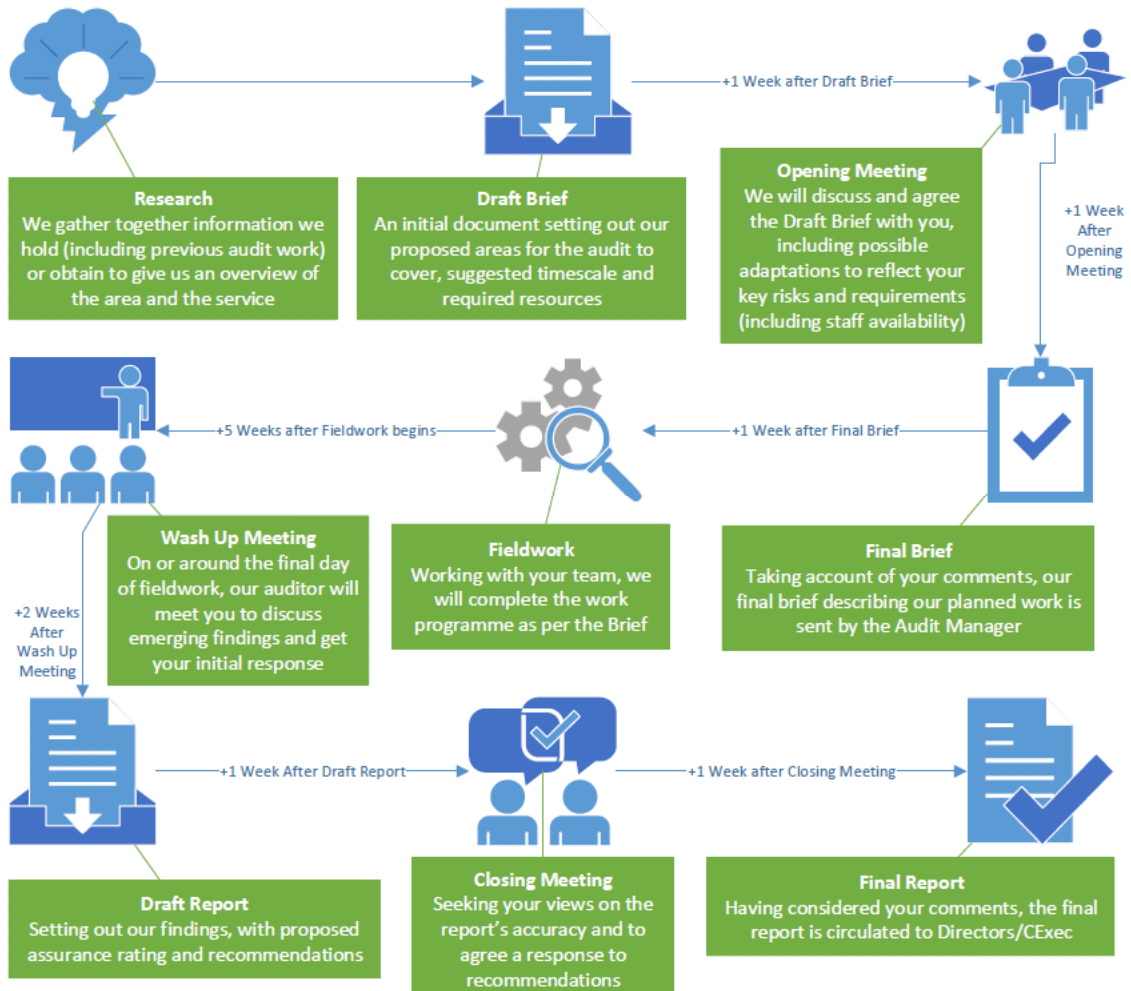
## Audit Project Process Map

There is no single set audit process or timeline; in reality we can and do adapt to circumstances as suits the service and its objectives. However, we hope it is helpful to set out a 'typical' approach to give you an idea of the key stages and possible timings, especially if you want to link in discussion of findings to your service management meetings. This 'typical' approach runs from brief to final report in 12 weeks.

We will discuss and agree a detailed timeline with you when finalising the audit brief.

**+1 Week after Draft Brief**

**Research**
We gather together information we hold (including previous audit work) or obtain to give us an overview of the area and the service

**Draft Brief**
An initial document setting out our proposed areas for the audit to cover, suggested timescale and required resources

**Opening Meeting**
We will discuss and agree the Draft Brief with you, including possible adaptations to reflect your key risks and requirements (including staff availability)

**+1 Week After Opening Meeting**

**+5 Weeks after Fieldwork begins**

**+1 Week after Final Brief**

**Wash Up Meeting**
On or around the final day of fieldwork, our auditor will meet you to discuss emerging findings and get your initial response

**Fieldwork**
Working with your team, we will complete the work programme as per the Brief

**Final Brief**
Taking account of your comments, our final brief describing our planned work is sent by the Audit Manager

**+2 Weeks After Wash Up Meeting**

**+1 Week After Draft Report**

**+1 Week after Closing Meeting**

**Draft Report**
Setting out our findings, with proposed assurance rating and recommendations

**Closing Meeting**
Seeking your views on the report's accuracy and to agree a response to recommendations

**Final Report**
Having considered your comments, the final report is circulated to Directors/CExec

## Post Audit Project Processes

**Member Reporting**
We report in summary the outcome of each project to Audit Committee (or equivalent) in June & December

**Follow-Ups**
We follow up to check implementation of recommendations each quarter and report to Directors. Recommendations that persistently miss agreed dates are reported to Members

**Satisfaction Survey**
Following each project we send a link to our satisfaction survey for your comments. We're grateful for all the feedback we receive