

MID KENT AUDIT

Interim Internal Audit Report

2015/16

**Tunbridge Wells
Borough Council**



Introduction

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

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

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

Internal Control

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

Audit Plan Progress

Productive Audit Days

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

Type of work	Plan Days	Q1/2 Days	Q1/2 %	Forecast Q4	Forecast %
Assurance Projects	245	145	59%	273	111%
Other Work	105	48	46%	105	100%
Total	350	193	55%	378	108%

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

Audit Review Findings to Date

12. We have completed to final report stage so far a total of thirteen audit projects, five of which were completed early enough in the year to have featured in our annual report to this Committee in July 2015. Our output from those reports² is included in that annual report.

² The reports covered Museum & Art Gallery, Car Parking, Housing Benefit (Systems), Members & Officers' Declarations of Interest and Parks Income.

13. Concentrating therefore on the eight further reports issued in the period from July, we include below an extract from each report. We are pleased to report that officers have accepted our findings and begun work towards the agreed recommendations. We will follow up implementation of recommendations as noted below.
14. In addition to reports that have reached finalisation, we include in appendix II a summary of work in progress with expected reporting timescales.

	Review Type	Title	Assurance Rating
1	Core Financial System	Business Rates	STRONG
2	Service Review	Assembly Hall Theatre	STRONG
3	Core Financial System	Council Tax	SOUND
4	Core Financial System	Bank Reconciliations	STRONG
5	Consultancy	Planning Support: Project Gateway Review	[not assurance rated]
6	Corporate Governance	Data Protection	WEAK
7	Service Review	Contract Management	SOUND
8	Service Review	Recruitment	SOUND

Business Rates

15. We conclude based on our audit work that the Business Rates system demonstrates **STRONG** controls in both design and operation.
16. The controls within the Business Rates system are effective in design and operation. The Business Rates process is well controlled and mitigates the risk of fraud and error to an acceptably low level. Management controls exist to check validity and integrity of systems information. Our testing found no areas of concern, or significant areas where the service might reasonably seek to improve.

Assembly Hall Theatre

17. We conclude based on our audit work that the Assembly Hall Theatre has **STRONG** controls in place to ensure that income is correctly accounted for and to support the Service's objectives.
18. Our testing confirmed the effectiveness of these controls for the sale of tickets, income collection, banking and general ledger posting in both their design and operation. We found that accurate records are maintained and there is an efficient audit trail.

Council Tax

19. We conclude based on our audit work that the Council Tax service demonstrates **SOUND** controls in both design and operation.
20. The controls within the Council Tax system are generally effective in design and operation. The key controls in operation mitigate the risks of fraud and error to an acceptable level and incorporate elements representing best practice, such as prompt and comprehensive property inspections. We noted a discrepancy between the partner sites on refund authorisation where controls could be efficiently improved by harmonisation. Our sample testing also identified a weakness in write-off procedures that the service must address.

Bank Reconciliations

21. We conclude based on our audit work that the Bank Reconciliation process has **STRONG** controls to manage its risks and support its objectives.
22. Our review identified that the Council has adequate resources and detailed procedures for successfully undertaking the key control of effective bank reconciliations. These procedures are assisted by strong contractual arrangements with the Council's banking suppliers to ensure comprehensive and timely provision of supporting information. Our testing identified that the Council's finance service adhere to the procedures and produce regular, accurate and effective bank reconciliations. However, we also identified that the Council should update its bank mandate to reflect current staffing, although we note that compensating controls greatly minimise the risk of an out of date mandate.

Planning Support: Project Gateway Review

23. The [project] Board has proceeded largely on the basis that the option originally put to TWBC cabinet – of a TWBC withdrawal leaving a two-way partnership – would be the most likely outcome. As a result the Board has sought to fully appraise in greater detail this single and most likely option. While other options have been considered at the early stages of the project, they have not received a similar depth of analysis and, in the case of the option 3, have not been considered at all.
24. No options have been considered that involve TWBC remaining in the partnership as this fell outside of the mandated scope of the project. The Board therefore has largely been an exercise in constructing a business case rather than appraisal of different options as originally mandated.
25. Within those constraints, though, the Board has operated diligently in seeking to obtain the best evidence it can, including commissioning external advice where a need is identified. Each work stream has provided evidence to inform the Board in its decision to pursue the chosen option.

26. The inherent lack of clarity in operating ahead of a formal decision means that some evidence relies upon assumptions and extrapolations which are difficult to pin down with certainty and are subject to wide error bars. This is particularly notable on information regarding human resource and finance considerations and data forwarded by parallel project groups operating in MBC and SBC.
27. However, we are satisfied that the Board has efficiently documented its processes meaning that those assumptions are, in general, apparent, open to fair challenge and not unreasonable.

Data Protection

28. We conclude based on our audit work that Data Protection has **WEAK** controls in place to manage the risks of non-compliance with the legal requirements.
29. Our review did not examine data security in the IT sense, but instead considered how the Council uses and shares the information it holds with partners and stakeholders.
30. The Council largely complies with the eight Data Protection principles though there are some important exceptions on data retention, dealing with breaches and updating guidance. We note that Mid-Kent Legal Services are currently revising relevant policies with a view to implementation by the end of 2015.
31. We were satisfied that key officers were engaged in undertaking external training but the level and take-up of training among staff generally is low. This presents a clear risk to the authority in that staff may be unable to identify and properly report breaches internally leaving the Council at risk of non-reporting to the Information Commissioner.
32. While we acknowledge improvements since our last review in this area in 2011 such as key officer training, Data Protection still requires support to ensure consistent and assured compliance.
33. Since we completed the review the Council has begun to act to implement recommendations. The Council has already circulated breach guidance to all staff and updated its own central record keeping procedures. Broader revisits to guidance and procedure are also underway, being managed by Mid Kent Legal Services and the Council's Information Governance Group, chaired by the Director of Finance in his role as Senior Information Risk Owner (SIRO). Plans are also in progress to expand and enhance training, using the Council's forthcoming revised e-learning package.

Contract Management

- 34. We conclude based on our audit work that Property & Estates contracts Service has **SOUND** controls to control its risks and support its objectives.
- 35. We found that the Service effectively manages contracts in line with the Council's Contract & Financial Procedure Rules. The service keeps records to a good standard with effective administration to ensure projects are delivered and payments made as contracts require. In one instance that management was outsourced to a consultant and we found, in general, the process remained effective at arm's length. However, our work identified some minor improvements to documentation and retention, in particular in the consultant management contract.

Recruitment

- 36. We conclude based on our audit work that Human Resources (HR) has **SOUND** controls in place to manage its risks and support its objectives.
- 37. We found that the Service effectively administers recruitment and ensures that recruiting managers comply with the agreed process. The Service keeps records to a good standard to support that the process is effective in appointing the most suitable candidate. Similarly there is evidence is retained to show that pre-employment checks have been undertaken and that contracts of employment are in place for all new employees.
- 38. Our work did identify some minor areas for improvement where the service could improve its current procedures.

Follow-up of Internal Audit Recommendations

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

Project	Agreed Actions	Falling due by 30/9/15	Actions Completed	Outstanding Actions past due date	Actions Not Yet Due
Leisure Management	21	21	21	0	0
Rent Deposit Guarantees	13	13	13	0	0
Section 106 Agreements	11	9	9	0	2
ICT Service Desk	8	8	8	0	0
PC & Internet Controls	8	7	7	0	1
Declarations of Interest	6	3	3	0	3
Computer Use Policy	6	6	6	0	0
Museum & Art Gallery	5	1	1	0	4
Procurement Strategy	4	0	0	0	4
Data Protection	4	0	0	0	4
Debtors	3	3	3	0	0
Housing Benefits	2	1	1	0	1
Council Tax	2	0	0	0	2
Bank Reconciliation	1	0	0	0	1
TOTAL	94	72	72	0	22
		77%	77%	0%	23%

42. We note considerable progress made by managers in addressing the issues identified by our reports. With all 72 due recommendations implemented as agreed, the Council is 77% of the way to full implementation – exactly on track for delivery.

43. Of the 14 audit projects follow up, 4 originally received an assurance rating of **weak** or **poor** (or the 2013/14 nearest equivalent assurance level). We have previously advised Members in our 2014/15 annual report that 2 of these (Leisure Management and ICT Service Desk) had made sufficient progress up to July 2015 for us to revisit the assurance rating as **sound** (or the 2013/14 nearest equivalent). Of the projects yet to be similarly reassessed:

Declarations of Interest

44. Four substantive recommendations remain, relating to the need to agree and implement procedures to effectively manage declarations from Officers. We have agreed with officers that these will be addressed by 31 December 2015.

Data Protection

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

Next Steps

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

Corporate Governance

47. Corporate governance is the system of rules, practices and processes by which the Council is directed and controlled.
48. 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.
49. We attend the Council's Information Governance Group.
50. In October 2015 CIPFA³ and SOLACE⁴ published a draft response to the consultation which had been open over the summer looking to replace the existing Good Governance Framework for Local Government which has been in place since 2006. This revised guidance, which the Council must follow in compiling its 2016/17 Annual Governance Statement, is based around seven key principles:
 - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
 - Ensuring openness and comprehensive stakeholder engagement
 - Defining outcomes in terms of sustainable economic, social and environmental benefits
 - Determining the interventions necessary to optimise the achievement of the intended outcomes
 - Developing the entity's capacity, including the capability of its leadership and the individuals within it
 - Managing risks and performance through robust internal control and strong public financial management
 - Implementing good practices in transparency, reporting and audit to deliver effective accountability.

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

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

51. In the new year we will undertake a review considering the Council's readiness for reporting against these Governance principles.

Counter Fraud & Corruption

52. 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

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

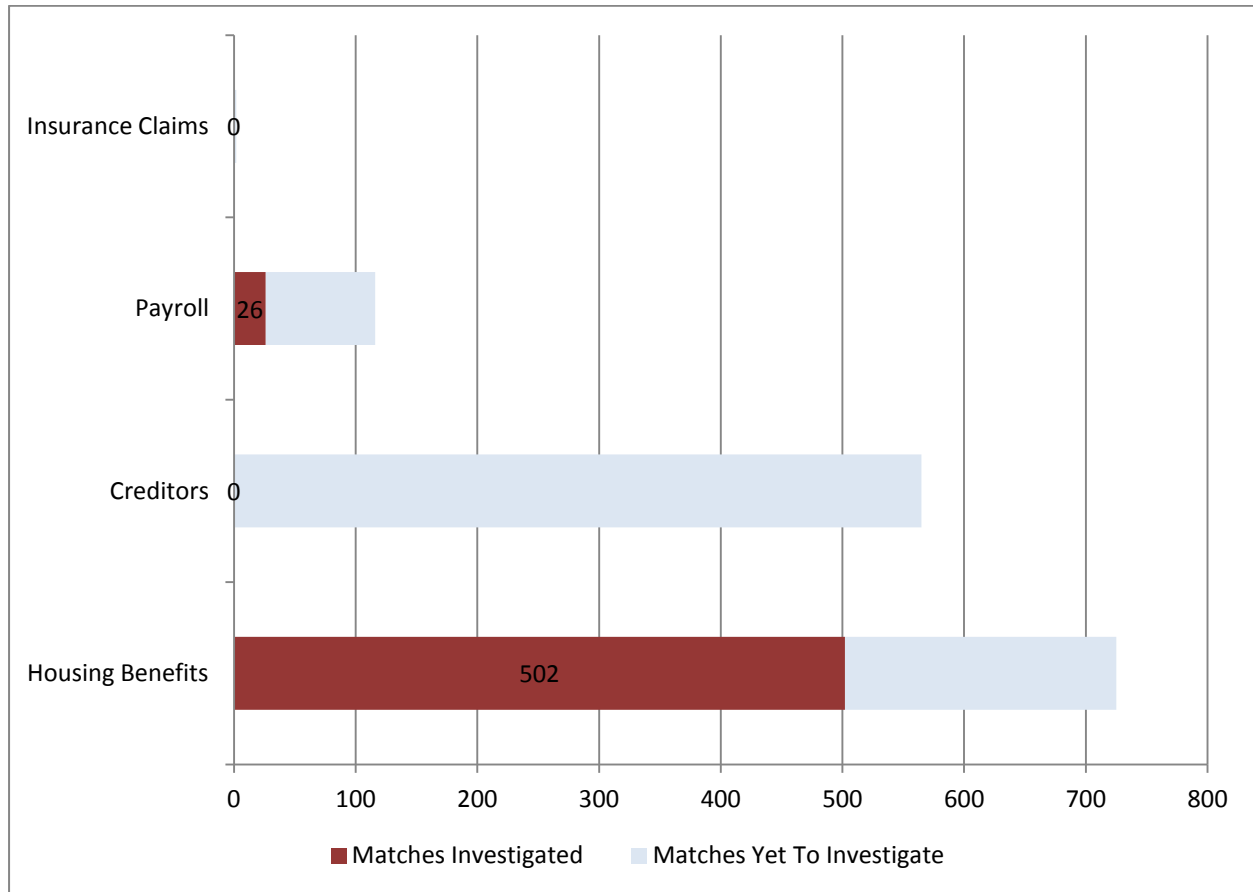
Whistle-blowing

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

National Fraud Initiative

55. We have continued as co-ordinator of the Council's response to the National Fraud Initiative (NFI). NFI is a statutory data matching exercise, and we are required by law to submit various forms of data. Since March 2015, the NFI exercise has been administered by the Cabinet Office.
56. The current NFI exercise has been releasing data in tranches since January 2015 and includes the following services:
- Housing Benefits (725 total matches)
 - Creditors (565 total matches)
 - Payroll (116 total matches)
 - Insurance Claimants (2 total matches)
57. Two further categories (Residents' Parking and Licensing) returned no matches for the Council.
58. The graph below plots progress to date. Note that at present the matches examined have identified 8 cases of fraud or error valued at £26,697. Cabinet Office guidance is that all matches should be investigated within the two year cycle of NFI data (so, by January 2017).

NFI Matches Investigation Progress



59. In keeping with the enhanced skill base of the audit team, and to ensure greater independence and efficiency in matches, Mid Kent Audit will be taking on direct examination of non-benefits matches (rather than just co-ordination) from January 2016.

Mid Kent Audit Counter Fraud Training

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

Attempted Frauds

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

Risk Management

64. Risk management is the process of identifying, quantifying and managing the risks that the Council faces in attempting to achieve its objectives.
65. 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.
66. The Council's Strategic Risk Register was adopted by Cabinet on 16 May 2014, after review by the Audit Committee in March 2014. The strategic risk register outlines ten risk scenarios:
- Cinema site remains undeveloped
 - Being unable to maximise economic opportunities and resolve infrastructure issues
 - Resident engagement
 - Unable to plan financially over longer term
 - National Policy changes in short term that impact negatively on TWBC, and on direction
 - Missing something significant (£100k-£250k)
 - Being unable to meet expectations
 - Inspector decisions which challenges housing target vs housing supply
 - Not managing control and change effectively
 - Development programme
67. During the year, this Committee has scrutinised management of each risk with reference to its nominated risk owner.
68. We are currently working across the partnership to help authorities improve the risk management process and clarify the role of the audit service in assisting risk management. As we progress we will be working closely with officers to ensure that approaches and information developed and identified are made available across the partnership. At Tunbridge Wells, we are currently working with the Head of Policy and Director of Finance to examine the Council's approach to risk management.

Mid Kent Audit Service Update

69. After a period of disruption encompassing the departure of a long serving manager and (temporarily) losing team members to maternity leave, Mid Kent Audit is now fully resourced going into 2016.
70. This period has also encompassed a restructure, intended to provide greater capacity at all levels of the service but in particular at a management level to increase our ability to respond rapidly to authorities changing risks and priorities and deliver focussed, strategic reviews. This Committee has already started to make use of that capacity by commissioning a specific piece of work examining whistleblowing arrangements.
71. We include at appendix III the revised team structure, but key points of development:
- **Deputy Head of Audit Partnership:** This role brings advantages in providing an additional senior point of contact to help cover our four authorities and also opens up the possibility of internal independence safeguards that will also us to play a more prominent role in service development where invited to do so (on risk management, for example). We're pleased to confirm that *Russell Heppleston*, well known to this Committee, was promoted into this role in July 2015.
 - **Audit Managers:** We have reshaped the audit manager role to move it away from principally quality assurance towards more engagement in direct service delivery. This will include completing additional consultancy work both responding to emerging risks at individual authorities but also taking a broader comparative look across the partnership. Again, we're very pleased that these roles have enabled us to identify and grow expertise within the team; the new managers are *Frankie Smith* (Swale and Tunbridge Wells) and *Alison Blake* (Maidstone and Ashford) both of whom were previously Senior Auditors.
 - **Audit Team Administrator⁵:** Since we began collecting detailed timesheet information in July 2014 we have identified a range of administrative tasks undertaken by our auditors that could be undertaken by a team administrator to free up their time to progress audit projects. Following the restructure we have been able to recruit into this role, and have been joined by *Louise Taylor* who is based at Maidstone.
72. We also continue to pursue development within the audit team to ensure we continue to offer a broad and deep range of skills and experience to our partner authorities. Since our last update we have had team members achieve a Professional Diploma in Internal Audit from the Institute of Internal Auditors (IIA), professional qualifications from the Institute of Risk Management and professional counter-fraud qualifications from CIPFA at both Specialist and Technician level. On

⁵ This role is currently operating on a trial basis.

these final qualifications, Mid Kent Audit has become one of the first audit services in local government to feature among its team both Specialist and Technician qualified members, which will provide significant assistance as we look to help authorities develop their counter fraud approach.

73. Also Frankie Smith, one of our new Audit Managers, completed her qualification with the IIA and is now a Chartered Internal Auditor. This brings to four the number of people within the team who hold CCAB⁶ equivalent qualifications.

Quality and Improvement

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

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

⁶ CCAB is the umbrella term for Chartered qualifications recognised by the Consultative Committee of Accountancy Bodies (CCAB), encompassing the major accounting and audit bodies in the UK. Such qualifications are the minimum requirement before an individual can hold a Head of Audit role according to the Public Sector Internal Audit Standards.

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

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

Performance

78. 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 Lee Colyer as the Tunbridge Wells' representative) considers these measures at each of its quarterly meetings, and they are also consolidated into reports submitted to the MKIP Board (which includes the Council's Chief Executive and Leader).
79. Below is an extract of the most recent such performance report. After a year of data collection to set a baseline, we are operating in 2015/16 to agreed performance targets. Although the targets are year-end measures, we are pleased to report we are already, in most areas,

performing at or near the stretch target level and will be looking to agree further improvement targets for 2016/17 early in the new year.

80. 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.
81. Note that all figures are for performance across the Partnership. Given how closely we work together as one team, as well as the fact we examine services shared across authorities, it is not practical to present authority by authority data – so these are not figures that relate solely to performance at Tunbridge Wells BC.

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

Acknowledgements:

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

Appendix I: Assurance & Priority level definitions

Assurance Ratings 2015/16

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

Recommendation Ratings 2015/16

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

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

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

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

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

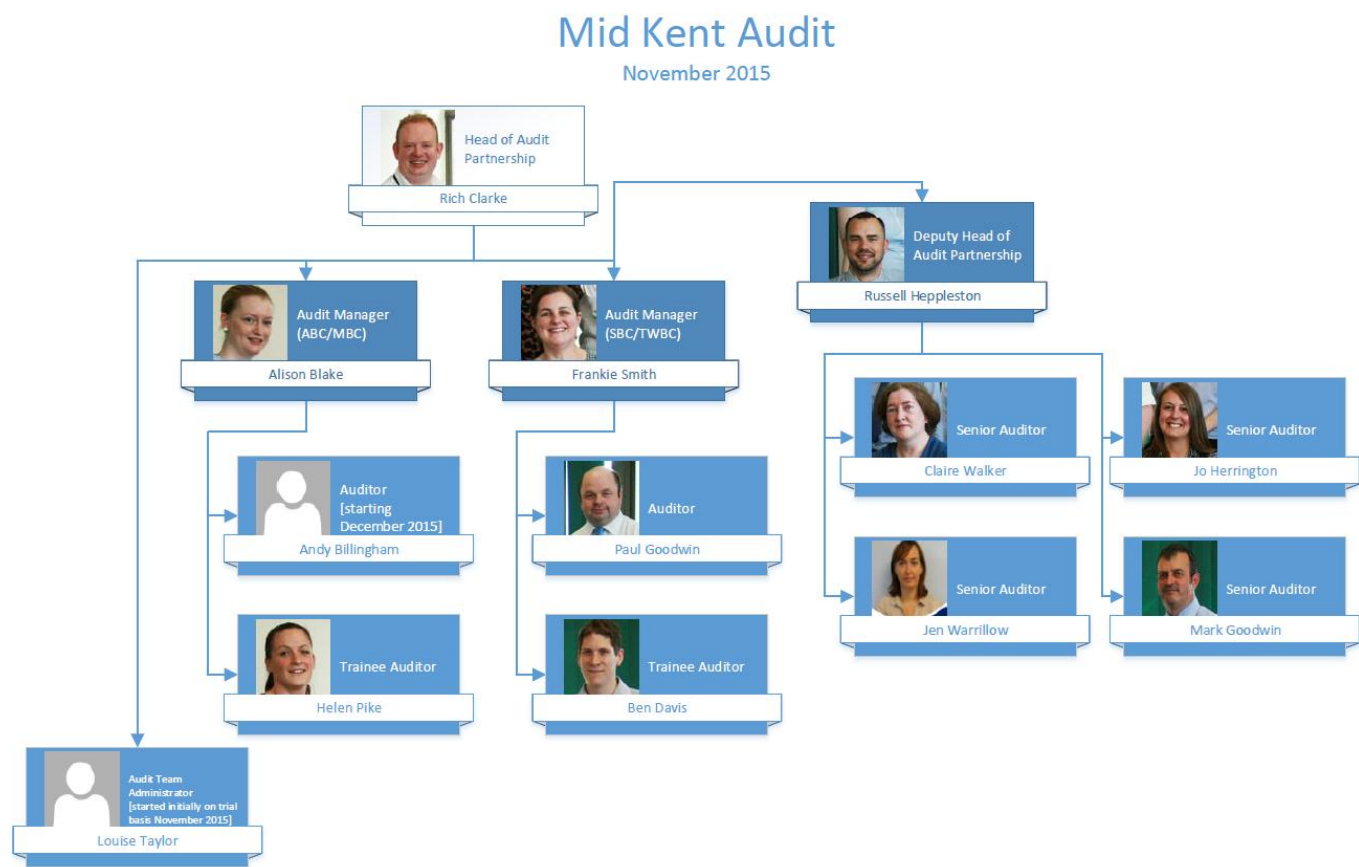
Appendix II: Audit Plan Progress 2015/16, Projects Only (for interim report)

Project Title	Project Type	Planning	Underway	Complete	Rating
Business Rates (MKS)	CFS			X	STRONG
Assembly Hall Theatre	SR			X	STRONG
Council Tax (MKS)	CFS			X	SOUND
Bank Reconciliations	CFS			X	STRONG
PS Project Gateway Review (MKS)*	Adv			X	N/A
Data Protection	CGR			X	WEAK
Contract Management	SR			X	SOUND
Recruitment	SR			X	SOUND
Conservation & Heritage	SR		X		
Business Continuity	CGR	X			
Elections	SR	X			
Payroll	CFR	X			
Budget Management	CFR	X			
Payments & Receipts	CFR	X			
General Ledger	SR	X			
Corporate Projects Review	CGR	X			
Economic Development	SR				
Members' Allowances	CGR				
Partnerships	SR				
Discretionary Payments (MKS)	SR				
Corporate Governance Review	CGR				
Feeder Systems	CFR				
Housing	SR				
ICT Networks (MKS)	SR				
Freedom of Information	CGR				
Health & Safety	SR				
Building Control	SR				

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

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

Appendix III: Mid Kent Audit Team Structure November 2015



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