

Internal Audit External Quality Assessment Action Plan – June 2021

Ref.	Issue	Recommendation	IACF Response and Action Plan
R1	<p>RESOURCES - Internal Audit Charter (Consider) Whilst the Head of Internal Audit's Annual Opinion is correctly expressed in relation to Risk Management, Governance and Internal Control – the reference in the Internal Audit Charter does not comply with the PSIAS expectation and should be amended to include Governance.</p>	<p>When the Internal Audit Charter is next revised update the requirement for the Head of Internal Audit to provide an Annual Opinion in relation to Risk Management, Governance and Internal Control.</p>	<p>Response: Recommendation Agreed</p> <p>Action Plan: The insert will be included within the annual review of the Charter, which will be submitted to the Governance and Audit Committee in July 2021.</p> <p>Action Owner: Head of Internal Audit</p> <p>Due Date: August 2021</p>
R2	<p>RESOURCES - Internal Audit Management (Review) The Internal Audit Team has experienced a number of changes at management level over the last two years and have gained a number of new clients. This has necessitated providing a flexible response to the provision of leadership to staff allocated to contracts and with communication with client management. It would be beneficial to consider within the current re-structure:</p> <ul style="list-style-type: none"> a) Where it is both desirable and practical for the Head of Internal Audit to act as the Chief Audit Executive (CAE), and b) Where a manager is nominated as the CAE at a client appointment, how supervisory arrangements will be arranged to allow the Head of Internal Audit to act in a 'Managing Director' role. 	<p>Specific arrangements should be implemented for client management within the new structure that allow for the Head of Internal Audit to act in a Managing Director role whilst still retaining CAE responsibility for key clients and therefore responsibility for issue of reports.</p>	<p>Response: Recommendation Agreed</p> <p>Action Plan: The service is currently implementing a restructure. When this is completed and the accompanying changes have been embedded, a review of Chief Audit Executive (CAE) responsibilities will be undertaken in advance of 2022-23.</p> <p>This will include consideration of the circumstances as to if / when there should be nominated CAEs within the shared service.</p> <p>Action Owner: Head of Internal Audit</p> <p>Due Date: February 2022</p>
R3	<p>RESOURCES - 2020/21 Engagement Completion (Consider) Current year provision has been impacted by Covid and the team holding a number of vacancies. The shortfall in resources has been supported through use of contracted in services particularly using SWAP. At the time of the review, internal audit plan outcomes for 2020/21 were not available</p>	<p>Where these events impact upon completion of the internal audit plan and therefore the content of the Head of Internal Audit Annual opinion, a reflection on the advice provided by CIPFA should be referred to.</p>	<p>Response: Recommendation Agreed</p> <p>The CIPFA Guidance has been referred to throughout 2020-21 when it was necessary to make changes to the Audit Plan.</p> <p>Action Plan: In compilation of the Annual Opinion for 2020-21 to be submitted to the Governance and Audit Committee in July</p>

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			<p>2021, there will be due consideration and reference to the CIPFA Annual Opinion Guidance, with reference to be included within the Opinion Report to Committee.</p> <p><u>Action Owner:</u> Head of Internal Audit</p> <p><u>Due Date:</u> July 2021</p>

Ref.	Issue	Recommendation	IACF Response and Action Plan
C1	<p>COMPETENCY - Audit Planning (Review) “KCC’s Internal Audit mission statement is, ‘To support service delivery by providing an independent and objective evaluation of our clients’ ability to accomplish their business objectives, manage their risks effectively and, where relevant, provide advice and insight” and is supported by a statement regarding a focus on risk: “Internal Audit will be responsible for determining its priorities based on an evaluation of risk. Auditable areas which are deemed to represent the most significant controls that are operating in order that KCC delivers its business objectives are identified from directorates’, annual operating plans, consultation with managers and Internal Audit’s experience of the directorates. These are used to determine the strategic and annual plans.” The internal audit service no longer completes a strategic plan for KCC but does for some clients. Current plans are supported by evidence of review of risk registers at a Corporate and Directorate level and comprehensive notes of meetings with managers. Risk registers do however focus on Residual and Target risk therefore not seeking to identify those existing controls which mitigate risk.</p>	<p>The current KCC risk management framework is not based on a full three lines model; an assessment of inherent risk, existing controls and assurances is therefore not available to support internal audit planning at a strategic or engagement level. Consideration of risk is therefore focused on residual and target levels and consequently Internal Audit should determine and evidence:</p> <ul style="list-style-type: none"> a) how successive annual internal audit plans provide assurance regarding each client’s business objectives and risks at a corporate and directorate level, b) transparency regarding how conflicting priorities have been resolved within the resources available, and c) how the intended focus of areas included in the annual plan is aligned with the changed risk environment when compiling engagement plans (see also observations regarding use of Management Objectives as a basis for each engagement, which follows). <p>Note: Risk Management processes have not been examined at all clients.</p>	<p>Response: Recommendation Agreed</p> <p>The current audit planning arrangements are considered robust and a major strength of the Internal Audit service and the widespread engagement undertaken is acknowledged by stakeholders. The ability to adapt to a changing risk environment is aptly illustrated in 2020-21 with the identification of and delivery of extensive covid-related coverage and Brexit-related engagement by the service.</p> <p>Furthermore, the compilation of an Audit Plan is based upon several different factors, not purely on theoretical considerations.</p> <p>Further clarification has been sought from the Assessor and will be reviewed.</p> <p>Action Plan: While, therefore, this Issue and recommendation is not wholly considered to be reflective of the approaches undertaken by the service, as part of the continuous improvement ethos of the section to enhance existing arrangements, factors a-c will be reviewed as part of the audit planning process with a position statement for 22-23 Audit planning to be prepared.</p> <p>Action Owner: Head of Internal Audit</p> <p>Due Date: December 2021</p>

Ref.	Issue	Recommendation	IACF Response and Action Plan
C2	<p>COMPETENCY - Management Objectives (Review) The Internal Audit service currently specifies the Audit Objective as part of the Scoping Document for engagements. This reflects a standard statement reflecting the purpose of internal audit. PSIAS 2201 provides advice regarding planning considerations for engagements and states that: "In planning the engagement, internal auditors must consider: The objectives of the activity being reviewed and the means by which the activity controls its performance and the significant risks to the activity, its objectives, resources and operations and the means by which the potential impact of risk is kept to an acceptable level".</p>	<p>The Internal Audit Service should consider focusing each audit on agreed Management Objectives for the area for review as this would help structure the engagement on significant risks and align with the associated controls that are designed to mitigate this risk. Examples of how this approach might have been used as a basis for two engagements in 2020/21 has been provided.</p>	<p>Response: Recommendation Agreed</p> <p>Action Plan: The explicit focus upon agreed Management Objectives will be incorporated into the Audit Manual.</p> <p>This will be communicated to members of the Internal Audit Team in in-house training and development and monitored by supervisors and Audit Managers during the preparation of Engagement Plans as business as usual.</p> <p>Action Owners: Head of Internal Audit Audit Managers</p> <p>Due Date: September 2021</p>
C3	<p>COMPETENCY - Engagement Plans (Review) Engagement plans identify any risks that can be identified within the Corporate Risk Register or Directorate risk register and are then supplemented by further risks identified either by management in pre-engagement planning meetings and/or by internal audit. The risks identified are then supported either by a list of areas for review or identification of controls that will be audited. Consequently, different approaches to the structure of audits emerge.</p>	<p>The Internal Audit service intends to commission a Risk Based Audit training session once the current re-structure has been completed. It would be beneficial if this contained both an appreciation of risk management best practice and associated risk-based auditing methodologies and specific instruction on its deployment by the team.</p> <p>It would be beneficial if a direct link were created within the methodology to align achievement of a stated Management Objective with the basis for providing an opinion.</p> <p>This would also align with the functionality of the Pentana software.</p>	<p>Response: Recommendation Agreed - to be reviewed and implemented appropriately.</p> <p>The Internal Audit service will continue to review and refine its ongoing risk-based approach.</p> <p>Action Plan: To commission best practice risk based internal audit training for all members of the Internal Audit Team. this will be followed up with any necessary amendments to audit approaches undertaken in the Audit Manual.</p> <p>Action Owner: Head of Internal Audit Audit Managers</p> <p>Due Date: December 2021</p>

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C4	<p>COMPETENCY - Use of Pentana software (Consider) The Internal Audit service has relatively recently changed the audit software which is used to record engagements. File review identified examples of different use of the functionality of the system,</p>	<p>The team should provide further guidance on how the software is to be used and then provide consistent instruction where necessary regarding its use as this will enhance efficiency and the ability of managers to supervise audit engagements. The team might find it beneficial to create an 'Example file' which could be reviewed by staff as part of mandatory training.</p>	<p>Response: Recommendation Agreed</p> <p>The need to develop the use of Pentana to enhance our efficiency is recognised.</p> <p>Action Plan: The 2021/22 Internal Audit Plan includes a provision for Pentana development which will address the factors in the issue and recommendation.</p> <p>Pentana development will be factored into resourcing on an ongoing basis for future years Audit Plans.</p> <p>Action Owner: Head of Internal Audit Audit Managers</p> <p>Due Date: March 2022</p>
C5	<p>COMPETENCY - Grading of Issues (Review) Issues on which the audit opinion is based currently reflect 'a risk rating' which has been devised by internal audit. This is inconsistent with terminology used by the Council in the Risk Management Policy.</p> <p>The PSIAS use consistent terminology relating to the identification and reporting on 'significant' risk.</p> <p>This will also be the case with other individual clients, where risk impact and appetite will be set according to the local risk environment and nature of the services provided.</p>	<p>It would be beneficial to align future grading of issues with those impact definitions used within the risk management process relating to each clients' risk appetite.</p> <p>In the case of KCC it is suggested that where definitions may result in a risk value of 'High' (16+), this would reflect impact definitions in categories relating to 'Serious or Major' events.</p> <p>This would assist in both agreeing the specific risk focus of each engagement as well in assessing the relative importance of findings at the exit meeting and in determining an opinion within assurance reports through use of a consistent understanding and application of risk.</p>	<p>Response: Recommendation Agreed to be reviewed and implemented appropriately.</p> <p>Action Plan:</p> <p>The Internal Audit Management Team will review the recommendations and consider whether enhancements to the grading of issues are beneficial for KCC and individual external clients, with the underlying ethos of the efficiency of processes for a shared service being a key consideration.</p> <p>Action Owner: Head of Internal Audit Internal Audit Management Team</p> <p>Due Date: October 2021</p>

Ref.	Issue	Recommendation	IACF Response and Action Plan
D1	<p>DELIVERY - Engagement boundaries (Consider) The Internal Audit Service undertakes audits for both KCC and HoldCo and therefore is responsible for the review of both client and contractor aspects of processes. In an audit of BACS payments which was reviewed the audit included issues relating to both client and contractor processes.</p>	<p>Whilst we recognise that HoldCo is a wholly owned subsidiary audit reviews should be focused on the specific client's management objectives. In the case of a commercial entity these may not be the same as that of KCC and therefore it is important that a clear understanding of the system boundaries is established. In other organisations, this is often achieved by allocating the contractor audit to a different team than that which services the client.</p>	<p>Response: Recommendation Agreed.</p> <p>Although the theoretical point is understood, it is considered that it is appropriately addressed, but accept that the separation of duties could be better documented.</p> <p>it is inevitable that the occasional review will require audit coverage of processes at both client and contractor side to occur in the best interest of reviewing overall control arrangements. Thus, a further example is when we reviewed a significant overpayment to a supplier, which necessitated looking at processes and arrangements within the Council and within one of the companies. If this had not been approached on such a holistic basis, then it would not have added value to our stakeholders nor identified the key and critical weaknesses that contributed to the overpayment.</p> <p>Similarly, the BACS review required coverage of both client and contractor arrangements. The service, in auditing the LatCo's and the Council, have been very clear in who audits which service and what is referred to in the recommendation is considered to be consistently undertaking as business as usual.</p> <p>In terms of allocating the contractor audit to a different team than which services the client, this has been occurring on an ongoing / business as usual basis for several years.</p> <p>Action Plan: Current arrangements could be enhanced by including within our checklist to document that the same auditor is not auditing the contractor and client to formalise our longstanding approach and for this to be formalised within the planning and audit allocation process.</p> <p>Action Owner: Head of Internal Audit Audit Managers</p> <p>Due Date: October 2021</p>

Ref.	Issue	Recommendation	IACF Response and Action Plan
D2	<p>Delivery - IA Opinions (Review)</p> <p>Internal Audit currently uses five levels of opinion – High, Substantial, Adequate, Limited and No – there appears only marginal difference in the supporting statements clarifying the differences between the latter levels. CIPFA guidance on setting definitions relating to opinions suggests there is general recognition that four levels is sufficient with some organisations now using three. Within the profession, we believe it to be increasingly rare to find use of the latter category of ‘No’ on the basis that no system is totally flawed. We therefore believe the profession is moving towards acceptance of the use of three levels with the highest two levels confirming assurance, albeit with a caveat if other than significant control risk issues are found, and a single negative opinion indicating that management action is required to restore the position within the risk appetite defined by the Board.</p>	<p>Internal Audit should consider whether there is merit to moving towards three levels of opinion – Substantial, Adequate and Limited.</p> <p>Consider rewording basis of overall opinions to provide increasing clarity regarding how internal auditors should assess the assurance level provided based on the significance of the risks identified.</p> <p>Where a risk/recommendation of a ‘Critical’ nature is identified this would indicate that a ‘Limited Assurance’ opinion should be used</p>	<p>Response: Recommendation Agreed</p> <p>This will be considered while acknowledging that stakeholder and client expectations are also relevant to the review. As a shared service a key factor should also be that having one basis for reporting opinions is paramount to consistency and efficiency of the service.</p> <p>Action Plan: The Internal Audit Management Team will review the recommendation and consider whether moving to three levels of opinion and updating the issue grading definitions are beneficial for KCC and external clients.</p> <p>Dependent upon this review, any proposed changes would be discussed with senior management from KCC and external clients and proposed to respective Audit Committees.</p> <p>Action Owner: Head of Internal Audit Internal Audit Management Team</p> <p>Due Date: October 2021</p>
D3	<p>DELIVERY - Quality Assurance Improvement Programme (QAIP) (Consider)</p> <p>The internal audit team has a robust process for undertaking the QAIP which includes aspects of:</p> <ul style="list-style-type: none"> • Self-assessment • Hot reviews • Cold reviews • Internal assessment • External assessment, and • Customer feedback <p>The PSIAS requires a summary of outcomes to be included in the Head of Internal Audit Annual Report.</p>	<p>The Head of Internal Audit maintains a summary of those areas of its service require further development, it would be good practice to include this as an Appendix in the Annual Report.</p> <p>In Annual Reports produced for clients, other than KCC, it would be appropriate to simply include a summary of key areas of development that the service will be focusing on in the coming year.</p>	<p>Response: Recommendation Agreed.</p> <p>This will enhance the Annual Internal Audit Report and Opinion.</p> <p>Action Plan: More detailed reporting of the QAIP will be incorporated into the 2020-21 Annual Report and then on an ongoing basis.</p> <p>Action Owner: Head of Internal Audit</p> <p>Due Date: August 2021</p>

Ref.	Issue	Recommendation	IACF Response and Action Plan
D4	<p>DELIVERY - Head of Internal Audit Annual Report (Review) The Annual Report provides an evidenced approach regarding the basis upon which the opinion regarding risk management, governance and control has been reached.</p> <p>This includes best practice relating to the alignment with the Eight Themes of the Risk Assurance model and the of opinions over recent years provide effective oversight of the approach which works well.</p> <p>The PSIAS does however also require the CAE to bring to the attention of the Audit Committee an assessment of the significant risks facing the Council along with reference to other assurances that are available to support the opinion.</p> <p>Whilst the Councils risk management system does not include an analysis of the sources of assurance, the internal audit team are increasingly undertaking assurance mapping as routine.</p>	<p>The Head of Internal Audit should include a summary of the significant risks facing each client along with significant other sources of assurance that have been recognised when reaching the annual opinion in the Annual Report.</p>	<p>Response: Recommendation Agreed.</p> <p>This will enhance the Annual Internal Audit Report and Opinion.</p> <p>Action Plan: For the 2020-21 Annual Opinion, an assessment of other sources of assurance will be undertaken, determining whether reliance can be placed to include within the overall assessment for the Head of Internal Audit Opinion. In line with guidance from the EQA Assessor, it is intended to concentrate on those corporate risks with a residual risk rating of 25.</p> <p>Moving forward, the Internal Audit service will continue to work closely with the Risk Management service in developing assurance mapping across the Council.</p> <p>Action Owner: Head of Internal Audit</p> <p>Due Date: August 2021</p>
D5	<p>DELIVERY – Communication (Review) The feedback received from stakeholders in the review contains a number of negative observations which principally relate to maintaining an appropriate relationship with each client, its business and the service it requires from internal audit.</p> <p>These appear to differ to that gained from surveys by internal audit and may reflect the nature of an independent exercise.</p>	<p>This feedback, which is summarised on page 25, may relate to the changes which have been seen in the membership of the senior internal audit management team in recent years.</p> <p>In responding to the recommendation in Resources – item 2 Internal Audit Management – the Head of Internal Audit should consider how the revised arrangements best provide for client engagement at senior levels in order to respond to the issues being raised but particularly in relation to the question ‘Good practice and ideas from other organisations are shared through audits, day to day contact, meetings or other engagement methods’, and other noted comments.</p> <p>The matter of ‘Adding Value’ has been separately addressed within the section on suggested enhancements which follows as Part Two of the report.</p>	<p>Response: Recommendation Agreed to be reviewed and implemented appropriately.</p> <p>All stakeholder and client feedback are reviewed and addressed as appropriate.</p> <p>Feedback arrangements are strong, both based on surveys following each individual audit engagement and also in the annual Stakeholder survey and this is considered to comply with and potentially exceed Standards. The surveys for the EQA have identified 93% positives, which while not grounds for complacency is considered more than satisfactory.</p> <p>Various arrangements are already in place in sharing good practice from other local authorities via established networks, however the value of this can be enhanced and also communicated more extensively.</p>

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			<p>Action Plan: All factors in the issue and recommendation will be reviewed by the Head of Internal Audit and incorporated to enhance the quality of the service.</p> <p>Action Owner: Head of Internal Audit</p> <p>Due Date: September 2021</p>

SUGGESTED ENHANCEMENTS FOR CONSIDERATION

Ref	Issue	Recommendation	IACF Response and Action Plan
1	<p>Exit Meeting Template</p> <p>Discussions with management regarding the findings identified within engagements are discussed with management and based upon extracts of a first draft of the report.</p> <p>A summary of the discussion is then recorded in a narrative note, although file review identified this was not on file in two cases.</p>	<p>It may be beneficial to introduce a standard template on which to record findings/recommendations along with draft management responses, as this will both formalise the approach as well as support timely feedback and verify any misunderstandings or factual inaccuracies.</p> <p>This may represent a more efficient and effective use of time by all parties rather than wait for production of a draft report.</p>	<p>Response: Recommendation Agreed</p> <p>Action Plan: A template will be prepared. It will be communicated to the team, incorporated into the Audit Manual and its' usage monitored during quality assurance reviews as business as usual.</p> <p>Action Owner: Head of Internal Audit Audit Managers</p> <p>Due Date: September 2021</p>
2	<p>Client surveys</p> <p>Progress has been made in obtaining feedback from auditees following each audit.</p> <p>Within KCC clients, in 2020/21 a - responses rate 47.6% has shown a satisfaction level of 94%.</p>	<p>The level of response is similar to that seen in other organisations and therefore Internal Audit may find it useful to utilise an application such as Microsoft Forms or Survey Monkey for collecting feedback, as this can prove to be an efficient means which helps achieve an early response.</p>	<p>Response: Recommendation Agreed. This can be considered. Another method has previously been reviewed, however there were data /GDPR issues associated with its usage.</p> <p>Action Plan: The use of MS Forms Survey will be progressed. The template will be prepared and utilised as part of the ongoing feedback arrangements relating to each audit at the earliest opportunity. Summary</p> <p>Action Owner: Head of Internal Audit Business Support Officer</p> <p>Due Date: July 2021</p>
3	<p>Contractual Arrangements</p> <p>Present arrangements for contracting with clients utilise a Service Level Agreement and an Internal Audit Charter.</p> <p>Those matters of a professional nature relating to the PSIAS are best reflected in a detailed Internal Audit Charter that is adopted by all clients, therefore promoting a standard approach.</p>	<p>It may be more to develop an appropriate Service Level Agreement for the provision of a future internal audit services by Kent County Council, which could include expectations of each client including appropriate performance measures.</p> <p>Matters of a professional nature regarding routine compliance with the PSIAS should become matters covered within an Internal Audit Charter, which reflects the service</p>	<p>Response: Recommendation Agreed.</p> <p>Service Level Agreements are currently in place where Internal Audit provide services in the delivery of Annual Audit Plans and most of the elements referred to in the findings and recommendation are already incorporated.</p> <p>Action Plan:</p>

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	<p>It is standard practice within outsourced arrangements for the SLA therefore to include a broad statement that places the responsibility on the contractor to comply with the PSIAS and for the contractor to ensure that it has arrangements in place to manage staff and adhere to both professional requirements as well as administrative matters such as declaration of interests and PDR's, as these are not the responsibility of the client.</p>	<p>provided and appropriate to all clients.</p> <p>Such requirements would then be managed using standard contract and performance monitoring arrangements.</p>	<p>Existing SLA's will be reviewed to review the factors identified within the finding and recommendation and, where appropriate, amendments will be proposed with relevant external clients.</p> <p>Action Owner: Head of Internal Audit</p> <p>Due Date: October 2021</p>
4	<p>Standard Engagement report The current template includes a statement reflecting compliance with the Standards for the Professional Practice of Internal Auditing</p>	<p>Consider whether this should more appropriately reflect the PSIAS for public sector clients.</p> <p>It may also be appropriate to include reference to compliance with the Code of Ethics.</p>	<p>Response: Recommendation Agreed. This will enhance existing reporting arrangements.</p> <p>Action Plan: Relevant inserts will be incorporated into report templates.</p> <p>Action Owner: Head of Internal Audit Audit Managers</p> <p>Due Date: September 2021</p>
5	<p>Release of Engagement Reports Engagement reports are currently issued under the name of the report Author and Audit Manager.</p>	<p>Consider in conjunction with recommendation Resources (1) releasing the report in the name of the responsible CAE and then referencing any internal staff that have been involved.</p>	<p>Response: Recommendation Agreed</p> <p>Action Plan: This will be considered in review with Resources Recommendation 2 and, if appropriate, amendments to the front page of the report templates will be undertaken to include naming the CAE.</p> <p>Action Owner: Head of Internal Audit</p> <p>Due Date: July 2021</p>

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6	<p>Adding Value</p> <p>Whilst there is no reference to how internal audit is expected to 'add value' with the PSIAS, the concept can be seen in many different forms. Nevertheless, the definition of internal audit shown below does imply a requirement to make recommendations which make a positive difference being:</p> <p>"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."</p> <p>The client expectation in terms of 'Added Value' is often unique to a client or an individual however observations recorded within the client survey indicate that a number of respondents would like to see more from internal audit in terms of new ideas and best practice.</p>	<p>Whilst it is appreciated that where outsourced service providers have limited access to a range of clients within each of the sectors being serviced, in order to advise on best practice, the internal audit service should consider how it can best react to the feedback provided and consider:</p> <ul style="list-style-type: none"> a) Inclusion of relevant wording of advice to highlight such matters' b) Enhancing the skills and training matrices to focus on specific sector or technical areas. c) Forming a peer group of internal audit providers with whom views regarding alternative approaches can be shared. d) Researching Audit Committee papers from other organisations to identify common themes and recommended practice elsewhere. e) Increasing the range of specialist and professional groups with which internal audit staff engage, and f) Developing a 'best practice' database of relevant management objectives, significant risks, controls and relevant legislation that can be used to support planning. 	<p>Response: Recommendation Agreed to be reviewed and implemented appropriately.</p> <p>There are many ways in which any Internal Audit service can provide added value and there are many differing professional interpretations. There are many examples of where the service has provided added value.</p> <p>The EQA survey was 100% positive to the added value question and other comments highlighted perceived added value.</p> <p>The suggestions (a-f) are mainly undertaken already- we are in several peer groups, audit committee papers are referred to from other organisations. Thus, for example, with peer groups, we are currently in 3 separate peer groups, Kent Audit Group (KAG), Local Authority Chief Auditor Network (LACAN) and the Home Counties Chief Internal Auditors Group (HCCIAG) with which we have excellent relationships, contribute actively and share and learn extensively from each other.</p> <p>It is uncertain whether the database idea would be an efficient utilisation of time in terms of the time to set up and maintain.</p> <p>Action Plan: The service will continue to seek and aspire to improving its value to each of the organisations it delivers for. The factors a-f will be reviewed.</p> <p>Action Owner: Head of Internal Audit</p> <p>Due Date: December 2021</p>

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7	<p>Internal Audit Manual The current manual provides extensive guidance regarding the policies and procedures which guide internal audit activity.</p> <p>The Manual is cross referenced appropriately to the PSIAS and is supported by detailed instruction regarding the recording of internal audit activity on the Pentana Audit Software.</p>	<p>A previous recommendation noted that the team intended to commission a Risk Based Internal Audit training session.</p> <p>It may be useful to support this with inclusion of a 'softer' explanation within the introduction to each section of the Internal Audit Manual to provide guidance regarding:</p> <ul style="list-style-type: none"> a) The relevance of the section to maintaining a constructive relationship with the client, bearing in mind the nature of their business, b) The aims and anticipated outcomes arising from each element of audit work, particularly in relation to any practices that are amended as a result of this review such as focus on Management Objectives or the conduct of an Exit Meeting using the proposed template, and c) How these relate to the conduct of the engagement particularly in relation to significant risk and its alignment with each client's approach to risk management. 	<p>Response: Recommendation Agreed - to be considered.</p> <p>Action Plan: The recommendation will be considered in the next review of the Audit Manual.</p> <p>Action Owner: Head of Internal Audit Audit Managers</p> <p>Due Date: March 2022</p>
8	<p>Use of Sub-Contract Support</p> <p>There has been a need to use contracted-in support during 2020/21 to supplement internal audit delivery.</p> <p>Experience in the current market-place shows that the available resources are limited and therefore ensuring that quality is maintained is a key aspect.</p> <p>Support can be obtained from professional firms/outsourced providers and through the use of individual self-employed auditors.</p>	<p>When contracting with external arrangements, it would be good practice to review or confirm the status of the most recent EQA report, where there is available with regard to professional firms and other outsourced providers.</p>	<p>Response: Recommendation Agreed to be reviewed and implemented appropriately.</p> <p>The issue and recommendation are understood, however not necessarily considered relevant to practice by the service. Thus, for example, in engaging the services of another provider in 20-21, it is considered that this risk was adequately mitigated with a Letter of Engagement with the provider containing a formal commitment to the Code of Ethics and the Standards. Furthermore, the quality and high reputation of the organisation engaged is widely known within the Local Government Internal Audit community.</p> <p>Action Plan: In the eventuality of engaging another provider, the good practice referred to will be adopted.</p> <p>Action Owner: Head of Internal Audit</p> <p>Due Date: March 2021</p>