



**IACF**

Improving Outcomes  
Creating Value

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**INTERNAL AUDIT PROGRESS REPORT  
GOVERNANCE AND AUDIT COMMITTEE**

**27 April 2022**

## 1. Introduction

- 1.1 The role of the Internal Audit function is to provide Members and Management with independent assurance that the control, risk and governance framework in place within the Council is effective and supports the Council in the achievement of its objectives. The work of the Internal Audit team should be targeted towards those areas within the Council that are most at risk of impacting on the Council's ability to achieve its objectives.
- 1.2 Upon completion of an audit, an assurance opinion is given on the soundness of the controls in place. The results of the entire programme of work are then summarised in an opinion in the Annual Internal Audit Report on the effectiveness of internal control within the organisation.
- 1.3 This activity report provides Members of the Governance and Audit Committee and Management with 12 summaries of completed work between January to March 2022.

## 2. Key Messages

- 12 audits have been finalised in the period reported. See **Appendices A and B**
- 40 of 55 audits from the 2021/22 audit plan are either in planning, in progress or at reporting stage
- 39 grants / certifications have been certified to date. See **Appendix C**
- 19 of 21 actions from the External Quality Assessment (EQA) previously reported have now been completed. See **Appendix D**

## 3. Updates

### 3.1 Internal Audit Plan

This report provides an update on the work completed between January to March 2022 against the 2021/22 Audit Plan.

Since the previous Committee, progress has continued with 34% of the Plan now either completed or at Draft Report stage. A further 37% of the Plan is either in planning or currently in progress. Updates regarding the ongoing substantive pieces of work will be reported to July Governance & Audit Committee. Detail of the status of the overall completion of the Audit Plan is documented at **Table 1** below.

**Table 1 – Status of 2021/22 Audit plan**

Status	No Audits	%
Not Started	0	0%
Planning	6	11%
Fieldwork	6	11%
Draft Report	3	5%
Complete	16	29%
Ongoing	8	15%
Deferred	16	29%

Due to the emergence of the significant issue surrounding SEND Transport, a number of planned audits have now been deferred into 2022/23. This is to ensure adequate resource is available to undertake this significant piece of work. Deferrals include the following pieces of work:

- Future of Sessions House
- Information Technology Risk Management
- Risk Management (Position statement has been produced for 21/22)
- Safeguarding Assurance Map (ASCH)
- Safeguarding Assurance Map (CYPE)
- Schools Financial Services
- Engagement of Consultants
- Provider Failure

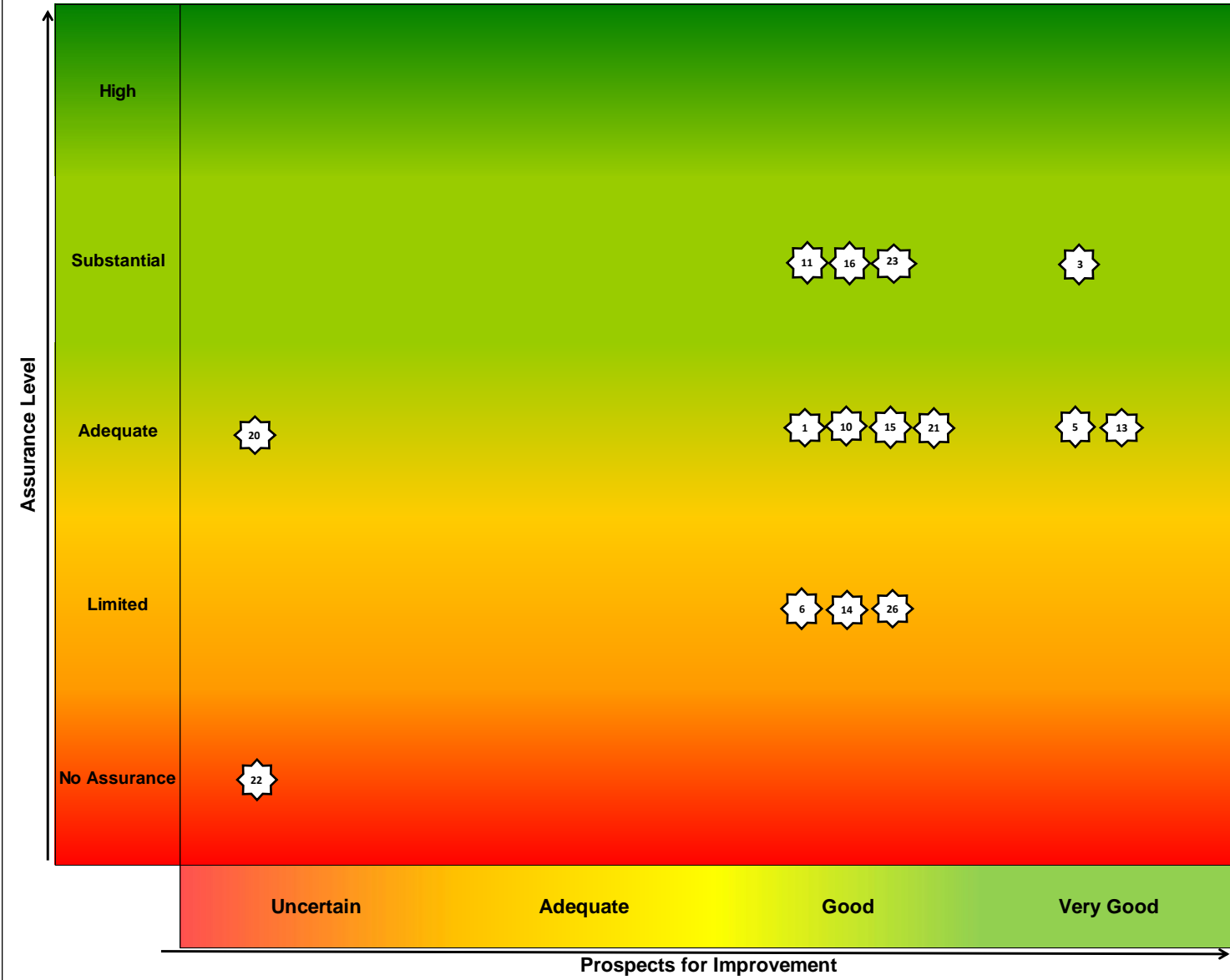
**Table 2 – Summary of Audits by Committee Meeting**

<b>Governance &amp; Audit Committee – 30 November 2021</b>			
	<b>Audit</b>	<b>Assurance</b>	<b>Prospects for Improvement</b>
1	Schools Themed Review - Cyber Security <b>(EXEMPT)</b>	ADEQUATE	GOOD
2	Imprest Accounts Follow-up <b>(EXEMPT)</b>	N/A	N/A
3	ACCESS Pool	SUBSTANTIAL	VERY GOOD
4	Strategic Commissioning Follow-up	N/A	N/A
5	Cyber Security - Management of Backups for Applications, Data and active Network Devices <b>(EXEMPT)</b>	ADEQUATE	VERY GOOD
6	Records Management	LIMITED	GOOD
7	Information Governance Assurance Map Update	N/A	N/A
8	ASCH Day Care Centre Review <b>(EXEMPT)</b>	N/A	N/A
9	Sessions House Data Centre Failure – Lessons Learnt Review <b>(EXEMPT)</b>	N/A	N/A
<b>Governance &amp; Audit Committee – 25 January 2022</b>			
10	Searchlight – Data Breaches	ADEQUATE	GOOD
11	General Ledger	SUBSTANTIAL	GOOD
12	Urgent Payments Follow Up	N/A	N/A
13	Data Protection – Adult Social Care & Health	ADEQUATE	VERY GOOD
14	Provider Invoicing	LIMITED	GOOD

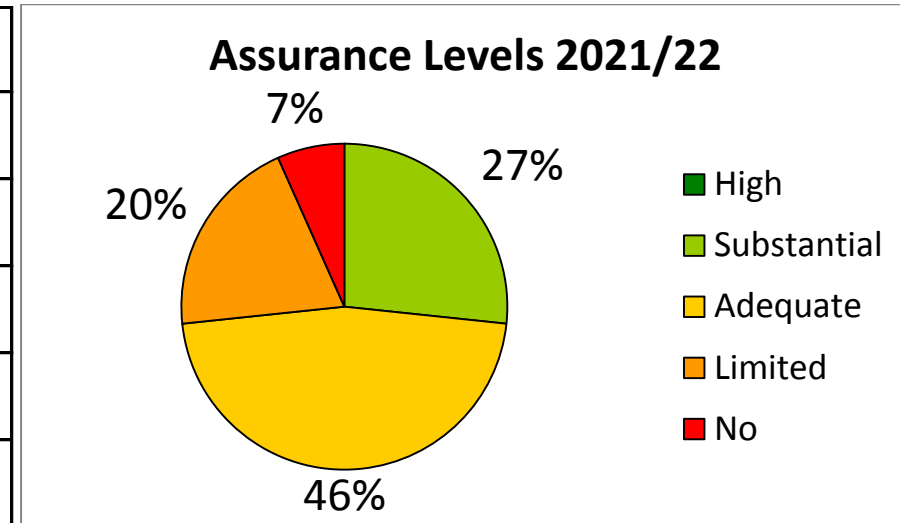
**Governance & Audit Committee – 27 April 2022**

15	Strategic Reset Programme – Top Tier Governance	ADEQUATE	GOOD
16	Data Security Protection Toolkit Audit	SUBSTANTIAL	GOOD
17	ICT Assurance Map ( <b>EXEMPT</b> )	N/A	N/A
18	Strategic Reset Programme – People Strategy	N/A	N/A
19	Risk Management – Position Statement	N/A	N/A
20	ICT Cloud Strategy, Security and Data Migration	ADEQUATE	UNCERTAIN
21	Declaration of Interests Members	ADEQUATE	GOOD
22	Traveller Service – Site Allocation & Pitch Fee Collections	NO ASSURANCE	UNCERTAIN
23	New Grant Funding	SUBSTANTIAL	GOOD
24	Ashford Sevington Grant Certification	N/A	N/A
25	CIPFA Financial Management (FM) Code Management Letter	N/A	N/A
26	Property Infrastructure – Functions and Processes Transferred to KCC from Gen2	LIMITED	GOOD

2021/22 Audit Assurance Levels and Prospects for Improvement of Audits



Assurance Level	No	%
High	0	0%
Substantial	4	27%
Adequate	7	47%
Limited	3	20%
No	1	7%



### 3.2 Grant Certification Work:

Internal Audit work on grant certification provides an essential service for the Council. Although it is not audit opinion work, the Audit team's schedule of grant certifications is an ongoing commitment of Internal Audit resources which requires adherence to strict timescales for the certification of claims submitted.

In 2021-22, the team has audited and certified 39 Interreg grant claims with a value of €3,896,962 with a further 2 grant claims currently in progress. Additional "On the Spot" (enhanced re-audit) for 4 grant projects have been completed with a further 7 On the Spot checks currently in progress.

The Audit team also certify Interreg grant claims for external clients with 4 claims having been certified this year.

Grant work is also completed by the Audit team in respect of validating expenditure of various UK Government Grants awarded for activities such as Highways Travel Demand Management and Bus Service Operators Grant.

Details of all certifications can be seen at Appendix C.

### 3.3 Internal Audit Resources:

In accordance with the Public Sector Internal Audit Standards, members of the Committee need to be appraised of relevant matters relating to the resourcing of the Internal Audit function.

Since the previous Committee, the recruitment of a Principal Auditor (IT Specialist) has been successful, and the recruitment of a Principal Auditor on a Fixed Term Contract has also been concluded.

There has been a reduction in the number of contract auditors resourced to support Audit Plan delivery.

### 3.4 External Quality Assessment

A full update on the External Quality Assessment (EQA) Action Plan, as originally reported to the Committee in July 2021, is presented at **Appendix D**. The EQA undertaken in 2021 identified 21 actions which consisted of 8 actions requiring review and 13 actions that were required to be considered. In summary, good progress has been made in respect of the identified as part of the EQA with 19 of the 21 actions now considered as 'complete'. The remaining 2 actions are considered to be 'in progress' and a way forward has been determined to ensure that these actions are embedded into Internal Audit processes.

Category	Recommendations Raised	To Review	Consider
Resources	3	1	2
Competency	5	4	1
Delivery	5	3	2
Enhancements for Consideration	8	N/A	8
<b>Total</b>	<b>21</b>	<b>8</b>	<b>13</b>

Complete	In Progress	Open Actions
3	0	
4	1	C3. Engagement Plans
4	1	D5. Communication
8	0	
<b>19</b>	<b>2</b>	

Full details of the EQA action plan can be found at **Appendix D**.



## 4. Under the Spotlight!



With each Progress report, Internal Audit turns the spotlight on the audit reviews, providing the Governance and Audit Committee with a summary of the objectives of the review, the key findings, conclusions and recommendations; thereby giving the Committee the opportunity to explore the areas further, should it wish to do so.

In this period, the following report summaries are provided at **Appendix B**, for the Committee’s information and discussion.

Audit Definitions are provided at **Appendix E**.

(A) Adult Social Care and Health	(B) Children, Young People and Education
(C) Growth, Environment and Transport Cross Directorate	(D) Strategic and Corporate Services
RB27-2022 - Traveller Service - Site Allocation and Pitch Fee Collections Ashford Sevington – Grant Certification	CA07-2022 – Risk Management – Position Statement CS01-2022 – CIPFA Financial Management Code RB01-2022 – Declaration of Interests (Members) RB04-2022 – Information Governance – DSP Toolkit RB06-2022 – New Grant Funding RB07-2022 – People Strategy - Strategic Reset Programme RB08-2022 - Property Infrastructure - Functions and Processes Transferred to KCC from Gen2 RB11-2022 - Strategic Reset Programme – Top Tier Governance ICT01-2022 – Cyber Security Assurance Map (EXEMPT) ICT03-2022 - IT Cloud Strategy, Security and Data Migration
(E) Cross Directorate	

## Appendix A – 2021/22 Internal Audit Plan Status and Assurance Summary

Ref	Audit	Status	Assurance
CA01	Annual Governance Statement	Planning	
CA02	Corporate Governance	Ongoing	
CA03	Equalities Act 2010 Duties	In Progress	
CA04	Future of Sessions HQ		Deferred to 2022/23
CA05	Information Governance Assurance Mapping Update	Final Report	N/A – GAC November 2021
CA06	Records Management Follow Up		Deferred to 2022/23
CA07	Risk Management	Final Report	N/A – GAC April 2022
CA08	Strategic Commissioning		Deferred to 2022/23
CS01	CIPFA Financial Management Code	Final Report	N/A – GAC April 2022
CS02	General Ledger	Final Report	Substantial – GAC January 2022
CS03	Imprest Accounts Follow Up		Deferred to 2022/23
CS04	Payroll	Draft Report	
CS05	Pension Scheme Admin		Deferred to 2022/23
CS06	Urgent Payments Follow Up	Final Report	N/A – GAC January 2022
CR01	Annual Audit Opinion	Ongoing	
CR02	Annual Governance Statement	In Progress	
CR03	Information Governance Steering Group	Ongoing	
CR04	Provider Invoicing	Final Report	Limited - GAC January 2022
RB01	Declaration of Interests (Members)	Final Report	Adequate – GAC April 2022
RB02	Engagement of Consultants		Deferred to 2022/23
RB03	Enterprise Business Capabilities (Oracle) – Strategic Reset Programme	Ongoing	
RB04	Information Governance – DSP Toolkit	Final Report	Substantial – GAC April 2022
RB05	KCC Estate Review – Strategic Reset Programme	Ongoing	
RB06	New Grant Funding	Final Report	Substantial – GAC April 2022
RB07	People Strategy – Strategic Reset Programme	Final Report	N/A – GAC April 2022
RB08	Property Infrastructure – Functions and Processes Transferred from Gen2	Draft Report	Limited – GAC April 2022
RB09	Public Health – Covid 19 Ring Fenced Grants	In Progress	
RB10	Schools Financial Services		Deferred to 2022/23
RB11	Strategic Reset Programme – Programme Governance	Final Report	Adequate – GAC April 2022
RB12	Contract Management (ASCH)	Draft Report	
RB13	Data Protection (ASCH)	Final Report	Adequate – GAC January 2022

Ref	Audit	Status	Assurance
RB14	Individual Contracts with Care Providers (ASCH)		Deferred to 2022/23
RB15	Making a Difference Every Day (MADE) Assurance Board	Ongoing	
RB16	Provider Failure (Assurance Mapping)		Deferred to 2022/23
RB17	Safeguarding Assurance Map (ASCH)		Deferred to 2022/23
RB18	Supervision of Social Workers	Planning	
RB19	Accommodation for Young People / Care Leavers Follow Up	In Progress	
RB20	Business Continuity Planning (CYPE)	Planning	
RB21	Change for Kent Children – Strategic Reset Programme	Ongoing	
RB22	Foster Care – Transition to Shared Lives		Deferred to 2022/23
RB23	Information Governance (CYPE)	Planning	
RB24	Safeguarding Assurance Map Update (CYPE)		Deferred to 2022/23
RB25	School Themed Review – Corporate Credit Cards	In Progress	
RB26	SEN Assurance Mapping		Deferred to 2022/23
RB27	Traveller Service – Site Allocation and Pitch Fee Collections	Final Report	No Assurance - GAC April 2022
RB28	Highways Term Maintenance Contract	Ongoing	
RB29	Inland Border Posts / Decision Making and Financial Management	Planning	
RB30	Kent and Medway Business Fund	In Progress	
RB31	Kent and Medway Energy and Low Emissions Strategy		Deferred to 2022/23
RB32	New Local Infrastructure Projects Across Kent (SELEP)	In Progress	
ICT01	Cyber Security Assurance Map Update	Final Report	N/A GAC April 2022
ICT02	Information Technology Risk Management		Deferred to 2022/23
ICT03	IT Cloud Strategy, Security and Data Migration	Final Report	Adequate - GAC April 2022
ICT04	IT Data Security Audit for DSP Toolkit	Planning	
ICT05	Prevention of ICT Data Centre Outages Follow Up	Final Report	N/A GAC November 2021

## Appendix B – Summaries of Completed Audit Reviews

### CA07-2022 – Risk Management – Position Statement

<b>Audit Opinion</b>	<b>N/A</b>
<b>Prospects for Improvement</b>	<b>N/A</b>

The purpose of this was to provide a position statement for Risk Management. Due to the developing coordination of our assurance activities and the need to concentrate Internal Audit resources on other key critical areas for the Council at this time, our full audit of Risk Management will be deferred into the 2022/23 KCC Audit Plan. Internal Audit have confidence in placing reliance on the Risk Management function which is based on the factors set out below:

Risk Management has previously received positive assurance over a number of years as detailed below:

Year	2016/17	2017/18	2018/19	2019/20	2020/21
Approach	Corporate & Divisional Risk Registers	Risk Culture	Corporate Risk Register	Themed Audit	Themed Audit
Opinion	Substantial	Substantial	High	Substantial	Substantial
Prospects for Improvement	Good	Good	Good	Good	Very Good

During the course of 2021/22, the activities of the Risk Management team and Internal Audit have included the following:

- Regular Risk Management reporting to Governance & Audit Committee for the Corporate Risk Register and arising risks.
- Attendance at the Risk Management Network re-established during 2021/22.
- Collaborative working and information sharing on specific projects such as ICT Sessions House Outage.
- Training delivered by Risk Management to the Internal Audit Team Meeting.
- Final Audit reports being shared with the Corporate Risk Manager for consideration in the Risk Management processes.

Delay of the audit will also provide sufficient time for the revisions of the Risk Management Policy and Strategy, finalised in February 2021, to become embedded within Council processes. Therefore, to maximise the value added in this audit area, it will now be undertaken as part of the 2022/23 Internal Audit Plan.

## CS01-2022 – CIPFA Financial Management Code

Audit Opinion	N/A
Prospects for Improvement	N/A

### Introduction

As part of the 2021/22 Audit Plan, it was agreed that Internal Audit would undertake a review of KCC's compliance with the CIPFA Financial Management (FM) Code. The aim of the audit was to provide assurance that the FM Code has been adopted, through compliance with the 17 financial management standards. A summary of the standards is attached in Appendix B.

### Background

The CIPFA Financial Management Code (FM Code) was published in October 2019 and provides guidance for good and sustainable Financial Management in local authorities. By complying with the principles and standards within the Code, authorities will be able to demonstrate their financial sustainability. The first year of 'full compliance' with the Code is 2021-22.

Separately, CIPFA was commissioned by the Finance Division to undertake a review of 'how financial management is currently undertaken across the Council and to offer guidance and advice on how it can be improved'. It was originally anticipated that this work by CIPFA would include an assessment of the Council's compliance with the 17 financial management standards in the FM Code, although this element was subsequently considered not to be required, given the depth of their review. The review was undertaken during the period June–August 2019, and their 'draft final' report (version 1.3) was issued in September 2020. No further versions of the report have been received. This review, was not, however, a review against the CIPFA Financial Management Code.

The Council's financial management was assessed against best practice using CIPFA's FM Model. Overall, the Council was rated as three stars out of five. A summary of the Council's star ratings across the four management dimensions and three financial

### Internal Audit Observations

#### Self-assessment against the CIPFA FM Code

- Under the CIPFA FM Code, it is expected that finance teams undertake a self-assessment of compliance against the 17 standards set out in the CIPFA FM Code. This is being widely carried out by other Local Authorities and reported to their Audit Committees. Indeed, External Audit have confirmed that this is something they expect to be available to then when they carry out their 2021-22 audit.
- A copy of KCC's self-assessment against the Code was requested, but was only provided to Internal Audit on 14<sup>th</sup> April 2022 following the issuing of a Draft Management Letter by Internal Audit and subsequent post audit meeting, this being several months after the commencement of the audit. Given the timing of receipt of this key document, it has not been possible for Internal Audit to review the self-assessment in advance of completing this Management Letter.
- It is essential for the Council's Annual Governance Statement that the Council reports the outcome of the self-assessment against the CIPFA FM Code.

#### 2020 CIPFA FM Review:

##### *Compliance with the CIPFA FM Code*

- The CIPFA report in September 2020 states that 'Kent County Council complies with the requirements of the FM Code in all material aspects.' However, it is unclear which aspects of the Code were assessed (or were not fully complied with) as the level of detail in the report is limited.

##### *Recommendations and Improvement Plan*

- The CIPFA report highlighted areas of strength and also includes a number of recommendations which would improve the Council's star rating in most of the scored areas.
- CIPFA also provided a draft improvement plan based on the report's recommendations. The improvement plan provided to Internal Audit for review included comments made by KCC Finance in January 2021, but did not detail which recommendations were subsequently implemented, how, who by or when. Internal Audit has received verbal assurances that the action plan was completed, but has not yet been provided with supporting documentation to support this assertion.

management styles is set out below.

<b>CURRENT FINANCIAL SNAPSHOT</b>  (from CIPFA's Sept 2020 draft report)	<b>Management Dimensions</b>			
<b>Financial Management Style</b>	Leadership	People	Processes	Stakeholders
Delivering Accountability	**	**	***	*****
Supporting Performance	**	**	*	**
Enabling Transformation	***	***	*	*****
<b>Overall Rating</b>	***			

**Conclusion**

Given the late receipt of the self-assessment against the CIPFA FM Code, Internal Audit is unable to provide an assurance opinion on whether the Code has been adopted by Kent County Council. Evidence was not made available in a timely manner to demonstrate progress with a self-assessment against the Code and implementation of the action plan in response to the CIPFA FM review in 2020.

Internal Audit will carry out their review of the self-assessment against the CIPFA FM Code in the coming weeks and a further update will be provided to the next Governance and Audit Committee.

## RB01-2022 - Declaration of Interests (Members)

<b>Audit Opinion</b>	<b>Adequate</b>
<b>Prospects for Improvement</b>	<b>Good</b>

Internal Audit's overall Audit Opinion of **Adequate** is based on the following Observations, Key Strengths and Areas for Development identified:

### Observations

- There is no requirement for mandatory training for members which has previously been raised by Internal Audit.
- Audit fieldwork (conducted on 18<sup>th</sup> & 19<sup>th</sup> January 2022) was restricted to Members who had a published declaration of interest on the KCC website.

### Key Strengths

#### Governance Arrangements

- All current Members had a signed and witnessed Acceptance of Office form.

#### Policies & Procedures

- The Members page on KNet continues to be developed and has been reviewed to identify where they are any gaps in the content published. The Member's page is being updated on a weekly basis providing a valuable resource for training and guidance.
- The following guidance is available to Members - Member Handbook, Kent Code of Member Conduct and the Constitution.
- The Constitution sets out how the Council operates, how decisions are made and the procedures that are followed to make sure decisions are clear, efficient and accountable to local people.

#### Induction & Training

- Mentoring of new Members was clearly recognised as being beneficial. It is planned that the experiences of new members will be used to plan for a mentoring scheme.
- The KNet Members' video and presentation library contains recording of training, induction and briefing sessions.
- A general induction for new Members took place in July 2021.

### Areas for Development

#### Register of Interests

- At the time of audit fieldwork (January 2022) only 31 (39%) of Members had a published Register of Interest (ROI).
- The quality of completion of the register of interests varied from Member to Member suggesting that there is some ambiguity in terms of requirements. This was further apparent upon the review of related party declarations.
- The National Fraud Initiative (NFI) identified a small number of Members with business interests, some of which had not been declared.
- Declaration of interests tend to be declared upon election only and not updated throughout the term. An overall Register of Members Interests is not held and maintained by the Monitoring Officer.

#### Committee Declarations

- Testing of Committees identified instances where declarations had not been sought and instances where it was unclear whether conflicts existed.

#### Induction & Training

- There is no requirement for mandatory Member training which has been previously raised (RB01-2018 – Member Induction & Training – Issue 1 – Mandatory Training) however, there is a lack of appetite to introduce member training and therefore thus has not been raised again as this is currently an open issue.

### Prospects for Improvement

Our overall opinion of **Good** for Prospects for Improvement is based on the following factors:

- Adequate actions plans have been developed and additional resource has been requested by the service to ensure that issues highlighted in the report will be addressed.

### Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	2	2	N/A
Medium Risk	1	1	N/A
Low Risk	0	0	N/A

### **Declarations of Interest**

- Members are responsible to keep their own record of Register of Interests (RoI) updated. All Members had completed and returned their RoI and are reminded every six months of the need to notify the Monitoring Officer of any changes.
- All published RoI forms had been signed off / approved by the Monitoring Officer.
- From Google searches performed, no Members were identified who had a potential business interest which had not been declared on their RoI.
- No matches were found between the Members interests and the Charities Commission website



## RB04-2022 – Data Security Protection Toolkit

<b>Audit Opinion</b>	<b>Substantial</b>
<b>Prospects for Improvement</b>	<b>Good</b>

The Data Security and Protection Toolkit (DSP Toolkit) sets out the standard for cyber and data security for health and social care organisations and their partners.

There is a clear submission framework which details roles and responsibilities, timetable, allocation of assertions to 'owners', process for gathering the evidence, guidance to complete the toolkit and governance arrangements.

Internal Audit found that for the 10 sub-assertions tested in detail, the quality of evidence provided to support the Council's submission and self-assessed rating was not always adequate and up to date.

Internal Audit's overall Audit Opinion of **Substantial** is based on the following Key Strengths and Areas for Development:

### Key Strengths

- The Senior Information Risk Officer (SIRO) and supporting officers are responsible for the submission of the DSP Toolkit 2021/2022.
- This is an approved submission framework which enables the assignment of roles and responsibility (with deadlines) to assertion owners. The framework and the processes are reviewed annually.
- Assertions assessed as part of the audit were found to have met the requirements set out in the DSPT.
- An on-going assertion evidence update regime is in place, to ensure the relevance of the evidence held during the year
- Dedicated support staff administer the Toolkit, including archiving of the MS Teams tool and SharePoint DSP Toolkit information
- There is strong communication between all staff involved. Tools such as MS Teams and SharePoint are used effectively to evidence updates and respond to queries.

### Areas for Development

- Additional information was required to fully meet and support the toolkit requirements for a number of areas. In this instance it was determined that an issue was not required as Internal Audit were able to obtain the information during the course of testing however, this was discussed at the exit meeting regarding the importance of ensuring sufficient information is available.
- Though evidence was obtained that policies had been reviewed on a timely basis, this had not been recorded on each policy:

### Prospects for Improvement

Our overall opinion of **Good** for Prospects for Improvement is based on the following factors:

- Though there are good levels (93.71% in September 21) of training courses linked to the DSPT there is a continuing trend of training levels falling below the target level of 95%. It is noted that staff changes, such as new recruitment and change of role of existing staff may affect when the target level is achieved.
- As identified in the key strengths, Officers involved have strong communication between them and roles are understood.

### Summary of management responses

	<b>Number of issues raised</b>	<b>Management Action Plan developed</b>	<b>Risk accepted and no action proposed</b>
High Risk	0	0	N/A
Medium Risk	0	0	N/A
Low Risk	1	1	N/A

**RB06-2022 – New Grant Funding**

<b>Audit Opinion</b>	<b>Substantial</b>
<b>Prospects for Improvement</b>	<b>Good</b>

Internal Audit’s overall Audit Opinion of **Substantial** is based on the following Key Strengths and Areas for Development identified.

**Key Strengths**

- New grants are identified via a number of different means and captured in a central spreadsheet which had been reconciled by KCC Finance to Covid logs and individual grant determinations.
- All grants are assigned an individual project code to facilitate monitoring and analysis of spend.
- Clear arrangements are in place for the governance, oversight and reporting of individually significant grants.
- Grants are subject to close monitoring and control of spend.
- All staff interviewed demonstrated a good understanding of the grant for which they were responsible, the grant conditions and rules of compliance.
- Where required, provider returns had been consistently submitted in accordance with the grant conditions.
- Key Decisions related to new grants were substantiated by reports and had been appropriately made and recorded.
- Where grants had been paid on the basis of a claim from individual providers a grant agreement had been set-up, including the requirement to return any unspent funding.

**Areas for Development**

- Fraud risk assessments are not routinely considered and performed, and none of the grants reviewed in this audit has been subject to a fraud risk assessment.

**Prospects for Improvement**

Our overall opinion of Good for Prospects for Improvement is based on the following factors:

Lead officers for grants are to be made responsible for undertaking fraud risk assessments and to report and get authority where there are extenuating circumstances which mean checks cannot be completed.

**Summary of management responses**

	<b>Number of issues raised</b>	<b>Management Action Plan developed</b>	<b>Risk accepted and no action proposed</b>
High Risk	0	0	N/A
Medium Risk	1	1	N/A
Low Risk	0	0	N/A

## RB07-2022 – Strategic Reset Programme – People Strategy

<b>Audit Opinion</b>	N/A
<b>Prospects for Improvement</b>	N/A

### Introduction

As part of the 2021-22 Internal Audit Plan, it was agreed for Internal Audit to be involved in the People Strategy (PS) project on a consultancy basis, acting as a critical friend to provide embedded assurance and advice throughout. A representative from Internal Audit attended the project group meetings in an advisory position, including review and comment on the draft Strategy as it was developed.

### Background

Over the past 18 months Kent County Council (KCC) has been significantly impacted by several factors including continuing increases in demand for services and the Covid-19 pandemic, which has been one of the biggest challenges faced by KCC. These have reinforced the pressure to deliver services in new and more flexible ways to support residents. The Strategic Reset Programme (SRP) was introduced in 2020 to help KCC in adopting new ways of working to be more resilient, agile, and innovative. Included within this SRP is the People Strategy workstream. The current People Strategy (PS) covers 2017-2022 and the delivery of the new PS was accelerated so that it could be finalised by the end of 2021 and a new Strategy to be developed for 2022. The priorities for the new PS included higher focus on management development and a new model for change management, enabling the move to flexible working as well as supporting diversity and inclusion. The new People Strategy underpins the successful delivery of all aspects of SRP. A project group was formed and given the task of assessing the 2017-2022 PS and developing this to include the elements required to support staff and managers with implementing all aspects of SRP and on-going service delivery.

### Internal Audit Observations

A dedicated working group including experienced and representatives from all relevant teams was formed to deliver the People Strategy project. This group demonstrated commitment to the project and developed the new PS through regular meetings and the sharing of documents. Internal Audit attended the working group meetings and provided constructive comments throughout the project.

The proposed new PS was reported to Personnel Committee in line with the agreed timescale target of January 2022, where it was approved.

The new PS is split into clear sections which include an outline of the vision and aspirations and sets the framework and principles for the next 5 years, these being:

- Maximising organisational capacity, capability, and development
- Creating an environment for people to thrive
- Supporting our people as individuals
- Attracting, retaining and maximising out talent

In addition to the new Strategy, a set of focused Key Performance Indicators have been produced through which to evaluate the impact of the Strategy.

### Conclusion

The success of the strategy will be determined not only by the Strategy itself but by the individual and collective accountability taken by Leaders and Managers to deliver their roles in a way that reinforces inclusive practice, connects to the strategic themes and provides clarity and ownerships for decisions and actions taken.

It is intended to build on KCC strengths, learn from one another and support the future goals of the organisation by retaining and attracting talented individuals, who are celebrated for their unique contribution.

Further work will include producing a KPI dashboard to gauge the success/ impact of the new Strategy.

This memorandum is to be provided to the Governance and Audit Committee in April 2022 for information.

**RB08-2022 – Transfer of Property Functions to KCC from GEN2 – Performance Management**

<b>Audit Opinion</b>	<b>Limited</b>
<b>Prospects for Improvement</b>	<b>Good</b>

Property Services has been at the forefront of KCC’s response to the Covid-19 pandemic. Coincident with the transfer from GEN<sup>2</sup>, Property Services had to manage the suspension of capital projects and essential maintenance during the first lock-down and the consequences to the Council’s plans to meet its obligations to provide school places. It also had to implement extensive measures to ensure that KCC’s offices were “Covid-secure” and it has had a key role in the introduction of KCC’s flexible-working practices.

This review found that Property Services collects and documents data about its activities. There is also extensive engagement with stakeholders. However, there was a low level of awareness of KCC’s Performance Management Toolkit. Consequently, the Service Areas have not adopted the guidance. Annual business planning has not considered objectives for business-as-usual activities and there have not been any recent reviews that confirm that Property Service’s performance indicators, including its corporate performance indicators, are fit for purpose.

Internal Audit’s overall Audit Opinion of Limited is based on the following Key Strengths and Areas for Development:

**Key Strengths**

- Across Property Services, there is extensive engagement with stakeholders. Except for the Facilities Management Service Area, the engagements focus on activities rather than performance.
- Where the four reviewed Service Areas have control over their resources, their monitoring of their activities is not overly dependent on either key individuals or bespoke systems.
- There is a procedure within the Infrastructure Division where risks reported on the risk management system, JCAD, are formally reviewed every two months through meetings between the Strategic Projects Manager and the officers responsible for the Division’s risks. The results from these reviews are presented to the Division’s Management Team.

**Areas for Development**

- Performance management across the four reviewed Service Areas does not accord with KCC’s Performance Management Toolkit and Data Quality Policy, both of which are based on good practice for ensuring that performance information is fit for purpose.
- Property Services does not use performance information in a systematic way in its risk management reviews.
- Property Services has not tested the extent that its corporate performance and activity indicators are fit for purpose, focus on the delivery of business priorities, and provide a balanced view of the performance across the business.

**Prospects for Improvement**

Our overall opinion of **Good** for Prospects for Improvement is based on the following:

- Management have accepted the issues identified and appropriate action plans have been developed with action owners assigned.

**Summary of management responses**

	<b>Number of issues raised</b>	<b>Management Action Plan developed</b>	<b>Risk accepted and no action proposed</b>
High Risk	2	2	N/A
Medium Risk	1	1	N/A
Low Risk	0	0	N/A

## RB11-2022 – Strategic Reset Programme (SRP) Top-Tier Governance

<b>Audit Opinion</b>	<b>Adequate</b>
<b>Prospects for Improvement</b>	<b>Good</b>

The Corporate Management Team (CMT) established the SRP by learning lessons from previous transformations undertaken by the Council. Ambitions for the SRP were set collectively by the Strategic Reset Programme Board (SRPPB). These were refreshed in October 2021. Members of the SRPPB have invested considerable time to the Programme. The SRPPB established a dedicated SRP Programme Team, whose members collectively have the skill sets needed to support the 13 programmes as they navigate through stakeholder management and the SRP's interdependencies.

There are considerable demands and expectations on members of the SRPPB; which are undertaken alongside substantive roles. Concerns have been raised during the audit that members of SRPPB do not always have the time to make informed decisions. This includes the need to understand the criticality and interdependencies of the wider SRP delivery risks within each of the 13 programmes.

Members of the SRPPB do not yet have a Programme-wide view of risk appetite that encompasses aggregate risk.

A Strategic Outline Case has been or will be prepared for each of the individual programmes. However, some lack robust rationales to support the required investment.

Internal Audit's overall Audit Opinion of **Adequate** is based on the following Key Strengths and Areas for Development

### Key Strengths

#### A Consistent Understanding of the Council's Ambitions for the SRP

- The ambitions for the SRP were established through robust engagement with key stakeholders.
- The six ambitions, with detailed descriptions, were incorporated into the SRP Handbook, and published on KNet.
- At the meeting of the SRPPB in October 2021, there was an informed discussion to review and revise the ambitions.
- There is a consistent view in the SRPPB and among Senior Responsible Officers (SROs) that the Programme is a vehicle for prioritising delivery of key programmes and projects in a coordinated, cohesive, and collegiate manner.

### Areas for Development

#### A Consistent Understanding of the Council's Ambitions for the SRP

- Members of the SRPPB do not receive frequent, comprehensive, and real time updates about the alignment of the 13 programmes with the ambitions of the Programme.

#### Building an SRP Community

- The Senior Responsible Officers, who are not on the SRPPB, and programme leads do not collectively engage with one another.

#### Sustaining the Commitment to Deliver the SRP's Objectives

- There is no mechanism in place to consider where changes are needed to the SRP and to make adjustments as needed.
- Succession planning for, and induction of new senior officers are not formalised processes.
- There has been no formal assessment completed to determine whether SRPPB members are able to meet SRP responsibilities, alongside their substantive roles.
- SRP specific guidance directing how members of the SRPPB manage conflicts of interest does not exist.
- There are concerns that the SRP Programme Team does not have the capacity to meet expectations of some programme delivery teams.

#### Momentum in Delivering the SRP's Objectives

- Within the SRPPB there is limited assurance that progress across all SRP programmes is being accurately reported, primarily because programmes do not have clear milestones.

#### Risk Appetite Necessary to Deliver the SRP's Objectives

- There is not a Programme-wide view of risk appetite, Programme-wide mitigations, and delivery of benefits.

### Prospects for Improvement

Our overall opinion of **Good** for Prospects for Improvement is based on the following factors:

- The Senior Responsible Officers for the 13 programmes were responsible for keeping their respective Cabinet Members informed regarding development and / or progress. The SRP Programme Team did not have a role to ensure that Cabinet Members were kept informed about the wider SRP. Since the appointment of a Stakeholder Manager to the SRP Programme Team, the Team has acknowledged the importance of more direct engagement with both Cabinet Members and the wider pool of Members. The Team is working towards an All-Member briefing and

Sustaining the Commitment to Deliver the SRP's Objectives

- The seniority of the members of the SRPPB and the time commitment to the SRP, through weekly meetings, confirms the Leadership's commitment to the Programme.
- SRPPB members actively engage in discussing updates from the 13 programmes.
- The SRPPB have a set of agreed operating principles.
- There is an SRP Programme Team that is dedicated to supporting the successful delivery of the SRP.
- The SRP Programme Team has grown its capability from both existing KCC resources and external recruitment. As the Team's capability has grown, the SRP has become less reliant on direct operational support from PwC.

thereafter to provide quarterly briefings for Members and to begin regular Cabinet Members Meeting updates.

- Members of the SRP Programme Team have provided SRP presentations to some staff groups across KCC on an ad hoc basis. While these engagements are not yet part of a systematic programme, Internal Audit noted that the SRP Programme Team was preparing a stakeholder engagement plan that encompasses staff engagement.
- There was a deliberate decision to set communications to staff about the SRP in the context of the Council's strategic narrative around Covid Recovery. For 2022, there are plans to raise a greater understanding and awareness of the SRP to the wider staff population through case studies that bring to life what the SRP means for the Council and how the programmes are delivering change and contributing to the SRP's ambitions.
- All parties interviewed by Internal Audit confirmed that the SRPPB has generally been a forum that engaged positively when programme delivery teams came before the Board.
- The SRPPB recognises there is a need to introduce a process to determine whether programme update reports received provide full and honest representation of the current position.
- The SRO for the SRP and the Strategic Lead engaged positively and constructively with Internal Audit's findings and prepared clear management actions for eight of the nine issues. While the risk associated with one of the Issues was accepted, the SRO for the SRP will share organisation succession planning guidance with all SRP Board Members and SRO .

**Summary of management responses**

	<b>Number of issues raised</b>	<b>Management Action Plan developed</b>	<b>Risk accepted and no action proposed</b>
High Risk	1	1	0
Medium Risk	7	6	1
Low Risk	1	1	0

**RB27-2022 – Traveller Service – Site Allocation & Pitch Fee Collections**

<b>Audit Opinion</b>	<b>No Assurance</b>
<b>Prospects for Improvement</b>	<b>Uncertain</b>

The last audit completed regarding the Gypsy and Traveller Service (GTS) was in 2014 and this identified several areas for improvement including inconsistent processing of pitch allocations and lack of central records being retained. In 2014, an audit opinion of Limited was assigned as significant issues were identified that could cause high risk to the Council.

The issues identified as a result of the current audit are identical to those that were highlighted 8 years ago.

Additionally, further significant issues have also been identified, such as the current GTS Policy being out of date, the new case management system not being used, and a high level of outstanding debts owed by pitch tenants with no debt recovery policy or procedure in place.

A case management system was implemented on 1<sup>st</sup> June 2021; however Internal Audit have identified that this does not hold up to date records and although there is some data on the system it is not possible to ascertain what or how much as the reporting functionality cannot currently be used.

There is also a historic undocumented agreement in place between KCC and water suppliers whereby KCC pays the water supply bills for the pitches managed and recover the debt from the tenants. This is administratively costly and has proved not to be effective as large amounts are owed to the Council by tenants for their water bills.

Furthermore, a project carried out by the GTS has identified that all tenants have been either over charged or undercharged for their water supply.

The weaknesses identified with the new case management system are perhaps more concerning, as GTS has invested in a system that is not being used effectively and has not been populated with the required data nearly a year after initial implementation.

**Areas for Development**

- The current GTS Policy is dated 2012 and is significantly out of date. The Policy was reviewed and updated in 2019, but the new version has not been agreed by the Environment & Transport Cabinet Committee and the service has been unable to move forward.
- The currently available process documents do not sufficiently outline the application, assessment and approval processes; including roles and responsibilities.
- The current pitch rental fees have not been formally agreed by the relevant Committee and fees have not been published in accordance with legislative guidance.
- The new case management system is not being used to its full potential.
- From the review of a sample of 12 applications across various sites, a high number of inconsistencies were identified in the records kept and the way applications have been assessed and scored.
- Staff have not received fraud awareness training or made any fraud referrals to the Counter Fraud Team.
- The current level of outstanding debt for pitch fees is £384,466 of which £323,031 (84%) is more than 60 days overdue. There is no debt recovery policy or procedure.
- The current agreement with water companies whereby KCC pays the water bills and recharges these costs to the pitch tenants is administratively costly and ineffective.
- There is currently £26,800 of funds that have been received from tenants and/or from other Local Authorities for those tenants in receipt of housing benefit but not allocated to the relevant invoice.

**Prospects for Improvement**

Our overall opinion of Uncertain for Prospects for Improvement is based on the following factors:

- Currently the post of Head of the GTS is vacant. Although action plans have been developed to address the issues raised in this report it is unclear whether they will be prioritised by the new post-holder or whether the timescales are realistic.
- It is unclear whether Case Management System that was purchased for the GTS is fit for purpose as a significant amount of work remains to implement it.

Internal Audit's overall Audit Opinion of No Assurance is based on the following Key Strengths and Areas for Development:

**Key Strengths**

- For a sample of tenants examined, Internal Audit established that accurate invoices had been raised for their pitch rental fees (this does not include water charges or the debt recovery of the invoices).

**Summary of management responses**

	<b>Number of issues raised</b>	<b>Management Action Plan developed</b>	<b>Risk accepted and no action proposed</b>
High Risk	8	8	0
Medium Risk	1	1	0
Low Risk	0	0	0



**ICT03-2022 – IT Cloud Strategy, Security & Data Migration Project**

<b>Audit Opinion</b>	<b>Adequate</b>
<b>Prospects for Improvement</b>	<b>Uncertain</b>

Internal Audit’s overall Audit Opinion of **Adequate** is based on the following Key Strengths and Areas for Development:

**Key Strengths**

- Governance structure comprising 4 separate boards, terms of reference and member roles.
- There is regular status reporting to the programme boards.
- KCC ICT provided challenge to the supplier, reinforced through an action log.
- Finance had been budgeted and funded via reserve funds.
- Security of products were formally evaluated by the Compliance and Risk Team (CaRT).
- Supplier proposals were costed and reviewed and approved by KCC ICT prior to raising a purchase order.
- Changes to a Programme or Project were driven by a formal change control process, and changes and any revised costs were approved by KCC ICT.

**Areas for Development**

- Project initiation documentation should be in place for all complex projects where risks have been identified, and available to KCC ICT.
- There is a gap in Cantium resources available to fulfil the KCC ICT Programmes of work, by the original target timescales. Remaining projects to be prioritised including those not yet started to assist with organisation of resources.
- The systems used for managing programmes/ projects and storage of documentation, from brief to benefits realisation.
- There were some inaccuracies and omissions in the supplier’s status reporting.
- There is an opportunity to report the total residual risk being carried by active projects and those not yet started.
- A consolidated skills matrix to identify training gaps and skills matching to projects.

**Prospects for Improvement**

Our overall opinion of **Uncertain** for Prospects for Improvement is based on the following factors:

- KCC ICT as commissioners were subject to external factors affecting their supplier Cantium to recruit and make available resources to deliver the programme of work.
- KCC have already raised concerns with Cantium regarding resourcing of projects,

The largest influencing factor currently effecting the delivery of the ICT programmes of work was one of resource, project managers and solution architects that understood the technicalities of the KCC network and storage devices. KCC ICT as commissioners were subject to external factors affecting their supplier Cantium to recruit and make available resources to deliver the programme of work.

There is a governance structure in place which has recently been reviewed, together with the terms of reference for each of the four programme boards. There is a good level of challenge made by the Programme and Project Boards, however KCC ICT was still often presented with progress reports from Cantium that were in-part incomplete, and in error. Some of KCC ICT’s resource effort was being directed at highlighting these issues, and obtaining answers, at the monthly Programme and Project board meetings.

In many instances formal project documentation was incomplete or unavailable to KCC ICT, including project plans. Internal Audit considered that the document repositories, and methods for accurate and complete progress reporting, did not provide all the needed information to enable the Programme & Project Stakeholders to take confidence, or to make timely and fully informed decisions.

An example being that there was a time lag between Cantium generating the Project Assurance Report from the ‘Service Now’ system, prior to Cantium editing and issuing that report, and further time between the KCC ICT review and the Project Assurance Board meeting where the report is discussed. KCC ICT had no direct access to the Cantium Project Management systems, Project document repositories, and performance data. Whilst KCC ICT was encouraging Project Members (Cantium & KCC ICT) to use the Microsoft Teams folders to upload relevant documents, and to raise questions using this application, there was no formal system to facilitate real-time reporting, and to ensure that the appropriate level of project initiation documents had been created prior to the implementation phase.

The findings and Audit Opinion are at the point of fieldwork, and it is recognised that further, continuing action may have been taken since, by KCC ICT and Cantium, to resolve the current issues.

- governance, available project documentation and reporting inaccuracies.
- The Interim Head of Technology Commissioning and Strategy has, with the support of the Director of Infrastructure, been developing the relationship between KCC ICT and Cantium, and already made changes to the Programme governance.
- KCC ICT are committed to setting-up a Programme Management Office, on the client side.

**Summary of management responses**

	<b>Number of issues raised</b>	<b>Management Action Plan developed</b>	<b>Risk accepted and no action proposed</b>
High Risk	2	2	N/A
Medium Risk	3	3	N/A
Low Risk	1	1	N/A

## Ashford Sevington – Grant Certification

<b>Audit Opinion</b>	N/A
<b>Prospects for Improvement</b>	N/A

### Testing and findings

The total spent from this grant until January 2022 was £35,711,001. This is approximately £245k less than the grant received, but the Oracle download shows that there has been significant expenditure since May 2021, so it is clear that the grant will be spent in full.

16 invoices were selected from the expenditure incurred with the total value of tested expenditure being £35,829,667– 99.65% of total Capital grant received.

Total amount spent up Jan 2022	Total amount of sampled transactions	% coverage	Number of transactions reviewed	Audit findings
£35,711,001.08	£35,829,667.67	99.65%	16	All transactions tested were fully supported by evidence and comply with grant conditions

Checks completed on transactions were as follows –

- Paid in Oracle in the period
- Supporting evidence available (invoice)
- Evidence matches amount paid and description of payment recorded in Oracle
- Relates to capital expenditure on the Ashford Sevington works, and therefore eligible under the grant conditions.

### Conclusion

In our opinion, having carried out appropriate investigations and checks, the conditions applied to the highway’s capital grants have been complied with.

### Recommendation

The Head of Internal Audit and the Corporate Director Growth, Environment and Transport to sign grant declaration letters for Tranches 5.6 and 7 of the Ashford Sevington capital grant. Declaration to be sent to the team leader of the Future EU Roads Relationship (FERR) Division of the Department for Transport.

## Appendix C - Grant Certifications completed since 1/4/2021:

Grant	Description	Status as at 31/3/2022
EU Interreg - Aspire	A holistic approach to lowering obesity and unemployment rates in identified communities where the two issues are linked.	2 Claims completed
EU Interreg - BEGIN	An approach to climate resilience for cities that mimics nature's potential to deal with flooding.	2 Claims completed and 1 On the Spot complete
EU Interreg - BHC21	To contribute to the development of more efficient and effective vocational training services for low-skilled people and develop a generic 21st century training model to reduce unemployment rates amongst low-skilled people.	1 Claim completed and 1 On the Spot in progress
EU Interreg – Blueprint	Upskill 18 social enterprises to training 2000 disadvantaged individuals with the skills they require to secure new jobs linked to circular economy growth (increased recycling, reverse logistics and secondary markets).	1 Claim completed
EU Interreg – Boost for Health Capitalisation	Supporting Kent based life sciences companies with internationalisation and in particular market entry in mainland Europe.	1 Claim completed
EU Interreg – C5A	Aims to deliver a whole system approach to water and flood risk management in response to current and future risks from climate change.	1 Claim completed and 1 On the Spot completed
EU Interreg – C-CARE	To deliver a range of activities linked to Covid-19 response including: <ul style="list-style-type: none"> <li>- A technology resilience voucher scheme for businesses (ED)</li> <li>- A green recovery voucher scheme for businesses (Environment Team)</li> <li>- A Covid-secure trading standards training module (Public Protection)</li> </ul>	1 Claim completed
EU Interreg – Connected Communities	To develop co-ordinated and integrated services for older people that help make communities more resilient and take early action to prevent or delay the need for long term care.	2 Claims completed
EU Interreg – Cool Towns	Spatial adaptation for heat resilience in small and medium sized cities to minimise the heat related effects of climate change.	1 Claim completed and 2 On the Spots in progress
EU Interreg – DWELL	Empowerment programme enabling patients with type 2 diabetes to access tailored support giving them mechanisms to control their condition and improve their wellbeing.	1 Claim completed
EU Interreg - Empower Care	To create resilient communities and reduce individual frailty and loneliness, addressing issues facing the care of our aging population.	2 Claims completed
EU Interreg - Ensure	Making use of the community peer to peer support, which will allow societies to become proactive in addressing circumstances which create vulnerability across Kent.	2 Claims completed
EU Interreg - Experience	To provide the tools and infrastructure to capitalise on the emerging trend for personalised and local tourism experiences which provide reasons to visit at any time of the year.	1 Claim completed
EU Interreg – Green Pilgrimage	Protecting natural & cultural heritage whilst developing jobs & growth along pilgrim routes by developing low impact tourism, digitalisation, pilgrim accommodation & strengthening local traditions.	1 Claim in progress
EU Interreg - H20	Overcoming barriers to integrated water and ecosystem management in lowland areas adapting to climate change.	1 Claim complete 1 On the Spot in progress

Grant	Description	Status as at 31/3/2022
EU Interreg – IMPULSE2	This project aims to support 100 Life Sciences & nutrition SMEs & production sites to help them to become more innovative, to connect to companies and business opportunities in other countries and to overcome the barriers that they face with innovation and internationalisation. The long-term benefits for SMEs will be increased knowledge, innovation capacity, international contacts, and export sales potential.	2 Claims completed
EU Interreg - Inn2Power	Supporting Kent based companies in the offshore wind sector with internationalisation & market entry in mainland Europe	1 Claim completed
EU Interreg - PATH2	Enabling women, families, and healthcare professionals to prevent, diagnose and successfully manage mild and moderate perinatal mental health issues.	2 Claims completed and 1 On the Spot in progress
EU Interreg - Prowater	Contributing to climate adaptation by restoring the water storage of the landscape via ecosystem-based adaptation measures.	1 Claim completed and 1 On the Spot in progress
EU Interreg - SCAPE	Developing landscape-led design solutions for water management that make coastal landscapes better adapted and more resilient to climate change.	2 Claims completed and 1 On the Spot completed
EU Interreg - SHIFT	Engaging with people over 45 years of age to develop a tailored sexual health and wellbeing model.	2 Claims completed 1 On the Spot in progress
EU Interreg – STAR2Cs	Overcoming the implementation gap faced by local government adapting to climate change.	1 Claim Completed
EU Interreg – Step by Step	Seeking to increase the impact of the internationally evidenced men's sheds programme in particular employment & health outcomes.	2 Claims completed and 1 On the Spot completed
EU Interreg - TICC	Implementing an integrated community team at a pilot site to work with the principles of Buurtzorg (A Dutch home-care model known for innovative use of independent nursing teams in delivering relatively low-cost care).	1 Claim completed
EU Interreg - Triple A	Supporting homeowners to adopt different low-carbon technologies in their homes.	1 Claim completed
EU Interreg - Triple C	Implementing a set of cost-effective actions to reduce flooding and erosion.	2 Claims completed
EU Interreg - Upcycle your waste	The programme will run over three years and aims to support SMEs in reducing their running costs by handling and transforming their waste into new resources for the community.	1 Claim completed
EU Interreg - USAC	UNESCO sites across the Channel.	2 Claims completed
Department of Health and Social Care	Public Health Test and Trace grant	In progress – deferred to 2022
Department for Transport	Highways Travel Demand Management Grant	Completed
Department for Transport	Bus Service Operators Grant	Completed
Department for Transport	Ashfords Sevington works Grants	Completed
Department for Transport	Highways Block Capital Funding (Integrated Transport and Highway Maintenance)	Completed
Department for Transport	Manston Airport Inland Border Facility Site	Completed
Department for Education	Additional School and College Transport Grant	Completed

## Appendix D – External Quality Assessment – Action Plan

Ref.	Issue	Recommendation	Internal Audit Response + Action Plan	Progress Update
R1	Internal Audit Charter (Consider)	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><b>Response</b> Recommendation agreed.</p> <p><b>Agreed Action Plan</b> 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><b>Action Owner</b> Head of Internal Audit</p> <p><b>Due Date</b> August 2021</p>	<p><b>Complete</b></p> <p>The Audit Charter was reviewed and updated ahead of the <a href="#">July 2021</a> Governance and Audit Committee meeting.</p>
R2	Internal Audit Management (Review)	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><b>Response</b> Recommendation agreed.</p> <p><b>Action Plan</b> 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. This will include consideration of the circumstances as to if / when there should be nominated CAEs within the shared service</p> <p><b>Due Date:</b> February 2022</p>	<p><b>Complete</b></p> <p>The reason for the recommendation is acknowledged, and how some Internal Audit organisations who operate on a shared service basis with a Director of Internal Audit was considered. It is, however, concluded that it is not appropriate for the Internal Audit service at KCC to introduce a Managing Director with multiple CAEs structure.</p>

R3	2020/21 Engagement Completion <b>(Consider)</b>	<p>Current year provision has been impacted by Covid and the team holding a number of vacancies.</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><b>Response</b> Recommendation agreed.</p> <p>The CIPA Guidance has been referred to throughout 2020-21 when it was necessary to make changes to the Audit Plan.</p> <p><b>Action Plan</b> In compilation of the Annual Opinion for 2020-21 to be submitted to the Governance and Audit Committee in July 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><b>Due Date</b> July 2022</p>	<p><b>Complete</b></p> <p>Reference to the CIPFA Guidance was made in the <a href="#">Internal Audit Annual Report 2020-21</a>, which was reported to Governance and Audit Committee on 22 July 2021.</p>
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C1	Audit Planning (Review)	<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 a risk is therefore focused on residual and target levels and consequently Internal Audit should determine and evidence (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.</p>	<p><b>Response</b> 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. Furthermore, the compilation of an Audit Plan is based upon several different factors, not purely on theoretical considerations. Further clarification has been sought from the Assessor and will be reviewed.</p> <p><b>Action Plan</b> 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><b>Due Date:</b> April 2022</p>	<p><b>Complete</b></p> <p>This recommendation was reviewed / considered when developing the 2022/23 Audit Planning process.</p>
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C2	Management Objectives (Review)	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.	<p><b>Response</b> Recommendation agreed</p> <p><b>Action Plan</b> The explicit focus upon agreed Management Objectives will be incorporated into the Audit Manual. This will be communicated to members of the Internal Audit Team in in-house training and development and monitored by supervisions and Audit Managers during the preparation of Engagement Plans as business as usual.</p> <p><b>Due Date</b> April 2022</p>	<p><b>Complete</b></p> <p>The Audit Manual has been updated and a training session was delivered to Internal Audit colleagues in November 2021.</p>
C3	Engagement Plans (Review)	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 development by the team. 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. This would also align with the functionality of the Pentana software.	<p><b>Response</b> Recommendation agreed.</p> <p>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><b>Action Plan</b> 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><b>Due Date</b> December 2021</p>	<p><b>In Progress</b></p> <p>Risk-based Internal Audit training has been arranged for the whole Team in January 2023.</p>

C4	Use of Pentana software <b>(Consider)</b>	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 efficient 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><b>Response</b> Recommendation agreed.</p> <p>The need to develop the use of Pentana to enhance efficiency is recognised.</p> <p><b>Action Plan</b> The 2021/22 Internal Audit Plan includes a provision for Pentana development which will address the factors in the issue and recommendation. Pentana development will be factored into resourcing on an ongoing basis for future years Audit Plans.</p> <p><b>Due Date</b> March 2022</p>	<p><b>Complete</b></p> <p>Several workshops have been held with Internal Audit colleagues over the last few months, to develop knowledge and awareness of how to use the system more effectively. As a result of these sessions, some updates have been made to Pentana to improve functionality and where relevant guidance notes have been updated accordingly. There will continue to be an ongoing Pentana training and development programme to maximise the team's expertise and the efficiency and effectiveness of the system.</p>
C5	Grading of Issues <b>(Review)</b>	It would be beneficial to align future grading of issues with those impact definitions used within the risk management process relating to each client's risk appetite. 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. 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><b>Response</b> Recommend agreed.</p> <p>To be reviewed and implemented appropriately.</p> <p><b>Action Plan</b> The Internal Audit Management Team will review the recommendations and consider whether enhancement 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><b>Due Date</b> December 2021</p>	<p><b>Complete</b></p> <p>The Head of Internal Audit, in conjunction with the Internal Audit Management Team have discussed the options to amend the grading of audit issues in-line with the Council's Risk Management framework and have agreed to maintain the existing gradings.</p>

D1	Engagement Boundaries <b>(Consider)</b>	<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><b>Response</b> 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. 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. 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. 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><b>Action Plan</b> 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><b>Due date</b> October 2021</p>	<p><b>Complete</b></p> <p>Discussions held at Team Meeting in October 2021 to consider whether enough is being undertaken to manage the potential engagement boundary risk and to remind Audit colleagues to keep potential conflicts in mind for all audits and the importance of raising issues with the relevant manager as soon as practically possible.</p> <p>The Audit Planning checklist has been updated to reflect potential / actual conflicts of interest encountered during audits, which had not been previously anticipated.</p>
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D2	IA Opinions (Review)	Internal Audit should consider whether there is merit to moving towards three levels of opinion – Substantial, Adequate and Limited. 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. Where a risk/recommendation of a 'Critical' nature is identified this would indicate that a 'Limited Assurance' opinion should be used	<p><b>Response</b> 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><b>Action Plan:</b> 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><b>Due date</b> October 2021</p>	<p><b>Complete</b></p> <p>The Head of Internal Audit and Audit Management colleagues have considered the current opinion gradings / definitions in comparison with other Internal Audit services / peers, and we have decided to keep the current gradings / definitions to ensure consistency across all clients.</p>
D3	Quality Assurance and Improvement Programme (Consider)	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. 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><b>Response</b> Recommendation Agreed.</p> <p>This will enhance the Annual Internal Audit Report and Opinion.</p> <p><b>Action Plan</b> More detailed reporting of the QAIP will be incorporated into the 2020-21 Annual Report and then on an ongoing basis.</p> <p><b>Due Date</b> August 2021</p>	<p><b>Complete</b></p> <p>More detailed information on the IACF Quality and Assurance Improvement Programme was included within the <a href="#">Internal Audit Annual Report 2020-21</a>. This will continue in future Annual Reports.</p>

D4	Head of Internal Audit Annual Report <b>(Review)</b>	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><b>Response</b> Recommendation Agreed.</p> <p>This will enhance the Annual Internal Audit Report and Opinion.</p> <p><b>Action Plan</b> 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><b>Due Date:</b> August 2021</p>	<p><b>Complete</b></p> <p>This was incorporated into the 2020-21 Annual Opinion. However, this will continue to be refined to determine how assurances from other sources can be utilised and mapped against corporate risks. An integrated assurance methodology will also be developed.</p>
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D5.	Communication (Review)	<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. 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. 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><b>Response</b> 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> <p><b>Action Plan</b> 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><b>Due Date</b> September 2021</p>	<p><b>In Progress</b></p> <p>Stakeholder mapping exercise is currently underway. The outcomes of this exercise will be formulated into a revised Customer Relationship Strategy.</p>
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1	Exit meeting template <b>(Consider)</b>	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. This may represent a more efficient and effective use of time by all parties rather than wait for production of a draft report.	<p><b>Response</b> Recommendation Agreed</p> <p><b>Action Plan</b> 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><b>Due Date</b> September 2021</p>	<p><b>Complete</b></p> <p>An Exit Meeting guidance note has been prepared and circulated to Audit colleagues for testing. The guidance note sets out what should be covered during exit meetings and what information should be recorded in Pentana on the Quality Assurance &amp; Reporting checklist.</p>
2	Client surveys <b>(Consider)</b>	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><b>Response</b> Recommendation Agreed.</p> <p>This can be considered. Another method has previously been reviewed, however there were data /GDPR issues associated with its usage.</p> <p><b>Action Plan</b> 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.</p> <p><b>Due Date</b> July 2021</p>	<p><b>Complete</b></p> <p>Pilot testing currently underway of new MS Forms survey. This will be introduced more widely for the 2022/23 Audit Plan.</p>

3	Contractual Arrangements <b>(Consider)</b>	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. Matters of a professional nature regarding routine compliance with the PSIAS should become matters covered within an Internal Audit Charter, which reflects the service provided and appropriate to all clients. Such requirements would then be managed using standard contract and performance monitoring arrangements.	<p><b>Response</b> 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><b>Action Plan</b> 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><b>Due Date</b> October 2021</p>	<p><b>Complete</b></p> <p>This was incorporated into the development of the new service level agreement (SLA) with Tonbridge &amp; Malling Borough Council and will be covered in the development of any future SLA's with other clients.</p>
4.	Standard Engagement Report <b>(Consider)</b>	The current engagement report template includes a statement reflecting compliance with the Standards for the Professional Practice of Internal Auditing. To consider whether this should more appropriately reflect the PSIAS for public sector clients. It may also be appropriate to include reference to compliance with the Code of Ethics.	<p><b>Response</b> Recommendation Agreed.</p> <p>This will enhance existing reporting arrangements.</p> <p><b>Action Plan</b> Relevant inserts will be incorporated into report templates.</p> <p><b>Due Date</b> September 2021</p>	<p><b>Complete</b></p> <p>Report templates have been updated as agreed.</p>



5.	Release of Engagement Reports <b>(Consider)</b>	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><b>Response</b> Recommendation Agreed</p> <p><b>Action Plan</b> 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><b>Due Date</b> July 2021</p>	<p><b>Complete</b></p> <p>Report templates have been updated as agreed.</p>
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6.	Adding Value <b>(Consider)</b>	<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: 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>	<p><b>Response</b>  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><b>Action Plan</b>  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><b>Due Date</b>  December 2021</p>	<p><b>Complete</b></p> <p>The Internal Audit Progress Reports / Annual Report do provide details of any consultancy / advice work completed in the period.</p> <p>An annual skills gap analysis is completed, and relevant training arranged as needed.</p> <p>Audit colleagues proactively engage / attend a number of networking forums with other Internal Audit Services / peers.</p> <p>Audit Management regularly review / observe other Audit Committee meetings / reports to share best practice and for further development.</p> <p>The Pentana library facility and audit drive is used to store best practice and training materials for the team to access.</p> <p>Further work is planned / ongoing to ensure other sources of assurance is considered / drawn on during audit planning and the Annual Report + HoIA Opinion.</p>
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7.	Internal Audit Manual <b>(Consider)</b>	A previous recommendation noted that the team intended to commission a Risk Based Internal Audit training session. 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: 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><b>Response</b> Recommendation Agreed - to be considered.</p> <p><b>Action Plan</b> The recommendation will be considered in the next review of the Audit Manual.</p> <p><b>Due Date</b> March 2022</p>	<p><b>Complete</b></p> <p>The elements raised within the recommendation have been considered within a recent review of the Audit Manual.</p>
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8.	Use of Sub Contractor Support <b>(Consider)</b>	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><b>Response</b> 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><b>Action Plan</b> In the eventuality of engaging another provider, the good practice referred to will be adopted.</p> <p><b>Due Date</b> May 2021</p>	<p><b>Complete</b></p> <p>The EQA report / outcomes are now requested from all potential contractors during the preliminary commissioning stage and are considered / assessed by the IA Management Team prior to formal instruction.</p>
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## Appendix E - Definitions

### AUDIT OPINION

#### High

Internal control, Governance and the management of risk are at a high standard. The arrangements to secure governance, risk management and internal controls are extremely well designed and applied effectively.

Processes are robust and well-established. There is a sound system of control operating effectively and consistently applied to achieve service/system objectives.

There are examples of best practice. No significant weaknesses have been identified.

#### Substantial

Internal Control, Governance and management of risk are sound overall. The arrangements to secure governance, risk management and internal controls are largely suitably designed and applied effectively.

Whilst there is a largely sound system of controls there are few matters requiring attention. These do not have a significant impact on residual risk exposure but need to be addressed within a reasonable timescale.

#### Adequate

Internal control, Governance and management of risk is adequate overall however, there were areas of concern identified where elements of residual risk or weakness with some of the controls may put some of the system objectives at risk.

There are some significant matters that require management attention with moderate impact on residual risk exposure until resolved.

#### Limited

Internal Control, Governance and the management of risk are inadequate and result in an unacceptable level of residual risk. Effective controls are not in place to meet all the system/service objectives and/or controls are not being consistently applied.

Certain weaknesses require immediate management attention as there is a high risk that objectives are not achieved.

#### No Assurance

Internal Control, Governance and management of risk is poor. For many risk areas there are significant gaps in the procedures and controls. Due to the absence of effective controls and procedures no reliance can be placed on their operation.

Immediate action is required to address the whole control framework before serious issues are realised in this area with high impact on residual risk exposure until resolved

## Appendix E - Definitions

### PROSPECTS FOR IMPROVEMENT

#### Very Good

There are strong building blocks in place for future improvement with clear leadership, direction of travel and capacity. External factors, where relevant, support achievement of objectives.

#### Good

There are satisfactory building blocks in place for future improvement with reasonable leadership, direction of travel and capacity in place. External factors, where relevant, do not impede achievement of objectives.

#### Adequate

Building blocks for future improvement could be enhanced, with areas for improvement identified in leadership, direction of travel and/or capacity. External factors, where relevant, may not support achievement of objectives

#### Uncertain

Building blocks for future improvement are unclear, with concerns identified during the audit around leadership, direction of travel and/or capacity. External factors, where relevant, impede achievement of objectives.

### ISSUE RISK RATINGS

#### High

There is a gap in the control framework or a failure of existing internal controls that results in a significant risk that service or system objectives will not be achieved.

#### Medium

There are weaknesses in internal control arrangements which lead to a moderate risk of non-achievement of service or system objectives.

#### Low

There is scope to improve the quality and/or efficiency of the control framework, although the risk to overall service or system objectives is low.