



DISTRICT COUNCIL

Despatched: 09.03.15

AUDIT COMMITTEE

17 March 2015 at 7.00 pm

Conference Room, Argyle Road, Sevenoaks

AGENDA

Membership:

Chairman: Cllr. Grint Vice-Chairman: Cllr. Brookbank

Cllrs. Mrs. Bayley, Brown, Fittock, Orridge, Mrs. Purves and Towell and a vacancy

| | <u>Pages</u> | <u>Contact</u> |
|--|---------------------|-------------------------------------|
| Apologies for Absence | | |
| 1. Minutes To agree the Minutes of the meeting of the Committee held on 13 January 2015 as a correct record | 1 - 6 | |
| 2. Declarations of Interest Any declarations of interest not already registered. | | |
| 3. Actions from Previous Meeting | 7 - 8 | |
| 4. Responses of the Council, Cabinet or Council Committees to the Committee's reports or recommendations (if any) | | |
| 5. Community Infrastructure Levy (CIL) - Update The Chief Planning Officer will be in attendance to update and answer questions. | | Richard Morris Tel: 01732 227430 |
| 6. Internal Audit 2014/15 - 3rd Progress Report | 9 - 28 | Bami Cole Tel: 01732 227236 |
| 7. Implementation of Audit Recommendations | 29 - 36 | Bami Cole Tel: 01732 227236 |
| 8. Review of the Effectiveness of the Audit Committee | 37 - 46 | Bami Cole Tel: 01732 227236 |
| 9. Internal Audit Plan 2015/16 | 47 - 74 | Bami Cole Tel: 01732 227236 |
| 10. Annual Report to Council | 75 - 78 | Cllr Grint |

EXEMPT INFORMATION

(At the time of preparing this agenda, there were no exempt items. During any such items which may arise, the meeting is likely NOT to be open to the public.)

To assist in the speedy and efficient despatch of business, Members wishing to obtain factual information on items included on the Agenda are asked to enquire of the appropriate Contact Officer named on a report prior to the day of the meeting.

Should you require a copy of this agenda or any of the reports listed on it in another format please do not hesitate to contact the Democratic Services Team as set out below.

For any other queries concerning this agenda or the meeting please contact:

The Democratic Services Team (01732 227241)

AUDIT COMMITTEE

Minutes of the meeting held on 13 January 2015 commencing at 7.00 pm

Present: Cllr. Grint (Chairman)

Cllr. Brookbank (Vice Chairman)

Cllrs. Mrs. Bayley, Brookbank, Brown, Fittock and Towell

Apologies for absence were received from Cllrs. Orridge and Mrs. Purves

Cllr. Lindsay and Ramsay were also present.

28. Minutes

Resolved: That the minutes of the Audit Committee held on 9 September 2014 be agreed and signed as a correct record subject to the inclusion of Cllr. Fittock's apologies.

29. Declarations of Interest

There were no additional declarations of interest.

30. Actions from Previous Meeting

There were none.

31. Responses of the Council, Cabinet or Council Committees to the Committee's reports or recommendations

There were none.

32. External Audit - Housing Benefit Subsidy 2013/14

The Chairman welcomed Grant Thornton to the meeting, the Council's External Auditors.

The Chief Officer presented a report which detailed the outcome of the 2013/14 audit of the Housing Benefit Subsidy. Some errors were identified in 2013/14, however the number of errors had reduced year-on-year. The Department for Work and Pensions (DWP) required that any claims being incorrect by as little as 1p were classified as errors, resulting in additional testing. The number of errors had been reduced due to staff training and the computerisation of some processes.

In response to a question Members were advised that overpayments resulting from errors were being claimed back.

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Audit Committee - 13 January 2015

Action 1: Chief Finance Officer to provide an analysis and breakdown of the errors, the cost of the service and details of the cost of the audit, had there been no errors.

Members were advised that it was unrealistic to expect no errors. In comparison to other Local Authorities the number of errors was relatively small. Members were also informed that the audit testing was carried out on a sample basis, and if an error was found in the sample then another sample had to be tested. In total 240 cases were looked at.

Public Sector Equality Duty

Members noted that consideration had been given to impacts under the Public Sector Equality Duty.

Resolved: That the report be noted.

33. External Audit - Annual Audit Letter 2013/14

Mr. Geoffrey Banister presented the Annual Audit Letter 2013/14 which summarised the reports that had been presented to the Committee over the past year which was a requirement of the Audit Commission. He advised that the Council were given an unqualified Value for Money conclusion for 2013/14 which was a strength of the Council. The Council's 10 year financial plan had been identified as good practice and had been shared with other Councils.

In response to a question, Members were advised that the additional fee of £2,000 was due to rectifying minor errors in the draft financial statements. Members were advised that in future additional proof-reading of the draft financial statements would be carried out by Officers to try and avoid these errors.

Action 2: That details of the additional fee be provided to Members.

The Committee thanked Grant Thornton for their work.

Public Sector Equality Duty

Members noted that consideration had been given to impacts under the Public Sector Equality Duty.

Resolved: That the report be noted.

34. Internal Audit 2014/15 - 2nd Progress report

The Audit, Risk and Anti – Fraud Manager presented a report which detailed the progress of the Internal Audit Team in delivering the Annual Internal Audit Plan 2014/15 and the outcomes of final internal audit reports issued since the meeting of the Audit Committee on 9 September 2014.

He advised Members that there had been a slow start due to two staff vacancies within the team however two agency staff had been recruited and a third would be starting shortly in order to recoup lost productive days. He tabled an updated progress plan and

Audit Committee - 13 January 2015

Members were informed that two items had moved from the “feedback process in progress” to “final reports issued” and one item had moved from the “feedback process in progress” to “draft report issued” stage. One audit had also moved from “fieldwork in progress” to “feedback process in progress”.

In response to a question, the Audit, Risk and Anti-Fraud Manager advised Members that in certain cases, internal audit provided advice and guidance to Service Managers which were acted upon prior to completion of the audit process. Consequently some of the issues raised during an audit would have been addressed prior to the final report.

Members discussed whether the responsible Officer for Electoral registration could be invited to the next meeting to provide assurance that the new changes would be functioning as well as possible for the Election in May. Members were advised that this would be explored.

Action 3: The Chairman to discuss with the Chief Finance Officer and the Audit Risk and Anti- Fraud Manager, how an update on Electoral Registration could be presented to the Committee.

Public Sector Equality Duty

Members noted that consideration had been given to impacts under the Public Sector Equality Duty.

Resolved: That the content of the report and progress made by the Internal Audit Team in delivering the 2014/15 Annual Internal Audit Plan be noted.

35. Report on Internal Audit Recommendations Outstanding

The Audit, Risk and Anti-Fraud Manager presented a report that detailed progress of the implementation of recommendations agreed with Management and the outstanding recommendations due for implementation by 30 November 2014. The report also detailed where implementation dates had been revised or where agreed recommendations had not yet been implemented. Members were advised that Internal Audit were content with the reasons for deadlines not being met.

In response to questions Members were informed that a recommendation on the Audit of Council Tax and Non Domestic Rates 2012/13, was for the payment system to be brought in line with other payment systems within the Council. Members were assured that online payments for Council Tax could still be made. Clarification on the Planning and Development Control 2013/14 recommendation would be sought and be provided at the next meeting.

Action 4: That the Audit, Risk and Anti-Fraud Manager provide an update on the progress made on the recommendation for Council Tax and Non Domestic Rates.

Action 5: That the Audit, Risk and Anti-Fraud Manager provide clarification on the recommendation on Planning and Development Control

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Members expressed some concern that the list of 'overdue' recommendations where implementation had been delayed appeared to be getting longer and requested that the responses were linked to the recommendation.

Public Sector Equality Duty

Members noted that consideration had been given to impacts under the Public Sector Equality Duty.

Resolved: That

- a) the information in Appendix A be noted
- b) the Audit Risk and Anti-Fraud Manager provide clarification regarding recommendation 14 relating to Development Control;
- c) the reasons for the delayed implementation be noted;
- d) the revised dates for implementation provided by Management, as noted in Appendix B to the report be endorsed; and
- e) the responses from Management be linked to each recommendation in future reports.

36. Whistle Blowing Report

The Audit Risk and Anti-Fraud Manager presented a report that set out the proposed amendments to the Council's Whistleblowing Policy which incorporated the requirements of the new Statutory Code of Practice recommended by the Whistleblowing Commission in 2013.

The policy would be available to staff on the staff intranet and they would be sent an email to advise that the new policy was available to read.

In response to a question, Members were advised that staff had previously been consulted on the existing policy but not on the amendments that had been made. Members believed that it was important for staff to be consulted on the policy for their comments.

Resolved: That subject to staff comments Members approved the proposed amendments to the Council's Whistleblowing Policy.

37. Members' Allowances Scheme - Monitoring

The Chief Finance Officer presented a report on Members' Allowance Scheme – Monitoring. Members were advised that it was Audit Committee's role to monitor the implementation of the scheme and that no issues had been reported by Democratic Services. Members were advised that the report would be brought annually to the Committee in the Summer as this was when the actual allowances claimed by each Member were published.

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It was raised by a Member that the Scrutiny Vice Chairman allowance was missing from Part 8 Schedule 1 of the Constitution.

Action 6: That the Scrutiny Vice Chairman allowance be added to Schedule 1.

Resolved: That the report be noted.

38. External Review of Internal Audit

The Chief Finance Officer presented a report which updated Members on the New Public Sector Internal Audit Standards which included a requirement for an external quality assessment which was currently taking place together with Dartford Borough Council (DBC). The review was nearing completion and a full report would be brought to the meeting in March. Informal feedback recently received from PwC was that the team were meeting the new standards but it was likely there would be some recommendations to improve working practices.

In response to a question Members were advised that the tender process was led by Dartford Borough Council only three firms had bid which were all national companies and PwC had won the tender. It was unknown whether it went to local companies as DBC led the tender.

Resolved: That the report be noted.

39. Work Plan

The work plan was noted.

THE MEETING WAS CONCLUDED AT 8.25PM

CHAIRMAN

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| ACTIONS FROM THE MEETING HELD ON 13.01.2015 | | | |
|---|---|---|-------------------------------|
| Action | Description | Status and last updated | Contact Officer |
| ACTION 1 | Chief Finance Officer to provide an analysis and breakdown of the errors, the cost of the service and details of the cost of the audit, had there been no errors. | Email sent 06.02.15 | Adrian Rowbotham Ext: 7153 |
| ACTION 2 | That details of the additional fee be provided to Members. | Email sent 06.02.15 | Adrian Rowbotham Ext: 7153 |
| ACTION 3 | The Chairman to discuss with the Chief Finance Officer and the Audit Risk and Anti- Fraud Manager, how an update on Electoral Registration could be presented to the Committee. | Discussed with the Chief Officer Legal and Governance and agreed that this is within the Governance Committee's terms of reference. As there is an internal audit of the review of the implementation of the IER, it would seem appropriate that the summary of the audit is included in the regular progress report when the final report has been issued, and then any questions would be in relation to the audit. | Adrian Rowbotham Ext: 7153 |
| ACTION 4 | That Audit, Risk and Anti-Fraud Manager provide an update on the progress made on the recommendation for Council Tax and Non Domestic Rates. | All recommendations arising from this review have been implemented. For clarification the unauthorised card payment was made via the telephone system not online. Security of payments | Bami Cole Ext: 7236 |

| | | | |
|----------|---|--|--------------------------------|
| | | including further enhancements (including online) have been and are considered as part of the IT Steering Group agenda | |
| ACTION 5 | That Audit, Risk and Anti-Fraud Manager provide clarification on the recommendation of Planning and Development Control | All recommendations arising from this review have been implemented. | Bami Cole Ext: 7236 |
| ACTION 6 | That the Scrutiny Vice Chairman allowance be added to Schedule 1. | Completed 13.2.15 | Christine Nuttall Ext: 7268 |

INTERNAL AUDIT 2014/15 – 3RD PROGRESS REPORT

Audit Committee – 17 March 2015

Report of Chief Finance Officer

Status: For Consideration

Key Decision: No

This report supports the Key Aim of Effective Delivery of the Corporate Plan

Portfolio Holder Cllr. Ramsay

Contact Officer(s) Bami Cole, ext.7236

Recommendation to Audit Committee: That Members note the contents of the report and the progress made by the Internal Audit Team in delivering the 2014/15 Annual Internal Audit Plan

Reason for recommendation: The Audit Committee is required to review the progress of the Internal Audit Plan in compliance with its terms of reference.

Introduction

- 1 This report provides details of the progress of the Internal Audit Team in delivering the Annual Internal Audit Plan 2014/15 and outcomes of final internal audit reports issued since the meeting of the committee in January 2015.
- 2 The Internal Audit function is a key process of the Council's overall governance arrangements. Its key purpose is to conduct independent reviews of the Council's system of internal controls and to provide an assurance to both Senior Management and Members regarding the effectiveness of such systems. In fulfilling his duty and responsibilities, the Audit Manager, is required to report to the Audit Committee on the progress made in delivering the Internal Audit Plan in meeting the Council's assurance requirements, in accordance with regulatory requirements and relevant professional standards.

Summary of Issues Raised Within the Report:

- 3 A summary of progress made towards delivering the assurance requirements for 2014/15 is attached as Appendix A to this report, which sets out details of the reviews agreed by the Audit Committee in March 2014. Members may note that all planned reviews within the revised plan are either in progress or have been completed. Progress is as follows; Eight reviews have been finalised; Five reviews are at draft report stage; the rest are at various stages of completion and are due to be at draft report stage by year end. In addition to the above, the team also

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completed an unplanned VFM review of the Council's postal service, which was specifically requested by Members, and two investigations.

- 4 Appendix B sets out details of the final reports which were issued since the last meeting of this committee and provides a brief summary of the findings and recommendations agreed with service management, to address any areas for further improvements, which are required to strengthen internal controls. Further details on any of the issues raised on the report summaries would be provided to members of this committee on request.

Internal Audit Resources

- 5 Internal audit resources have been under capacity for much of the year, due to two staffing vacancies, equivalent to 42% of auditor resources for the shared services audit team. One of the vacancies relates to the key role of Principal Auditor. This has consequently put some strain on delivery of the plan and overall effectiveness. However, this is being mitigated to some extent, by the use of agency staff in the short term.

New Public Sector Internal Audit Standards

- 6 Members were previously advised at the meeting in September 2014, of the proposed action plan required to implement the new Internal Audit Standards, which came into effect in April 2013. A key aspect of which was the proposals for the external review of internal audit, which Members approved at the meeting in September 2014. The field work for the external review has now been completed and a draft report is being discussed with officers. Members will be updated when the final report is produced..

Key Implications

Financial

- 8 Not Applicable.

Legal Implications and Risk Assessment Statement.

- 9 No additional legal implication beyond the Council's duty to comply with the Accounts and Audit Regulations 2011.

The Council is required to comply with the requirements of the Accounts and Audit Regulations 2011, regarding its "arrangements to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control". Staffing vacancies place a strain on internal audit capacity and its ability to deliver an effective service. The use of temporary agency staff provides a short term, but less effective solution.

Equality Impacts

- 10 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Conclusions

- 11 This report sets out progress of the Internal Audit Team in delivering the Council's assurance requirements for 2014/15 and provides a summary of final reports issued since the meeting of the Audit Committee in January 2015. The team is currently under capacity as a result of two staffing vacancies. The temporary arrangement of using agency staff provides some relief in the short term, but is a less effective solution.

Appendices

Appendix A – Progress Against 2014/15 Plan

Appendix B - Summary of Final Reports Issued

Appendix C - Audit Opinions - Definitions

Background Papers:

[Internal Audit Annual Plan for 2014/15](#)

New Public Sector Internal Audit Standards 2013

<http://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards>

[Audit Committee Report 13 January 2015](#)

Accounts and Audit Regulations 2011

<http://www.legislation.gov.uk/uksi/2011/817/contents/made>

Adrian Rowbotham
Chief Finance Officer

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| PROGRESS AGAINST 2014/15 INTERNAL AUDIT PLAN | | | | | Status at 2/3/15 | | |
|--|--|---------------------|---------------------|------------------------------|-----------------------|--------------|--------------------------|
| | | Final report issued | Draft report issued | Feedback process in progress | Fieldwork in progress | Brief issued | Possibly defer or cancel |
| 1 | Key Financial Systems | | | | x | | |
| 2 | Insurance Arrangements | | x | | | | |
| 3 | Council Tax/NDR | | x | | | | |
| 4 | Council Tax Support & Housing Benefit | x | | | | | |
| 5 | New Cash Till Arrangements | | | | | | x |
| 6 | Payroll | | | | | | x |
| 7 | Procurement & Contracting | x | | | | | |
| 8 | Corporate Governance & AGS | | | x | | | |
| 9 | Senior Management & Organisational Changes | | x | | | | |
| 10 | Risk Management | x | | | | | |
| 11 | Performance Management | | x | | | | |
| 12 | Markets | x | | | | | |
| 13 | Council's Electoral Process | | x | | | | |
| 14 | Data Protection & Records Man | x | | | | | |
| 15 | Disabled Facilities Grants | x | | | | | |
| 16 | Arrangements for Imp CIL | | | | | | x |
| 17 | Agency Staff & Contracting Including Contracting | | | | x | | |
| 18 | Building Control | x | | | | | |
| 19 | Dunbrik | | | | x | | |
| 20 | Repair & Maintenance Arrangements | | | | x | | |
| | VFM Postage Review | x | | | | | |
| | Total | 8 | 5 | 1 | 4 | 0 | 3 |

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Review of Data Protection & Records Management 2014/15

Issued 12 January 2015

Opinion: Control Framework – Good (Previous review –N/A)
Compliance with Framework – Good (Previous review –N/A)

The purpose of this review was to provide an assurance regarding the effectiveness and the fitness for purpose of the arrangements in place for meeting the statutory requirements for Data Protection. This review also examined the arrangements for the maintenance of records from the same perspective.

To this effect, the following key risks and controls were examined:

- 1) Risk that the Council may not comply with relevant legislation, policies or good practice.
- 2) Risk that Council employees may not be aware of their responsibilities or the procedure for dealing with requests under the Data protection Act (DPA).
- 3) Risk that the Council may not have adequate arrangements (including records management) in place to ensure the deadlines for responses (40 days) shown in the DPA are met.
- 4) Risk that the Council may not have adequate arrangements in place to deal with complaints or appeals from the public.
- 5) Risk that the security and retention periods for documents may not be understood or adhered to across the Council.
- 6) Risk that fraud and corruption may be undetected.
- 7) Risk that opportunities to achieve or demonstrate efficiency or VFM may not be maximised.
- 8) Risk assessments may not be undertaken and risks not adequately managed.

Audit testing results indicated that there is a strong framework in place. Additionally, the test for compliance indicated that controls were fully met in four of the aspects examined, whilst the remaining four aspects were partially met in relation to compliance. (Risks 1, 2, 3 and 8)

The opinion of the auditor was that the framework of controls for the Data Protection & Records Management system was “good”. Additionally, compliance with the framework was also found to be “good”. This meant that a high level of control framework was in place to ensure the achievement of service objectives, good corporate governance and to protect the Council against foreseeable risks. There was evidence that the framework of controls were substantially being complied with and the risk management process was considered to be good. Only minor errors or omissions were identified.

The following four recommendations were agreed with Management to address the areas where controls were partially met. These relate to risks 1, 2, 3 and 8.

- Consideration should be given to ensuring that the contents of the web page that covers the requirements of the DPA are enhanced to include reference to all aspects of the eight data protection principles.
- To ensure that Officers are familiar with their responsibilities under the DPA, Ivy Soft training and subsequent monitoring should be undertaken regularly. This could be assisted by the following:-
 - a) Course specific reports should be obtained from Ivy Soft at least on an annual basis.
 - b) Managers should be provided with the appropriate Ivy Soft reports so that ongoing training including DPA can be discussed at appraisals.
- As Customer Services retain personal information on the Customer Relationship Management System (CRMS) going back to 2007 and a new CRMS is to be installed -
 - a) Consideration should be given to data due to be migrated to the new Customer Relationship Management System (CRMS). This data should be cleansed appropriately.
 - b) Consideration should be given to the installation of a robust checking system (business rule) to ensure data is not retained for longer than is necessary in accordance with Data Protection principles.
- The identified risks associated with data protection should be specifically referred to on the Operational Risk Registers where appropriate with the Council's Risk Management strategy and framework. The practicalities of this approach should be examined by the Audit, Risk and anti - Fraud Manager and reported to the Senior Management Team if necessary.

Members will be advised of the progress in implementing these recommendations in due course.

Review of Shared Services Recharges 2013/14

Issued: 12 January 2015

Opinion: Control Framework – Good (Previous review –N/A)
Compliance with Framework – Good (Previous review –N/A)

The purpose of this review was to provide an assurance regarding the effectiveness, reliability and accuracy of the processes in place to identify and allocate relevant shared services costs. The shared services examined were Benefits, Revenues, Audit, Risk and Anti-Fraud and Environmental Health. It examined the allocation of all such costs in accordance with existing agreements between Dartford Borough (DBC) and Sevenoaks District Councils (SDC).

To this effect, the following key risks and controls were examined:

- 1) Risk that the Council may not comply with relevant legislation, policy or good practice.
- 2) Risk that appropriate agreements between the parties may not be in place.
- 3) Risk that shared services recharges may not be calculated correctly.
- 4) Risk that shared services recharges may not be accounted for correctly.
- 5) Risk that shared service recharges may not be monitored, reported or reviewed on a regular basis. Risk that fraud and corruption may be undetected.
- 6) Risk that opportunities to achieve or demonstrate efficiency or VFM may not be maximised.
- 7) Risk assessments may not be adequately undertaken and risks not adequately managed.
- 8) Risk that the Joint Partnership Board does not progress issues related to the shared services in a timely way.

Audit testing results indicated that controls were fully met in six of the aspects examined, whilst three aspects were partially met in relation to compliance. (Risks 2, 8, and 9)

The opinion of the auditor was that the framework of controls for the shared services recharges was “good”. Additionally, compliance with the framework was also found to be “good”. This meant that a high level of control framework was in place to ensure the achievement of service objectives, good corporate governance and to protect the Council against foreseeable risks. There was evidence that the framework of controls were substantially being complied with and the risk management process was considered to be good. Only minor errors or omissions were identified.

The following recommendations were agreed with Management to address the areas where controls were partially met. These relate to risks 2, 8, and 9.

In view of the fact that the financial arrangements have now been agreed and concluded, it is recommended that the Joint Partnership Board consider at its next meeting, whether the agreements in relation to the shared services could now be signed, or whether further discussions need to take place to facilitate this.

- Environmental Health and Revenues management should carry out an assessment of the risks associated with shared services as soon as possible. Any risks identified should be included in their Operational Risk Register. (Guidance on this matter can be obtained from the Audit, Risk and Anti – Fraud Manager).
- The Joint Partnership Board should consider and review its terms of reference and activities, in order to ensure that key decisions are fully reflected within the action plan with timescales for implementation.

Members will be advised of the progress in implementing these recommendations in due course.

Review of Disabled Facilities Grants 2014/15

Issued 23 January 2015

Opinion: Control Framework – Good (Previous review –N/A)
Compliance with Framework – Satisfactory (Previous review –N/A)

The purpose of this review was to provide an assurance regarding the effectiveness of the arrangements in place established for the management of the Council's Disabled Facilities Grant service. Key areas examined were the accuracy, completeness and approval process in relation to the administration of Disabled Facilities Grant.

To this effect, the following key risks and controls were examined:

- 1) Risk that the Council, in regards to disabled facilities grants, may not comply with relevant legislation, policies, procedures or good practice.
- 2) Risk that literature and guidance about the Disabled Facilities Grant may not be clear or accessible to the public.
- 3) Risk that there may be a lack of joint working with the planning and Building control regarding disability adaptations.
- 4) Risk that the advice of a specialist professional to advise on the circumstances, and type of changes required may not be sought e.g. Occupational therapist or Sensory Disability Bureau.
- 5) Risk that lack of robust processes to deal with appeals on application decisions.
- 6) Risk that performance against standard may not be met.
- 7) Risk that there may not be up to date procedures for the receipt and assessment of grant applications and the authorisation and payment of grants.
- 8) Risk that contractors may not be selected in line with grant regulations and council policy.
- 9) Risk that grant payments may not be made on a timely basis at agreed rates for works completed.
- 10) Risk that robust and effective financial and budget management may not be in place.
- 11) Risk that fraud and corruption may be undetected.
- 12) Risk that opportunities to achieve or demonstrate efficiency or value for money may not be maximised.
- 13) Risk assessments may not be undertaken and risks not adequately managed.

- 14) Risk that Equality and Diversity consideration/monitoring may not be embedded in the Disability Facilities Grant processes.
- 15) Risk that public feedback may not be sought, to enable improvements in service delivery.

Audit testing results indicated that controls were fully met in 10 of the aspects examined, whilst five aspects were partially met in relation to compliance. (Risks 1, 2, 6, 9 and 14)

The opinion of the auditor was that the framework of controls was “good”. This meant that a high level of control framework was in place to ensure the achievement of service objectives, good corporate governance and to protect the Council against foreseeable risks. The effectiveness of the control framework was “satisfactory”. This means that there were occasional instances of failure to comply with the Council’s processes and opportunities still exist to mitigate against potential risks.

Five recommendations were agreed with Management to address the areas where controls were partially met. These relate to risks 1, 2, 6, 9 and 14 respectively.

- Ensure that the DFG procedure document used by Officers has version control and a next review date.
- The DFG Support Officer should exploit the corporate website, to market and promote the increase take up of the DFG in the community alongside the promotional leaflet development.
- Ensure that the monthly internal performance reporting to the DFG management is finally developed, implemented and linked to service objectives; the data captured is to meet corporate data quality standards and actions taken for not meeting targets is formally recorded and retained in accordance with corporate policy.
- It is important that IT support (Uniform) work with the DFG Service management, to formally timetable resolutions to address the issues around the functionality and reporting structures within the uniform system. Once changes have been implemented the system is to be user tested and formally accepted to ensure that all errors have been addressed.
- The DFG Service whilst developing their marketing promotion leaflet, to encourage more take up of the Disabled Facilities Grant in the community, during this process should consider including other diverse disability groups images on the leaflet e.g. BME group, Blind, Deaf, etc.

Members will be advised of the progress in implementing these recommendations in due course.

Review of Risk Management 2014/15**Issued: 9 February 2015**

Opinion: Control Framework – Good (Previous review –N/A)
Compliance with Framework – Good (Previous review –N/A)

The purpose of this review was to provide an assurance regarding the effectiveness of the arrangements established for the management of business risks across the Council. Key areas examined were the arrangements in place for managing both strategic and operational risks and the co-ordinating roles played by the Audit Risk and Anti-Fraud Manager and the Officers Risk Management Group.

To this effect, the following key risks and controls were examined:

- 1) Risk that the Council may not comply with Accounts and Audit Regulations 2011 legislation, agreed Risk Management policies or good practice.
- 2) Risk that the Framework may not be effective or fit for purpose.
- 3) Risk that Managers and staff may not be aware of, or understand the risk management framework.
- 4) Risk that the co-ordinating role within the process may be unclear and ineffective
- 5) Risk registers may not be completed by services or forwarded on a timely basis.
- 6) Risk that service plan objectives may not be clearly defined to facilitate the effective implementation of the risk management framework
- 7) Risk registers may not be comprehensive or complete, or be linked to service objectives.
- 8) Risk that likelihood and impact evaluations may not be clear, transparent or adequate.
- 9) Risk that action plans may not be complete, or may not be adequate to mitigate the risks.
- 10) Risk that monitoring arrangements may not be adequate or appropriate.
- 11) Risk that fraud and corruption may be undetected
- 12) Risk that opportunities to achieve or demonstrate efficiency or value for money may not be maximised

Audit testing results indicated that controls were fully met in ten of the above risks and partially met in the remaining two of the risks in relation to compliance. These relate to risks 5 and 10 above. In addition the following nine recommendations were agreed with management to enhance and fine tune the process.

The opinion of the auditor was that the framework of controls, for the management of business risks, were “good”. Additionally, compliance with the framework was also found to be “good”. There was evidence that the framework of controls in place was

substantially being complied with and the Council's risk management processes and systems were thus considered to be good.

The following recommendations were agreed with Management to address the areas where controls were partially met relating to risks 5 and 10 above and also to enhance and fine tune the process.

- It is worth considering the inclusion within the risk management that it will be reviewed and updated on an annual basis in order to adapt to changing circumstances and professional development.
- Arrangements for environmental scanning should be more explicitly set out in the risk management strategy.
- The Risk Management Framework is extended to include production of a more substantive statement on risk appetite.
- Framework guidance is uploaded on to the Council's new intranet with all documents listed a single intranet page and hyperlinks used where appropriate to cross-reference the documents and their contents.
- At the next review stage it may be appropriate to take into account issues raised in this audit, e.g. environmental scanning, and also the Council's vision and priorities.
- The desirability of dedicated risk management software is investigated via a review, or a feasibility study, or similar.
- The risk management module of the management Master-classes is extended to be available to all Council staff that require or would benefit from risk management training.
- As part of their review of managers compliance with the operational risk process; the Officers Risk Group should inform Senior Management Team (SMT) of any outstanding risk assessments, or incomplete risk registers; including any implications arising from this.
- New fields are created on the risk register proforma to allow for the register to be dated and also for the service-manager to certify them as completed and on behalf of the service.
- All risks stated in the service risk register should have a direct link to relevant service objectives. This should be reinforced through the Senior Managers Group via the chair of SMG.

- The Officers Risk Group should review the list of midyear returns which should be programmed for completion by October. Any late returns or incomplete returns should be reported to SMT.

Members will be advised of the progress in implementing these recommendations in due course.

Review Procurement & Contracting 2014/15

Issued: 16 February 2015

Opinion: Control Framework – Good (Previous review - Adequate)
Compliance with Framework – Good (Previous review N/A)

The purpose of this review was to provide an assurance regarding the effectiveness of the arrangements in place for procurement and contracting, and also to ascertain compliance with recent changes in EU regulations and statutory requirements.

To this effect, the following key risks and controls were examined:

- 1) Risk that the Council may not comply with relevant legislation, policy or good practice.
- 2) Risk that The Council does not have a plan to implement the new procurement regulations.
- 3) Risk that procurements may not be valid or authorised.
- 4) Risk that procurement and contracting may not be in line with the business strategic objectives.
- 5) Risk that fraud and corruption may be undetected.
- 6) Risk that opportunities to achieve or demonstrate efficiency or value for money may not be maximised.
- 7) Risk assessments may not be adequately undertaken and risks not adequately managed.

Audit testing results indicated that controls were fully met in four of the aspects examined, whilst three aspects were partially met in relation to compliance. (Risks 1, 6 and 7)

The opinion of the auditor was that the framework of controls for the procurement system was “good”. Additionally, compliance with the framework was also found to be “good”. This meant that a high level of control framework was in place to ensure the achievement of service objectives, good corporate governance and to protect the Council against foreseeable risks. There was evidence that the framework of controls were substantially being complied with and the risk management process was considered to be good. Only minor errors or omissions were identified.

The following three recommendations were agreed with Management to address the areas where controls were partially met. These relate to risks 1, 6 and 7.

- A monitoring arrangement should be in place which ensures changes to procurement thresholds are accurately reflected in the Council's procurement guidance. Regular checking of the procurement guidance website links to key documents should be in place. This could be monitored by the Procurement Working Group.
- Procurement paperwork and in particular the forward procurement plans, should be held in a central location. This would allow easier access to procurement information in the event of a query or dispute relating to the procurement.
- Risks relating to procurement should be included in the strategic risk register as agreed with management in the last internal audit review.

Members will be advised of the progress in implementing these recommendations in due course.

Review of Housing Benefits & Council Tax Support 2014/15

Issued 25 February 2015

Opinion: Control Framework – Good (Previous review –Good)
Compliance with Framework – Good (Previous review –Good)

The purpose of this review was to provide an assurance regarding the effectiveness of the arrangements in place for implementing of the changes relating to welfare reform, the effectiveness of the arrangements and fitness for purpose.

To this effect, the following key risks and controls were examined:

- 1) Risk that the Council may not comply with relevant legislation, policy or good practice.
- 2) Risk that the Council may not have suitable processes and procedures in place to calculate local council tax support.
- 3) Risk that the effect of the changes to welfare reform on the service may not have been fully taken into account.
- 4) Risk that the assessment of benefit and council tax support claims may not be accurate, timely or subject to quality checks.
- 5) Risk that application data supplied by claimants may not be fully evidenced, leading to a higher potential for fraud.
- 6) Risk that complete audit trails may not be retained to evidence the Council's assessment decisions.

- 7) Risk that council tax support and benefits discounts/payments may not be correctly accounted for.
- 8) Risk that fraud and corruption may be undetected.
- 9) Risk that opportunities to achieve or demonstrate efficiency or value for money may not be maximised.
- 10) Risk assessments may not be undertaken and risks not adequately managed.

Audit testing results indicated that controls were fully met in nine of the aspects examined, whilst one aspect were partially met in relation to compliance. (Risk 1)

The opinion of the auditor was that the framework of controls for the HB & Ctax system was “good”. Additionally, compliance with the framework was also found to be “good”. This meant that a high level of control framework was in place to ensure the achievement of service objectives, good corporate governance and to protect the Council against foreseeable risks. There was evidence that the framework of controls were substantially being complied with and the risk management process was considered to be good. Only minor errors or omissions were identified.

The following recommendation was agreed with Management to address the area where control was partially met. This relates to risk 1.

- The work instruction procedures (guidance used by assessors) should have a record of when the guidance was last reviewed and updated by management even if no changes have been made to the instructions. This provides assurance that they are relevant and current.

Members will be advised of the progress in implementing this recommendation in due course.

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DEFINITIONS OF AUDIT OPINIONS

| Opinion | Framework | Effectiveness(Implementation) |
|------------------------|--|---|
| Excellent | ... innovative frameworks are in place, which demonstrate efficiencies and excellent value for money, whilst ensuring the achievement of service objectives, good corporate governance and high level of protection for the council against foreseeable risks. | ... there is full compliance with the framework of controls and the risk management process is considered to be fully effective. There is evidence of notable practice and no areas of concern were identified. |
| Minimum requirement | All controls are in place | All controls are fully implemented |
| Good | ... a high level of control framework is in place to ensure the achievement of service objectives, good corporate governance and to protect the Council against foreseeable risks. | ... the framework of controls is substantially being complied with and risk management process is considered to be good. Only minor errors or omissions identified |
| Minimum requirement | All controls are in place | 51% or above of risks examined are low and the remainder are medium. Limited room for further development |
| Satisfactory | ... controls exist to enable the achievement of service objectives, obtain good corporate governance and mitigate against significant foreseeable risks. | ... occasional instances of failure to comply with the control process were identified and opportunities still exist to mitigate further against potential risks. |
| Minimum requirement | Control requirements are substantially met | Up to 50% of risks examined are medium or low. Opportunities for further developments exists requiring constructive proposals for management consideration |
| Un-satisfactory | ... limited controls are in place but there are gaps in the process, which leave the service exposed to foreseeable risks. Hence further development in framework is needed to make the system effective. | ... there is an urgent need to introduce additional controls and improve compliance with existing controls, to reduce the risk exposure to the Council. |
| Minimum requirement | Control requirements are patchy and unreliable | Testing results identified one or more high risk |

| | | |
|----------------------|---|---|
| Un-acceptable | ... controls are considered to be inadequate or non-existent with the absence of at least one critical control mechanism. An urgent need exists to introduce appropriate level of controls without delay. | ... failure to urgently improve controls leaves the Council exposed to significant risk, which could lead to major financial loss, embarrassment, or failure to achieve key service objectives. Note: compliance testing in this circumstance may not add value. However, there would be some value in conducting weakness testing in some circumstances to determine the level of “threat” or “loss” to the Council. Hence an opinion for compliance may not be given where the framework is “unacceptable” |
| Minimum requirement | No evidence of controls exit | Testing results identified one or more very high risk |

REPORT ON INTERNAL AUDIT RECOMMENDATIONS OUTSTANDING

Audit Committee – 17 March 2015

Report of the: Chief Finance Officer

Status: For Consideration

Key Decision: No

This report supports the Key Aim of Effective Management of Council Resources

Portfolio Holder Cllr. Ramsay

Contact Officer(s) Bami Cole Ext. 7236

Recommendation to Audit Committee: That Members:

- a) review the information in Appendix A and request further information or explanation as appropriate; and
 - b) note the reasons for delayed implementation and endorse the revised dates for implementation provided by management, as noted in Appendix B to the report.
-

Introduction

- 1 This report is to update Members on progress of the implementation of Internal Audit Recommendations agreed with management, and to report on outstanding recommendations due for implementation by 31 January 2015.
- 2 The report also informs the Committee where implementation dates have been revised, or where agreed recommendations have not been implemented.

Summary of Issues Raised Within the Report

- 3 Appendix A provides a summary of the reports for which relevant management had agreed recommendation implementation dates for the period to 31 January 2015. Internal Audit has obtained the current status from the responsible managers, but it should be noted that, where implementation has been confirmed, Internal Audit has not yet undertaken any additional testing to verify this. Implementation checks will be carried out in due course, usually between 3 to 6 months of the agreed implementation date.
- 4 Appendix B provides details of recommendations where management have advised Internal Audit that implementation of agreed actions has initially been delayed from the date originally stated. Enquires with management indicates that satisfactory progress is being made, or proposed; and that there are no major concerns arising as a result of the change in implementation dates. However Internal Audit will continue to monitor progress where appropriate and report back to the Audit Committee as necessary.

Agenda Item 7

- 5 Appendix C will provide details of recommendations where implementation is no longer intended. However, there is none to report at this time.

Key Implications

Financial

- 6 This report has no financial implications.

Legal Implications and Risk Assessment Statement

- 7 The purpose of Internal Audit recommendations is to manage identified risks and improve internal controls and value for money in service provision. Consequently risk profiles may increase in areas where the implementation of recommendations is delayed, if there are no compensating mitigating controls in place. This may have potential financial and legal consequences for the Council. Members' consideration of this report will facilitate the Council's ability to manage such risks.

Value for Money and Asset Management

- 8 Timely implementation of Internal Audit recommendations would facilitate the Council's ability to obtain greater value for money and guard against waste, inefficiency and identified risks.

Equality Impacts

- 9 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users

Conclusions

- 10 The report on recommendations outstanding enables Members to review the timeliness of implementation of Internal Audit recommendations. When recommendations have not been implemented, it enables Members to seek explanations, or agree revised dates. If management propose not to action recommendations and accept the risk, Members can review this action to determine if it meets the objectives of the Committee and the Council's risk appetite. Where appropriate, Members may request responsible management to attend the Committee and provide further explanations as necessary.

Appendices

Appendix A – Summary of recommendations followed up

Appendix B – 'Overdue' recommendations where implementation delayed

Background Papers:

None

Adrian Rowbotham
Chief Finance Officer

SUMMARY OF RECOMMENDATIONS FOLLOWED UP

| Audit (Number of Recommendations originally accepted) | Date final report issued | Number of recommendations where implementation not yet due | Number of recommendations where implementation now confirmed by management | Number of recommendations where management advise that implementation delayed (Appendix B) | Number of recommendations where management advise that implementation is no longer intended (Appendix C) | Number of recommendations where implementation not confirmed or alternative date not provided |
|---|---|---|---|---|---|--|
| Emergency Planning Arrangements 2011/12 (10) | 8/5/12 | 2 | 8 | 0 | 0 | 0 |
| Council Tax/NNDR 2012/13 (4) | 24/6/13 | 0 | 4 | 0 | 0 | 0 |
| Payroll 2013/14 (4) | 30/8/13 | 0 | 4 | 0 | 0 | 0 |
| Section 106 Agreement 2013/13 (5) | 19/12/13 | 1 | 4 | 0 | 0 | 0 |
| Purchasing & Creditors 2013/14 (2) | 18/2/14 | 0 | 2 | 0 | 0 | 0 |
| Contract Management 2013/14 (1) | 18/2/14 | 0 | 0 | 1 | 0 | 0 |
| Council Tax/NNDR 2013/14 (2) | 26/2/14 | 0 | 1 | 1 | 0 | 0 |
| IT Security 2013/14 (4) | 21/7/14 | 3 | 1 | 0 | 0 | 0 |
| Planning & Development Control 2013/14 (19) | 1/8/14 | 0 | 19 | 0 | 0 | 0 |
| Building Control 2014/15 (2) | 23/10/14 | 1 | 1 | 0 | 0 | 0 |
| Data Protection & Records | 12/1/15 | 2 | 1 | 1 | 0 | 0 |

APPENDIX A

| | | | | | | |
|--|---------|----|---|---|---|---|
| Management 2014/15 (4) | | | | | | |
| Shared Service Recharges 2013/14 (3) | 12/1/15 | 3 | 0 | 0 | 0 | 0 |
| Disabled Facilities Grants 2014/15 (5) | 23/1/15 | 3 | 2 | 0 | 0 | 0 |
| Risk Management 2014/15 (11) | 9/2/15 | 11 | 0 | 0 | 0 | 0 |
| Procurement & Contracting 2014/15 (3) | 16/2/15 | 3 | 0 | 0 | 0 | 0 |
| Housing Benefits & Council Tax Support 2014/15 | 25/2/15 | 1 | 0 | 0 | 0 | 0 |

Agenda Item 7

'OVERDUE' RECOMMENDATIONS WHERE IMPLEMENTATION HAS BEEN DELAYED

Audit: Contract Management Arrangements 2013/14

| Recommendation | Priority/ ranking | Original response | Previous response | Latest position + (source) |
|--|----------------------|--|---|--|
| <p>The Principal Legal Executive should request the appropriate officers place the standard clauses on the Procurement internet page.</p> <p>Review of the Contracts Procedure Rules should be a joint project between Legal Services and the Audit & Risk team, to provide input from both areas of expertise into the revised Procedure Rules.</p> | Low | <p>Agreed Action: As above. The review of the CPRs is currently in progress.</p> <p>Responsible Officer: Graham Grove – Principal Legal Executive</p> <p>Bami Cole – Audit, Risk and Anti-Fraud Manager</p> <p>Recommendation Implementation Date: 31st May 2014</p> | <p>The suggested Contract Procedure Rules have been agreed by the Chief Officer of Legal and Governance and instructions have been given to Democratic Services to incorporate them into the Contractual Standing Orders. The Officer's Guide can now be drafted – Suggested new implementation date end of September 2014.</p> <p>Principal Legal Executive – 6/8/14</p> | <p>Some progress has been made, but it is unlikely that this will be complete before Summer 2015.</p> <p>Principal Legal Executive – 2/2/15</p> <p>Audit Manager Comment: As this is not considered a high priority, delayed implementation is unlikely to have a detrimental impact on the Council's activities, especially in the light of greater priorities. However, internal audit will continue to liaise with management to ensure that the matter is addressed within the new timeframe.</p> |

Audit: Council Tax/NDR 2013/14

| Recommendation | Priority/ ranking | Original response | Previous response | Latest position + (source) |
|--|----------------------|--|---|---|
| <p>a) The existing arrangements for authorising payment of a SDC housing benefit refund should be reviewed to assess if effective controls are in operation. A possible solution may be for a second authorisation by someone not part of the process.</p> <p>b) Consideration should be given for DBC to adopt the automated process for HB refunds employed by SDC once assurances have been obtained that there are effective authorisation controls in operating within the automated process.</p> | <p>Medium</p> | <p>Agreed Action: Agreed for both (a) and (b) I have spoken with the Control Team Manager and we are looking at taking the proposed actions in July or August time of 2014 as part of the alignment of procedures exercise for the two authorities.</p> <p>Responsible Officer: Revenues Manager/ Control Team Manager</p> <p>Recommendation Implementation Date: August 2014</p> | <p>The automation of DBC refunds had to be postponed due to other priorities (as agreed by the Revs & Bens management group). The work is now due for completion in the next 2-3 months.</p> <p>Revenues Manager - 13/10/14</p> | <p>This is part of the shared service function with DBC. Progress of these two recommendations has been impacted by the change of Bank at DBC. DBC has been going through a banking retendering process during the year. Consequently greater priority has been placed on issues affecting the change of bank and this work has therefore been rescheduled to October 2015.</p> <p>Control Team Manager - 21/1/15</p> <p>Audit Manager Comment: Internal Audit noted that work, required by officers to progress issues affecting the change of bank at DBC, have impacted on resources and priorities. However, Audit will continue to liaise with management on progress of this recommendation within the new agreed timeframe.</p> |

Audit: Data Protection & Records Management 2014/15

| Recommendation | Priority/ ranking | Original response | Latest position + (source) |
|--|----------------------|---|---|
| <p>4. The identified risks associated with data protection should be specifically referred to on the Operational Risk Registers where appropriate in accordance with the Council's Risk Management strategy and framework. The practicalities of this approach should be examined by the Audit, Risk and Anti - Fraud Manager and reported to the Senior Management Team if necessary.</p> | <p>Low</p> | <p>Agreed Action: Agreed.</p> <p>Responsible Officer: Chief Officer Corporate Support/ Chief Officer Legal & Governance/Audit, Risk and Anti - Fraud Manager</p> <p>Recommendation Implementation Date: January 2015</p> | <p>All managers will be advised to consider the risk associated with Data Protection within their operational risk assessments for 2015/16, as part of the annual request for them to update their risk registers. The annual request will be going out in March 2015 following the deadline for completion of Service Plans</p> <p>Audit, Risk and Anti-Fraud Manager 2 March 2015</p> |

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ANNUAL SELF-ASSESSMENT REVIEW OF THE EFFECTIVENESS OF THE AUDIT COMMITTEE 2014/15

Audit Committee – 17 March 2015

Report of the: Chief Finance Officer

Status: For Consideration

Key Decision: No

This report supports the Key Aim of Effective Management of Council Resources

Portfolio Holder Cllr. Ramsay

Contact Officer(s) Bami Cole, Ext. 7236

Recommendation to Audit Committee: That Members approve the Annual Self-assessment Review of the Effectiveness of the Audit Committee 2014/15.

Reason for Recommendation: An effective Audit Committee contributes to robust governance and overall effectiveness of the Council. The self-assessment indicates that the Committee has conducted itself in compliance with good practice and therefore effective in delivering its terms of reference remit.

Introduction and Background

- 1 It is considered good governance practice to have a process for evaluating a committee's performance. Members of this committee have accepted the underlying principals requiring the Audit Committee to measure the robustness of its own performance, not least, because of its oversight role for Internal Audit, Risk Management, Governance and Internal Control. Current governance arrangements for Local Councils issued by CIPFA in compliance with the Accounts and Regulations 2011 require that the Audit Committee be assessed annually, in order to determine its effectiveness and identify areas for further development.
- 2 This report puts forward proposals for assessing the achievements for the Audit Committee for the year 2014/15, its second full year of operation. The reasons for measuring the Committee's achievements and details of how this can be done are set out below.

Details of the Process

- 3 The process incorporates the recommended self-assessment checklist taken from the CIPFA guide "Audit Committees – Practical Guidance for Local Authorities"
- 4 The self-assessment checklist (attached as an Appendix to this report) has been amended where necessary to reflect local needs or customs. To facilitate and expedite the process, the checklist has been completed as far as possible drawing

Agenda Item 8

from the work of the Committee in relation to its terms of reference using the evidence available from the work of the Committee during 2014/15. The checklist incorporates the following eight key issues that the Committee is required to measure its achievements against.

- **Terms of Reference** – Does it comply with best practice?
- **Internal Audit Process** – Is there sufficient oversight by the Committee?
- **External Audit Process** – Is there sufficient involvement?
- **Membership** – Does it comply with good practice requirements?
- **Meetings** – Frequency and robustness
- **Training** – Is it fit for purpose?
- **Administration** – Is the Committee supported by relevant officers?
- **Compliance** – With Public Sector Internal Audit Standards (PSIAS)

Questionnaire for Members of the Audit Committee

- 5 In addition to the above, a separate questionnaire has been sent to each member of the Committee in order to obtain their individual views on the workings of the Committee and their own personal contribution to the work of the Committee. The responses to the questionnaire will be used to improve relevant aspects of the workings of the Committee where appropriate. The responses to the questionnaire can be found in Appendix B.

Next Steps

- 6 The Committee is requested to go through the checklist as a group during the meeting and consider the details set out in it and make any additional comments or changes it deems necessary.
- 7 On completion of the checklist, areas for further development could be transferred into an action plan identifying the key areas for further development and relevant timescales. The action plan would then be taken to Council for agreement.

Key Implications

Financial

8. This report has no financial implications.

Legal Implications and Risk Assessment Statement

9. This report has no additional legal implications.

Equality Impacts

10. The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Value for Money and Asset Management

11. An effective Audit Committee will contribute towards the overall management of the Council and would help to improve good value for money in service provision.

Conclusions

The outcome of the review indicates that the Audit Committee substantially meets the requirements of existing CIPFA code and therefore is making a valuable contribution towards effective governance, good internal controls and the management of business risk within the Council.

Appendices

Appendix A – Self-Assessment Checklist

Appendix B – Results of questionnaire response from Members

Background Papers:

CIPFA guide “Audit Committees – Practical Guidance for Local Authorities” (Dec 2005)

<http://moderngovwebpublic.bromsgrove.gov.uk/documents/s956/Appendix%20A%20CIPFA%20Audit%20Committee%20Guide.pdf>

[The Accounts and Audit \(England\) Regulations 2011](#)

[Public Sector Internal Audit Standards.](#)

Adrian Rowbotham
Chief Finance Officer

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**Self-assessment Checklist – Assessing the Effectiveness of the Audit Committee
2014/15**

| ISSUE | YES | NO | N/A | COMMENT |
|---|-----|----|-----|---|
| 1. Terms of Reference | | | | |
| 1.1 Have the Committee's terms of reference been approved by full Council? | ✓ | | | |
| 1.2 Do the terms of reference follow the CIPFA model | ✓ | | | |
| 2. Internal Audit Process | | | | |
| 2.1 Does the Committee approve the strategic audit approach and annual programme? | ✓ | | | |
| 2.2 Is the work of Internal Audit reviewed regularly? | ✓ | | | |
| 2.3 Are summaries of quality questionnaires from managers reviewed? | ✓ | | | These are currently reviewed annually in the Annual Internal Audit Report. |
| 2.4 Is the Annual Audit Report, from the Head of Audit, presented to the Committee? | ✓ | | | |
| 3. External Audit Process | | | | |
| 3.1 Are reports on the work of External Audit and other inspection agencies presented to the Committee? | ✓ | | | |
| 3.2 Does the Committee input into the external audit programme? | ✓ | | | The Committee has opportunities to influence the external audit programme through attendance of the external auditor at its meetings. |
| 3.3 Does the Committee ensure that officers are acting on and monitoring action taken to implement recommendations? | ✓ | | | |
| 3.4 Does the Committee take a role in overseeing: | | | | These are part of the Committee's standard terms of Reference |
| • Risk Management strategies | ✓ | | | |
| • Annual Governance Statement | ✓ | | | |
| • Anti-fraud arrangements | ✓ | | | |
| • Whistle-blowing strategies | ✓ | | | |

| ISSUE | YES | NO | N/A | COMMENT |
|--|-----|----|-----|---|
| 4. Membership | | | | |
| 4.1 Has the membership of the Committee been formally agreed and a quorum set? | ✓ | | | |
| 4.2 Is the Chair free of executive or scrutiny functions? | ✓ | | | |
| 4.3 Are members sufficiently independent of the other key Committees of the Council? | ✓ | | | |
| 4.4 Have all members' skills and experiences been assessed and training given for identified gaps? | ✓ | | | Members were sent a questionnaire to enable them to assess their training needs. The result of this questionnaire was used to identify training priorities for the Cohort. |
| 4.5 Can the Committee access other committees as necessary? | ✓ | | | |
| 5. Meetings | | | | |
| 5.1 Does the Committee meet regularly? | ✓ | | | At least 4 times a year |
| 5.2 Are separate, private meetings held with the external auditor and the internal auditor? | ✓ | | | There are arrangements in place to facilitate a meeting with the External Auditor if necessary. A separate meeting with the Audit Manager is held as necessary. The Chairman also routinely meets jointly with the Audit Manager and the Chief Finance Officer. |
| 5.3 Are meetings free and open without political influences being displayed? | ✓ | | | |
| 5.4 Are decisions reached promptly? | ✓ | | | |
| 5.5 Are agenda papers circulated in advance of meetings to allow adequate preparation by members? | ✓ | | | |

| ISSUE | YES | NO | N/A | COMMENT |
|---|-----|----|-----|--|
| 5.6 Does the Committee have the benefit of attendance of appropriate officers at its meetings? | ✓ | | | Other officers attend as and when necessary, or on request of the Chairman |
| 6. Training | | | | |
| 6.1 Is induction training provided to members? | ✓ | | | An initial induction training was provided at the 1 st meeting of the Committee in June 2013. |
| 6.2 Is more advanced training available as required? | ✓ | | | Training needs assessment has been undertaken and a delivery method agreed. |
| 7. Administration | | | | |
| 7.1 Does the authority's S151 Officer or deputy attend all meetings? | ✓ | | | The Chief finance Officer (deputy section 151) attends all meetings. |
| 7.2 Are the key officers available to support the Committee? | ✓ | | | |
| 8. PSIAS | | | | |
| 8.1 Has the Committee been advised of the requirements of the New Mandatory Internal Audit Standards? | ✓ | | | |
| 8.2 Have proposals for compliance with the new standards been considered by the Committee? | ✓ | | | |

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Questionnaire for the Members of the Audit Committee - Responses

| Question | Response |
|---|---|
| 1 How do you think the Audit Committee has performed over the course of the year? | <ul style="list-style-type: none"> a. I think the Audit Committee has been effective with a good level of questioning and knowledge shown. b. Worked effectively. c. 7 out of 10 d. As well as can be expected. |
| 2 Do you think the Audit Committee has addressed the correct subjects? If not, what subjects would you like to see included in its agenda? | <ul style="list-style-type: none"> a. Sometimes the agenda is a bit repetitive but in general the right topics are addressed. Maybe a little more detail sometimes needed to get a deeper understanding of some areas and a little less "padding". b. Need to concentrate on issues around the finance and operational delivery of services. Are we getting value for money? c. Any decision made by SDC which involves finances. d. Yes. |
| 3 What is your view on the quality of the reports received? | <ul style="list-style-type: none"> a. The reports are excellent but sometimes too detailed. Sometimes though less is more and reports would benefit from more incisive summaries or even questions we should be answering. b. Very good. c. Good. d. Good. |
| 4 Is the level of detail correct? | <ul style="list-style-type: none"> a. See 2 and 3. It's a question of the right detail being provided rather than ALL the detail which can be overwhelming. b. Yes. c. Yes. d. Yes. |
| 5 What improvements would you like to see in reports? | <ul style="list-style-type: none"> a. Some more "questioning" of the reader and better "summaries". More prioritisation of key issues. b. n/a. c. None. d. Difficult to say in detail. I felt reports were acceptable. |
| 6 Is it helpful to have Grant Thornton present at 3 meetings? | <ul style="list-style-type: none"> a. 2 meetings would probably suffice dependent on agenda but there's no harm in it. b. Twice a year should be adequate, once to present the audit of the accounts and once to outline the future work programme. c. Not necessary. d. Yes very useful. |
| 7 a) Do you think your personal | <ul style="list-style-type: none"> a. I hope so. I believe I am developing a good understanding of the audit and can ask |

**Questionnaire for the Members of the Audit Committee -
Responses**

| | | |
|-----------------|---|--|
| | <p>contribution has been effective?</p> <p>b) What steps do you think could be taken to improve your personal contribution further?</p> | <p>effective questions.</p> <p>b. Never enough.</p> <p>c. Average.</p> <p>d. Hopefully yes.</p> <p>a. See above - make clearer what we are being asked / request feedback rather than just report to me / us.</p> <p>b. Would have to burden the officers with more pre-committee questions.</p> <p>c. No comment.</p> <p>d. No comment.</p> |
| <p>8</p> | <p>Any other comments</p> | <p>a. None</p> <p>b. None</p> <p>c. None</p> <p>d. None</p> |

March 2015

ANNUAL INTERNAL AUDIT PLAN 2015/16

Audit Committee – 17 March 2015

Report of Chief Finance Officer

Status: For Consideration

Key Decision: No

This report supports the Key Aim of Effective Management of Council Resources

Portfolio Holder Cllr. Ramsay

Contact Officer(s) Bami Cole, ext.7236

Recommendation to Audit Committee: It be RESOLVED that Members:

Approve the draft Internal Audit Plan for 2015/16

Reason for recommendation: The Internal Annual Audit Plan is required to be approved by the Audit Committee prior to implementation.

Introduction

- 1 This report incorporates the Annual Internal Audit Plan and Programmed Reviews for 2015/16, attached as an Appendix to this report. The objective of the plan is to ensure that Internal Audit delivers reasonable assurance to the Council regarding the effectiveness of internal control, governance and risk management processes in fulfilment of the Council's statutory responsibilities.
- 2 The plan has been prepared in accordance with professional guidance, including the new Public Sector Internal Audit Standards 2013 and regulatory requirements, in particular the Accounts and Audit Regulations 2011.
- 3 The Audit Committee is required by its terms of reference, to approve the Annual Internal Audit Plan prior to its implementation.
- 4 The programmed work of Internal Audit is informed by an assessment of the audit environment consisting of all the activities within the Council. This took account of changes within the Council over the last 12 months, incorporating audit priorities on a risk assessed basis, in consultation with senior management. This methodology has been used to help ensure that audit resources are targeted to the areas where the work of Internal Audit would be most effective in improving internal controls, the efficiency of service delivery, and to facilitate the effective management of identified risks.

Summary of Issues in the Audit Plan:

- 5 The proposed Audit Plan for 2015/16 has 23 key reviews totalling 335 direct audit days, which cut across the whole Council and includes key financial systems. This would enable sufficient audit work to be carried out within the limits of existing Internal Audit establishment, which implies that the two existing vacancies will be filled, or temporary agency staff will be used in the interim and that the partnership with Dartford Borough Council will continue.
- 6 In addition to the planned reviews, 20 audit days have been set aside for system advice and information, 30 days for fraud irregularity and special projects (Including participating in the National Fraud Initiative (NFI) aimed at protecting the Council against external fraud), 209 days for service development, audit planning, risk management, Audit Committee reporting and general administration. Thirty five days is also set aside for Audit Management and Supervision.
- 7 In addition to the programmed reviews set out in Annex 1 to the Appendix, a resource plan for Sevenoaks District Council is attached as Annex 2 to the Appendix, showing the resource available for the year and how it has been allocated.
- 8 All work undertaken during the year and any proposals for amendment of the plan will be reported to the Audit Committee through the routine monitoring arrangement of progress against the Audit Plan by the Audit Committee.

Liaison and Co-operation with External Audit

- 9 During the course of the year, Internal Audit will work closely with the External Auditors, Grant Thornton, within the terms of an agreed protocol, to ensure an effective and efficient delivery of the assurance requirements for the Council and to minimise duplication.

Revisions of the Audit Plan

- 10 In view of the changing and dynamic nature of the current economic, political and regulatory environment, Internal Audit will remain responsive to the needs of the Council during 2015/16. As a result, revisions to the plan may be required should the risk profiles, or regulatory requirements affecting the Council changes, or in the event of a change in Council policy following the May elections. Where changes within the environment necessitate revisions to the audit plan, any proposed changes would be agreed with Senior Management prior to seeking the approval of the Audit Committee, and before implementation.

Key Implications

Financial

8. Not Applicable.

Legal Implications and Risk Assessment Statement.

9. No additional legal implication beyond the Council's duty to comply with the Accounts and Audit Regulations 2011.

The Council is required to comply with the requirements of the Accounts and Audit Regulations 2011, regarding its "arrangements to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control". The report indicates that the Council has effective arrangements in place as required by regulatory requirements and professional standards.

Equality Assessment

11. The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Conclusions

12. The attached plan incorporates the assurance requirements for 2015/16, and is in accordance with relevant professional and regulatory requirements. The Committee is therefore requested to approve the plan.

Appendices Appendix A – Draft Internal Audit Plan for 2015/16

Annex 1 – Details of Programmed Reviews 2015/16

Annex 2 - Resource Plan 2015/16

Annex 3 – Audit Opinions Matrix

Background Papers: Internal Audit Annual Plan for 2015/16

New Public Sector Internal Audit Standards 2013

<http://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards>

Audit Committee Report 11 June 2014

<http://cds.sevenoaks.gov.uk/documents/g1753/Public%20reports%20pack%2010th-Jun-2014%2019.00%20Audit%20Committee.pdf?T=10>

Accounts and Audit Regulations 2011

<http://www.legislation.gov.uk/uksi/2011/817/contents/made>

Adrian Rowbotham

Chief Finance Officer

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Internal Audit Plan

2015/16

DRAFT



Background

1. The Accounts and Audit Regulations 2011 requires the Council to have an effective Internal Audit Function which would provide an opinion on the adequacy and effectiveness of financial control, as well as to provide reasonable assurance on the Council's overall governance and internal control processes. This includes the arrangements for the Annual Governance Statement, the review of the effectiveness of internal audit and the management of business risks.
2. This requires an annual internal audit plan which:
 - Draws on effective co-operation with External Auditors and other external review agencies, from which the public may gain assurance regarding the effectiveness of the Council's system of internal control.
 - Provides Councillors, the Chief Executive, the section 151 Officer , and other senior managers with an overall opinion on the status of the Council's governance arrangements, including internal control and risk management.
 - Supports the Chief executive in fulfilling his obligations under Section 151 of the 1972 Local Government Act and the Accounts and Audit Regulations 2011, to ensure the Council operates safe and efficient financial and management information systems.
 - Enables the Council to place assurance on the work of Internal Audit in fulfilling its obligations under the Accounts and Audit Regulations 2011, Regulation 4, to establish proper practices for the publication of an Annual Governance Statement; and Regulation 6 to review the effectiveness of the internal audit function.
 - Conducts audit reviews of the Council's risk management, internal control, and governance arrangements in a way that takes full account of the Council's objectives and risks.
 - Aims to improve the Council's risk management, internal control, and governance arrangements by providing line management with practical recommendations arising from audit work; including consultancy and advice and information as necessary or on request.
 - Delivers an audit service that meets the Public Sector Internal Standards 2013 and relevant guidance issued by CIPFA.

SEVENOAKS DISTRICT COUNCIL
ANNUAL AUDIT PLAN 2015/16

Internal Audit's objectives

3. The internal audit function is provided through a shared services arrangement with Dartford Council which came into force in April 2010. Its remit is set out in the Internal Audit Charter. The objective of the team is to provide relevant services for both Councils. However, this plan deals with the team's work for Sevenoaks District Council only, regarding the provision of Internal Audit Services, in fulfilment of the Council's section 151 responsibilities and its obligations under the Accounts and Audit Regulations 2011. To this effect, the objective of the team's work in this area is to give an assurance to the Council on the effectiveness of the overall governance, risk management and internal control processes of the Council.
4. In recognition of the statutory requirement, it is the responsibility of Internal Audit to review, appraise and report upon:
 - The soundness, adequacy, and application of financial and other management controls.
 - The extent of compliance with, relevant and financial effect of, established policies, plans and procedures.
 - The extent to which the organisation's assets and interests are accounted for and safeguarded from losses of all kinds arising from:
 - Fraud, bribery, corruption and other offences
 - waste, extravagance, and inefficient administration, poor value for money and other causes.
 - The suitability and reliability of financial and other management data developed within the organisation.
 - The effectiveness of the Council's risk management framework

Proposed Audit Techniques

5. To fulfil our responsibility we propose to adopt the following techniques. The relevant technique adopted will depend on the nature and scope of each audit review:

Risk-based audit

Risk-based auditing takes account of the Council's strategic and operational objectives, and evaluates through audit testing the management of risks to achievement of these objectives, thereby providing an opinion on the quality of internal control within a system. Recommendations for improvements in control are proposed proportionate to the impact and likelihood of existing risks.

Systems-based audit

Where appropriate, Audit may undertake wider documentation, evaluation and testing of financial operational and management information systems providing an opinion as to the adequacy of control and offering suggestions and advice to enable strengthening of systems weaknesses and assist in improving the effectiveness of controls.

Systems based auditing provides high quality assurance on management controls for those systems evaluated externally.

Our systems-based audit work is based on the CIPFA System Control Matrices. The matrices draw on the approach, standards, and guidance of a variety of audit and regulatory bodies, including the Audit Commission.

Financial/Probity Reviews

Examination of financial records for compliance with agreed policy, regulations, and procedures.

Investigation of Irregularities

We will undertake enquiries into cases of discovered or reported irregularity including, where required, liaison with other investigatory bodies, such as the National Fraud Initiative (NFI). These usually lead to the enhancement of risk management activities within the Council, and strengthening of internal controls.

Advice and Information

We offer advice, information and assistance to all levels of management on internal control, governance and risk management.

IT audit

IT audit is a specialist area and in previous years the work has been undertaken by external consultants working under local management. In 2013/14 we carried out work in this area using internal resources. We hope to review this practice assess its feasibility going forward.

VFM audit

Value for money considerations will be factored into our approach where relevant and appropriate. This would enable us to determine whether managers are making use of the opportunities available to them for obtaining good value for money, especially within the current austerity environment

Audit Approach

SEVENOAKS DISTRICT COUNCIL
ANNUAL AUDIT PLAN 2015/16

6. In order to make best use of staff resources and to maximise the team's effectiveness, the need for audit reviews in individual areas, is considered based on a risk assessment, which evaluates:
- materiality
 - the inherent risk associated with the activity (high risk activities are those which involve access to cash or complex activities where errors, loss or fraud could arise)
 - the controls in place to prevent and detect losses and errors
 - knowledge from previous audit reviews
 - Legal or regulatory compliance
7. This risk assessment is then translated into an annual operational plan, which sets out the areas to be covered in the current year, taking into account resource constraints.
8. In compiling the Plan for 2015/16 we have taken into account:
- The internal audit Charter
 - the financial risk assessment of the Council's activities
 - strategic and operational risks assessments
 - shared services and partnership arrangements
 - discussions with senior officers
 - brought forward work from 2014/15
 - the incidence of irregularities over the past year
 - resources available
 - significant changes arising from external and internal pressures
 - organisational changes within the last 12 months
 - the results of external audit work, or external regulatory assessments from other review agencies
 - the Public Sector Internal Audit Standards and relevant professional guidance were applicable

9. The Plan for 2015/16

The table on Annex 1 to this report sets out details of the reviews which would be undertaken during 2015/16 and a summary of the scope of each review. As part of the process we carry out an annual review of key financial systems. These are usually systems with high inherent risks, usually areas of major income and expenditure where a failure to manage risks effectively might result in material financial loss, or significant damage to the Council’s reputation. The reviews are intended to ascertain the arrangements management have in place to manage operational or business risks and to give an assurance regarding their effectiveness. Where the audit opinion has remained “Good” over the last two years, it is proposed to carry out a scaled down review, which would incorporate only key controls; aspects not covered in previous reviews, or areas which may have given rise to concerns since the previous audit review. This approach is consistent with the risk based audit approach inherent in the Council’s internal audit strategy.

[See Annex 1 – attached for details of reviews proposed for 2015/16]In addition to the programmed reviews, the resource plan also includes work in the following aspects:

Arrangements to prevent fraud and corruption

| <i>audit area</i> | <i>review objectives</i> |
|------------------------|---|
| Contracts | To check that contract payments are only made in accordance with contract terms and when properly authorised. |
| Cashing up | To check that officers are able to account for all income received by them on the day of the cashing up. |
| Housing Benefits | To check the robustness of the process to prevent and detect fraud in accordance with National Fraud Initiative requirements. |
| Special investigations | To carry out investigations into suspected frauds, losses etc in accordance with the Fraud Response Plan. |

Follow up of recommendations made in previous audit reports

| | |
|---------------|---|
| Audit reports | To follow up recommendations made in previous reports, to confirm that agreed action has been implemented effectively |
|---------------|---|

SEVENOAKS DISTRICT COUNCIL
ANNUAL AUDIT PLAN 2015/16

| | |
|--|--------------------------------|
| | within the agreed time scales. |
|--|--------------------------------|

Available Resources

12. A resource plan is set out on Annex 2 to this report

Internal Audit Performance

13. During 2015/16, the team will continue to work in compliance with the Public Sector Internal Audit Standards and professional guidance issued by CIPFA.
14. The following seven performance indicators relating to the delivery of the audit plan are proposed and are consistent with current professional benchmarks:

| | <i>Measure</i> | <i>Target 2015/16</i> |
|---|--|--|
| 1 | <i>Percentage of internal audit time spent on direct activity</i> | <i>80% of available time.</i> |
| 2 | <i>Percentage of Final Reports issued within 15 working days of completing field work</i> | <i>95 % following feedback meeting</i> |
| 3 | <i>Percentage of audits completed within allocated time.</i> | <i>90% of audits achieved within allocated time.</i> |
| 4 | <i>Percentage of audit briefs issued within 10 days of audit start date.</i> | <i>90% of audits</i> |
| 5 | <i>Client satisfaction with audits carried out</i> | <i>95% client satisfaction as indicated by the responses to the post audit questionnaires.</i> |
| 6 | <i>Value to the Council – Percentage of audit recommendations agreed and implemented by management</i> | <i>95% of audit recommendations accepted and completed within the agreed timescale.</i> |
| 7 | <i>Ability to delivery effective assurance</i> | <i>100% of planned work to be completed to Draft report Stage by 31 March 2016</i> |

Reporting Protocol

15. Internal audit work undertaken is reported to clients (Service Managers, Heads of Services and Chief Officers), the culmination of the year's work being an annual report to the Audit Committee. Our reports provide an overall audit opinion as to

the adequacy of the control environment within the area examined. The annual report will contain an overall opinion on the adequacy of internal control, governance and risk management within the Council.

Audit Opinion

16. The audit opinions are formed following discussions with offices/management, observation of working practices, and the assessment and testing of systems and compliance. This is to ascertain whether key controls are in place and whether they are being complied with, or whether there are compensating controls, which provide the same level of overall control and protection against identified risks. Definitions of the five levels of opinions, as previously agreed by members are set out in Annex 3 to this report:

17. We aim to involve auditees at key stages of the audit process and to ensure their agreement to audit findings and recommendations. The table below sets out how auditees will be involved in the audit process this year. There are no changes to the process from last year.

| Audit stage | Involvement |
|--|--|
| Agreement of brief at the start of the audit | Head of Service/Chief Officer |
| Feedback and discussion of main findings arising from an audit | Service Manager/Head of Service |
| Agreed report | Chief Executive Chief Financial Officer Chief Officer as appropriate Head of Service Service Manager |
| Audit satisfaction questionnaire completion | Head of Service/Service Manager as appropriate |
| Half yearly progress reports | Strategic Management Team and Audit Committee |
| Annual Report Annual Plan | Strategic Management Team and Audit Committee |

Audit Recommendations

18. We will continue to report recommendations by highlighting the significance of each item in relation to risk and materiality. Thus recommendations will be graded as follows:

High – Fundamental weaknesses in the system or process under review

Medium – System weaknesses which leave the system open to minor risks

Low – Desirable but non-threatening improvements

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Sevenoaks District Council Internal Audit Service - Proposed Audits for 2015/16

| Areas to be Audited | Date Last Audited | Department | Overview of Audit Scope |
|---------------------|-------------------|------------|-------------------------|
|---------------------|-------------------|------------|-------------------------|

Brought Forward Audits From 2014/15

| | | | |
|--|---------|------------------------|---|
| 1. Review of New Cash Till Arrangements | N/A | Contact Centre/Finance | This review will examine the new cash till arrangements in order to provide an assurance that it is operating effectively in delivering service objectives. The scope will cover the procurement process and specifications, including the agreement, in order to determine whether there are any lessons to be learnt going forward and the performance of the service in delivering key service objectives, including arrangements to obtain customer feedback and its impact, as well as value for money considerations. (15 days) |
| 2. Review of Payroll | 2013/14 | HR/Payroll | This review will cover the new payroll contracting arrangements and its operation, in order to provide an assurance regarding compliance with Council procedures and fitness for purpose in delivering service objectives. [In addition to the original scope, this review will also cover post implementation checks and impact assessments, to assess the effectiveness of the new system] (15 days) |
| 3. Arrangements for Implementing Community Infrastructure Levy (CIL) | 2013/14 | Planning | This review will examine the new arrangements for CIL which came into effect from 4 August 2014; in order to provide an assurance regarding fitness for purpose and effectiveness in delivering Council objectives and compliance with relevant statutory requirements. In particular the scope will cover allocation and monitoring arrangements in order to determine probity and transparency of the arrangements (15 days) |

Sevenoaks District Council Internal Audit Service - Proposed Audits for 2015/16

| Areas to be Audited | Date Last Audited | Department | Overview of Audit Scope |
|---------------------|-------------------|------------|-------------------------|
|---------------------|-------------------|------------|-------------------------|

Key Financial Systems

| | | | |
|------------------------------------|---------|---------|--|
| 4. Review of Key Financial Systems | 2014/15 | Finance | This review will cover the Council's key financial systems. The scope of the review will be dependent on the assessment of risks at the time of the audit. By their very nature, key financial systems carry a high degree of inherent risks; however these are mitigated by sound internal control arrangements, which could vary, due to staff changes, or illness/absence. Consequently, in view of their inherent risks, all main financial systems have previously been reviewed annually, irrespective of the level of assurance gained from the previous internal or external audit. Going forward, greater focus will be placed on the existing or perceived level of risks at the time of drawing up the audit brief, in order to inform the precise scope of the review. The scope will cover all aspects of key financial systems assessed as requiring further assurance during the financial year, including the Agresso upgrade and interface with TASK. (20 days) |
|------------------------------------|---------|---------|--|

Other Financial Systems

| | | | |
|---------------------|---------|---------------------|--|
| 5. Council Tax /NDR | 2014/15 | Finance/Partnership | This review will examine the new system for Business Rates Retention and the financial modelling associated with it, in order to ascertain fitness for purpose in maximising available income opportunities. It will also examine the system to facilitate the prompt identification, assessment and accurate billing of new dwellings and businesses; and that business rate relief are applied in accordance with Guidelines/Council Policies. (15 days) |
|---------------------|---------|---------------------|--|

Sevenoaks District Council Internal Audit Service - Proposed Audits for 2015/16

| Areas to be Audited | Date Last Audited | Department | Overview of Audit Scope |
|---|-------------------|---------------------|---|
| 6. Council Tax Support and Housing Benefits | 2014/15 | Finance/Partnership | This review will look at the Council Tax Support Scheme in order to provide an assurance regarding the effectiveness of the system in place to ensure that discounts are correctly applied in accordance with the scheme and to ascertain fitness for purpose in delivering service objectives. The review will also examine the arrangements in place to implement the Fraud and Error Reduction Incentive Scheme (FERIS) in order to provide an assurance regarding maximising the opportunities available to the shared services Councils. (15 days) |
| <u>Control Environment Reviews</u> | | | |
| 7. Review of Procurement and Contracting | 2014/15 | Finance/Corporate | This review will examine proposed procurement and recent procurement activities, in order to ascertain compliance with procedures and VFM regarding proposals, or provide an assurance regarding recent procurement activities. To facilitate the review, a comprehensive list of all planned procurement across the Council for 2015/16 and recent procurement undertaken in 2014/15, will be obtained as the basis of sample selection, in order to review the process or arrangements implemented, to facilitate the assurance process. Where appropriate, compliance with EU requirements, Council Policy and VFM considerations will be assessed for assurance purposes. (15 days) |
| <u>Operational Audits</u> | | | |
| 8. Review of Agency Staff and Contracting, | 2014/15 | Corporate wide | In view of the Council's commitment to providing good value for money, it is proposed to undertake a follow-up review |

Sevenoaks District Council Internal Audit Service - Proposed Audits for 2015/16

| Areas to be Audited | Date Last Audited | Department | Overview of Audit Scope |
|--|-------------------|----------------------------------|--|
| Including the use of Consultants | | | towards the end of the in municipal year in 2016, to ascertain the effectiveness of implementation of recommendations from the review undertaken in 2014/15. (5 days) |
| 9. Review of Environmental Health Services | 2012/13 | Environmental Health/Partnership | The Councils within the shared services are currently carrying out, or plan to carry out a number of developments which are likely to increase economic activities within their respective boundaries. The impact of this is also likely to give rise to further demands on the capacity of the Environmental Health Service. This review will therefore look at the level of growth in activity within the partnership areas and how this will impact on the capacity and resources of the Environmental Services team; including how the team is gearing to accommodate expected growth in demand for its services. The review will also seek to ascertain the proportion of available resources that will be required to meet expected growth in the requirements, or needs of each partner within the partnership. (15 days) |
| 10. Review of Dunbrik | 2014/15 | Depot | <p>This review will cover aspects of the activities in Dunbrik not covered in recent audits. In particular, the following areas:</p> <ul style="list-style-type: none"> • TASK – reduced scope review of TASK to ascertain authenticity, accuracy, transparency and authorisation of transactions, including specifications for inclusion in a new Council wise finance application. • Proposals for developing the vehicle workshop and its income potential, <p>Other areas of possible income generation, or</p> |

Sevenoaks District Council Internal Audit Service - Proposed Audits for 2015/16

| Areas to be Audited | Date Last Audited | Department | Overview of Audit Scope |
|---|-------------------|--------------|---|
| | | | <p>improvements in income profiles (including trade recycling; feasibility of increased frequency from once a week, to twice a week; other areas for extending chargeable services to the community in order to maximise income whilst providing valued commercial services to the community/businesses.</p> <p>Full details of the relevant aspects will be discussed and agreed with management prior to commencing the review. (25 days)</p> |
| 11. Review of Organisational Effectiveness and Human Resources Strategy | 2008/09 | Council wide | <p>The Council has been innovative in a number of areas in empowering its managers and increasing overall knowledge base of its workforce, this has had an overall positive impact on the quality of staff motivation and service delivery. This review will take seek to take this innovative approach further, by looking at key aspects of organisational effectiveness in order to identify areas for further improvements. The scope of the review will cover the following key areas; arrangements for Knowledge Management, Capacity & Resilience, Organisational Culture and Succession Planning. The review will be carried out in the first quarter, in order to enable the findings to be implemented timely, in meeting the priorities and vision of the new Council, following the election. (20 days)</p> |
| 12. Review of Projects in Conjunction with the Council's Vision to Generate Additional Income Arrangements, | N/A | Council Wide | <p>The Council is embarking on a number of new projects, in fulfilling its vision of generating independent income and regeneration within the local community. The review will examine the arrangements in place for these projects in order to ascertain compliance with procedures, vision, policy and</p> |

Sevenoaks District Council Internal Audit Service - Proposed Audits for 2015/16

| Areas to be Audited | Date Last Audited | Department | Overview of Audit Scope |
|---|-------------------|--------------------------|--|
| including the Council's Property Investment Strategy. | | | value for money; including probity and relevant controls relating to recent property investments; and forward proposals. (25 days) |
| 13. Review of Peer Service Review Process | N/A | Council Wide/VFM | This review will examine the arrangements for peer reviews and its effectiveness in providing assurance regarding service delivery and improvements across the Council. Also to determine how any lessons learnt can be incorporated into streamlining the process; and how it could be made more effective in delivering on the Council's vision and priorities (as well as identifiable improvements in service quality and efficiency). It would also assess the feasibility of whether the existing process could be "packaged" into a marketable format/product for other Councils. (10 days) |
| 14. Review of Members' Allowance | 2000/01 | Governance/ Committee | This review will examine existing Council procedures for Members' allowance in order to provide an assurance regarding its fitness for purpose, in demonstrating sound probity and transparency of the process, in addition to regulatory compliance. (5 days) |
| 15. Arrangements for Corporate Fraud Post DWP Proposals | N/A | Finance | This review will examine the degree of residual fraud investigation requirements that will remain within the Council, following the implementation of the DWP proposals, when the existing investigations team is due to transfer over to the DWP. It will also look at what resources would be required to fulfil the Council's Anti-Fraud and Corruption strategy, post DWP and the options available to the Council to take this forward. Where necessary, appropriate proposals will be made to |

Sevenoaks District Council Internal Audit Service - Proposed Audits for 2015/16

| Areas to be Audited | Date Last Audited | Department | Overview of Audit Scope |
|--------------------------------|-------------------|------------------------|---|
| | | | ensure that the Council's Anti-Fraud arrangements remains fit for purpose post DWP. (10 days) |
| 16. Review of IT Systems | 2013/14 | IT/Corporate | This review would focus on how audit could add value alongside other external checks and reviews which are already carried out on a regular mandatory basis (e.g. External Audit, Government Connects etc.) by looking at how the assurance and regulatory process could be streamlined and to reduce the audit burden on management/Council. Particular focus will be placed on available details already submitted regarding these external assessments and to provide assurance in relation to the quality of these data sets. To facilitate the process, a matrix of the areas covered by these external assessments would be compiled, in order to identify any gaps which can be filled as part of the internal audit process, thus preventing, or reducing duplication of the assurance process going forward. (15 days) |
| 17. Review of Community Grants | N/A | Communities & Business | This review will examine the arrangements in place for the administration of Community Grants, in order to provide an assurance regarding fitness for purpose in delivering service objectives and the Council's responsibilities in providing a fair and objective basis for grant allocation and monitoring. It will also look at how the Council could support the voluntary sector or community partners (including Sencio and KCC) in identifying and delivering on community needs and requirements. The scope will also include the grant appraisal process, SLA and VFM considerations. (15 days) |

Sevenoaks District Council Internal Audit Service - Proposed Audits for 2015/16

| Areas to be Audited | Date Last Audited | Department | Overview of Audit Scope |
|--|-------------------|------------------------|--|
| 18. Review of Economic Development | N/A | Communities & Business | This review will examine the arrangements in place to progress the Council's Economic Development Strategy. The review will determine the fitness for purpose of the strategy in delivering its objectives and how it contributes towards the Council's vision and priorities. Including how identified and identifiable "Opportunities" and "Threats" are being addressed to facilitate effective service delivery. It will also assess whether initial expectations have been achieved, or being achieved and any areas for improvements which may be necessary. (20 days) |
| 19. Review of Section 106 and Affordable Housing | 2013/14 | Housing/Planning | This review will examine the arrangements in place for the administration of the residual element of Section 106 and Affordable Housing requirements, in order to provide an assurance regarding fitness for purpose in delivering service objectives and the Council's statutory responsibilities. Specific details of the scope will include the consistency of applying the right procedures and approach to ensure that best value is obtained via the Planning process and also the funding allocation process by Housing (10 days). |
| 20. Review of Planning - Pre Applications | 2013/14 | Planning | This review will examine the arrangements in place for the administration of Pre Applications in order to provide an assurance regarding fitness for purpose in delivering service objectives and Council's responsibilities. Specific details of the scope will include capacity and resources, as there would have been some key changes at managerial levels. Further details would be discussed and agreed with senior management at the time of the review. (10 days) |

Sevenoaks District Council Internal Audit Service - Proposed Audits for 2015/16

| Areas to be Audited | Date Last Audited | Department | Overview of Audit Scope |
|---|-------------------|-----------------------------------|---|
| 21. Review of Corporate and Service IT Applications | 2013/14 | Council Wide | This review will seek to identify all the key applications across the organisation, their functionality and performance, in order to assess their effectiveness in meeting service objectives and how they deliver on organisational vision and priorities. In particular, it will seek to assess the use of technology in meeting organisational needs and requirements in delivering the Council's vision and priorities. In addition to the above, the scope will also include an assessment of security, resilience, interface potential and compliance with DPA requirements. (20 days) |
| 22. Review of Car Parks | 2013/14 | Parking and Enforcements Services | Due to retirement of the long standing manager and other experienced staff, the Parking Service is undergoing some major changes in staffing at a time of operational changes in relation to service expansion and charges. As central government funding reduces, income from car parking has become increasingly significant and relevant to overall Council finances and budgets. Consequently, there is a need to ensure continued fitness for purpose of the service, in the light of staffing changes. The proposed scope of the review would cover the hand over and transition process, in order to provide an assurance that the service remains effective, following staff changes and that identified, or identifiable risks in delivering service objectives, are being effectively managed following the changes (15 days) |
| 23. Post-Election Review of The Electoral Service | 2001/02 | | The Council's Electoral Service has undergone significant changes over the last few months, including a new manager and other staffing changes, in addition to major changes in the voter registration system, which were brought in by the Cabinet |

Sevenoaks District Council Internal Audit Service - Proposed Audits for 2015/16

| Areas to be Audited | Date Last Audited | Department | Overview of Audit Scope |
|---------------------|-------------------|------------|---|
| | | | <p>Office in 2014. A review of the service was included in the Annual Audit Plan 2014/15, which gave rise to a number of recommendations which were agreed with management to strengthen the system going forward. This follow-up review is proposed to look at lessons learned following the 2015 elections, in order to ensure that any necessary improvements are implemented in time, prior to the next set of major elections, which are due to commence in 2016 onwards. (5 days)</p> |

SDC - RESOURCES FOR ANNUAL INTERNAL AUDIT PLAN 2015/16

| | DAYS PLANNED |
|---|---------------------|
| Total Available Days for Year 2015/16 | 827 |
| LESS Unavailable Days: | |
| Bank holidays and authorised leave | 145 |
| Staff development & training | 29 |
| Sick leave | 18 |
| Total | 192 |
| AUDIT DAYS AVAILABLE | 635 |
| Planned Direct Audit Days | 335 |
| Fraud, irregularity and special projects | 30 |
| Contract audit | 6 |
| Systems advice & information | 20 |
| General administration/Board reporting/service development/Audit Planning/risk management/joint working | 209 |
| Audit Management and supervision | 35 |
| Total Days | 635 |

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DEFINITIONS OF AUDIT OPINIONS

| Opinion | Framework | Effectiveness(Implementation) |
|------------------------|--|---|
| Excellent | ... innovative frameworks are in place, which demonstrate efficiencies and excellent value for money, whilst ensuring the achievement of service objectives, good corporate governance and high level of protection for the council against foreseeable risks. | ... there is full compliance with the framework of controls and the risk management process is considered to be fully effective. There is evidence of notable practice and no areas of concern were identified. |
| Minimum requirement | All controls are in place | All controls are fully implemented |
| Good | ... a high level of control framework is in place to ensure the achievement of service objectives, good corporate governance and to protect the Council against foreseeable risks. | ... the framework of controls is substantially being complied with and risk management process is considered to be good. Only minor errors or omissions identified |
| Minimum requirement | All controls are in place | 51% or above of risks examined are low and the remainder are medium. Limited room for further development |
| Satisfactory | ... controls exist to enable the achievement of service objectives, obtain good corporate governance and mitigate against significant foreseeable risks. | ... occasional instances of failure to comply with the control process were identified and opportunities still exist to mitigate further against potential risks. |
| Minimum requirement | Control requirements are substantially met | Up to 50% of risks examined are medium or low. Opportunities for further developments exists requiring constructive proposals for management consideration |
| Un-satisfactory | ... limited controls are in place but there are gaps in the process, which leave the service exposed to foreseeable risks. Hence further development in framework is needed to make the system effective. | ... there is an urgent need to introduce additional controls and improve compliance with existing controls, to reduce the risk exposure to the Council. |
| Minimum requirement | Control requirements are patchy and unreliable | Testing results identified one or more high risk |

| | | |
|----------------------|---|---|
| Un-acceptable | ... controls are considered to be inadequate or non-existent with the absence of at least one critical control mechanism. An urgent need exists to introduce appropriate level of controls without delay. | ... failure to urgently improve controls leaves the Council exposed to significant risk, which could lead to major financial loss, embarrassment, or failure to achieve key service objectives. Note: compliance testing in this circumstance may not add value. However, there would be some value in conducting weakness testing in some circumstances to determine the level of “threat” or “loss” to the Council. Hence an opinion for compliance may not be given where the framework is “unacceptable” |
| Minimum requirement | No evidence of controls exit | Testing results identified one or more very high risk |

DRAFT AUDIT COMMITTEE ANNUAL REPORT 2014/15

Audit Committee – 17 March 2015

Report of Cllr Grint, Chairman of the Audit Committee

Status: For Consideration

Introduction and Background

- 1 This is my report to the Council on the work of the Audit Committee during the year 2014/15.
- 2 The Audit Committee is responsible for discharging the functions conferred by the Accounts and Audit Regulations 2011. The Committee met four times during the year. The key responsibilities include approving the Council's Annual Statement of Accounts, approving the Annual Governance Statement, approving the Annual Internal Audit Plan and monitoring and reviewing the work of Internal Audit, and reviewing the arrangements for the management of business risks.
- 3 In line with its Terms of Reference, the Audit Committee has met regularly during the course of the year. As Chair of the Committee, I have held regular briefings with Officers. Details of the range of issues considered by the Committee over the course of the year are set out below:

Internal Audit

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|----------------|--|
| June 2014 | <ul style="list-style-type: none">• Internal Audit Recommendations Outstanding• Annual Self Assessment Review of the Effectiveness of Internal Audit 2013/14• Internal Audit Annual Report 2013/14• Report on the Public Sector Internal Audit Standards• Review of the Effectiveness of the Audit Committee |
| September 2014 | <ul style="list-style-type: none">• Internal Audit 2014/15 – 1st Progress Report• Internal Audit Recommendations Outstanding |
| January 2015 | <ul style="list-style-type: none">• Internal Audit 2014/15 – 2nd Progress Report• Internal Audit Recommendations Outstanding• External Review of Internal Audit |
| March 2015 | <ul style="list-style-type: none">• Internal Audit 2014/15 – 3rd Progress Report• Internal Audit Recommendations Outstanding• Review of the Effectiveness of the Audit Committee |

Agenda Item 10

- Internal Audit Plan 2015/16
- CIL Update

Governance, Risk & Anti-Fraud

- | | |
|----------------|--|
| June 2014 | <ul style="list-style-type: none">• Anti-Fraud Team Annual Report – summary of anti-fraud work carried out in 2013/14 and work plan for 2014/15.• Annual Governance Statement 2013/14• Draft Strategic Risk Register |
| September 2014 | <ul style="list-style-type: none">• Investment Strategy – Risk Register• Risk Management Training |
| January 2015 | <ul style="list-style-type: none">• Whistle Blowing Policy• Members' Allowance Scheme – Monitoring |

Accounts and External Audit

- | | |
|----------------|---|
| June 2014 | <ul style="list-style-type: none">• External Audit - Audit Committee Update• External Audit - Annual Audit Plan• Statement of Accounts 2013/14 – Member Working Group |
| September 2014 | <ul style="list-style-type: none">• Statement of Accounts 2013/14 |
| January 2015 | <ul style="list-style-type: none">• External Audit – Housing Benefit Subsidy 2013/14• External Audit – Annual Audit Letter 2013/14 |

4. In addition to the core work of the Committee, a Member Working Group was also set up in June 2014 to review the draft Statement of Accounts. Its findings were reported back to the full Audit Committee at its meeting in September. The external auditors commented favourably on Members' involvement in the Annual Accounts process.
5. Training of Audit Committee Members is important to ensure that they can add value to the discussions at the Committee and Members are asked for their views on training requirements. Members received training on Risk Management during the course of the year.
6. The Audit Committee maintains a constructive dialogue and effective working relationship with the Council's external auditors, Grant Thornton. The audit partner and audit manager from Grant Thornton have attended 3 of the 4 Audit Committee meetings during the year.

7. It is my opinion that the work of the Committee has had a positive impact on the overall control environment within the Council, with recommendations made and adopted which led to amendments to the draft statement of accounts and enhancements to the Internal Audit Plan. The Committee has developed good working relationships with Officers and External Audit, and has offered constructive comments on a range of issues. The Committee continues to develop and improve its understanding of the many technical issues presented to it.
9. I should like to thank all members of the Audit Committee for their personal contribution to the work of the Committee over the past year. I should also like to thank Officers, in particular Adrian Rowbotham and Bami Cole, for the help and support they have given the Committee throughout the year.

Cllr John Grint
Chairman, Audit Committee

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Audit Committee 2014/15 –Work Plan

| | 17 March 2015 | Summer 2015 | Autumn 2015 | Winter 2015 |
|---|---|--|---|--------------------|
| Internal Audit (Irregularities to be reported confidentially as & when necessary) | Internal Audit 2013/14 – 3 rd Progress Report Internal Audit Plan Report on Internal Audit recommendations outstanding | Internal Audit 2014/15 - Annual Report New Audit Standards – Full Report Report on Internal Audit recommendations outstanding External Review on Internal Audit | Internal Audit 201/16 – 1 st Progress Report Report on Internal Audit recommendations outstanding | |
| Risk Management | | Risk Management Plan including Strategic Risk Register Risk Management Update report | Risk Management Training | |

| | 17 March 2015 | Summer 2015 | Autumn 2015 | Winter 2015 |
|------------------------------------|---|---|-------------------------------|-------------|
| Accounts and External Audit | | Statement of Accounts 2013/14 – set up Member Working Group External Audit - Annual Audit Plan External Audit – Audit Committee Update | Statement of Accounts 2014/15 | |
| Other | Review of the Effectiveness of the Audit Committee / Annual Report to Council CIL Update report | Annual Fraud report Annual Governance Statement Audit Committee Terms of Reference | | |