

Opinion: Substantial Assurance

Previous Review: Good (Framework & Compliance)

The purpose of this review was to provide an assurance that effective and robust controls are in place to ensure the accurate assessment of Council Tax due to the Council and the arrangements in place to ensure correct and proper authorisation of refunds due to customers.

To this effect the following risks were examined:

1. Risk that the Council does not comply with relevant legislation for example the Local Government Finance Act 1992 (primary) and the Council Tax (Administration and Enforcement) Regulations 1992 (operationally). Also the Limitation Act 1980 regarding the reimbursement of credit.
2. Risk that bills raised for Council tax are inaccurate (for example, incorrect billing amounts, incorrect names displayed on bill) and not raised in a timely manner.
3. Risk that refunds are not properly checked or authorised together with procedures.
4. Risk that fraud and corruption may be undetected.
5. Risk that Operational and Strategic risk assessments may not be undertaken in accordance with Council policy and risks not adequately managed.

Audit testing results indicated that controls were substantially met. Arrangements are in place to ensure that effective and robust procedures are in place to allow the accurate assessment of Council Tax due to the Council. A comprehensive system is embedded to ensure a controlled property database together with a structured billing process.

Further steps have been added to the refund process for Council Tax credit bills since the last audit review, which has enhanced the checking procedure. Given the nature of this process together with the volume of refunds, where possible the Academy system should be integrated into the procedure. This would add value to the process as it would allow more thorough checks to be undertaken for the more irregular refunds.

The following recommendations have been agreed with Management to address the above:

- A refund flow chart should be produced which clearly lays out all the checks and the process that can be used to identify any gaps in the process.

- Consultation should take place with the Control Team to ascertain whether current information already stored in Academy can be used (via an interface) to allow an automatic checking process regarding refunds. This would add value to the process as it would allow for more thorough checks to be undertaken for the more irregular refunds.

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

Review of Key Financial Systems 2016/17

Issued 31 January 2017

Opinion: Substantial Assurance

Previous Review: Good (Framework & Compliance)

The purpose of this audit review was to provide an assurance regarding the accuracy and completeness of financial transactions and their compliance with Council policy and financial procedures. The finance team has recently undergone a staffing restructure and part of this review focused on how this was embedding.

To this effect the following risks were examined:

1. Risk that the Council does not comply with relevant legislation for example the Local Government Finance Act 1988 and the Accounts and Audit Regulations 2015 together with the CIPFA Code of Practice. This would include the revised, earlier date of the publication of the audited 2017/18 financial statements by 31st July.
2. Risk previous Internal Audit recommendations haven't been implemented.
3. Risk that appropriate procedures are not in place to aid the restructured Finance team.
4. Risk that there are skills gaps in the restructured Finance team.
5. Risk that fraud and corruption may be undetected.
6. Risk assessments may not be undertaken and risks not adequately managed.

Audit testing results indicated that controls were substantially met. Arrangements are in place to ensure compliance with current relevant legislation for example the Local Government Act 1988 and Accounts and Audit Regulations 2015. There is an effective system in place to ensure implementation of previous audit recommendations and appropriate procedures in place to aid the restructured Finance team. Current working processes are constantly being evaluated with enhancements made to ensure any skills gaps are covered.

One key area needs further enhancement and added resource/skills. Bank accounts are not reconciled on a monthly basis. Bank reconciliation is a key internal control carried out by the Finance function. Performing the bank reconciliation is necessary for the accuracy of accounting records. If the bank reconciliation is

undertaken on a regular basis (ideally monthly) it provides accurate details together with easy maintenance should any discrepancies occur.

The following recommendation has been agreed with Management to address the above:

- Bank reconciliations should be carried out on a monthly basis so that outstanding items can be dealt with promptly.

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

**Review of Treasury Management 2016/17
2017**

Issued 6 February

Opinion: Full Assurance

Previous Review: Good (Framework & Compliance)

The purpose of this audit review was to provide an assurance on the Council's arrangements for Treasury Management.

Treasury Management can be described as the processes involved in planning and organising the control of cash and borrowings so as to optimise interest and minimise cost of funds, with the ultimate goal of managing liquidity and mitigating financial risk.

To this effect the following risks were examined:

1. Risk that the Council does not have sufficient funds to meet day to day expenditure (Cash flow forecasting).
2. Risk that Treasury Management activity is not regularly reviewed by officers and members.
3. Availability of funds at short notice to cover cost of emergency expenditure.
4. Risk that transferring of funds is not correctly authorised, complete or recorded.
5. Surplus funds not invested promptly or receiving interest due.
6. Investments/ borrowings do not comply with the Council's Treasury Management Strategy.
7. Risk that Operational and Strategic risk assessments have not been undertaken in accordance with Council policy, therefore risks identified for Treasury Management may not be adequately managed.

From audit sampling, testing and discussion we are able to provide assurance in the following areas: -

- There is a comprehensive Treasury Management Strategy in place.
- Treasury Management is discussed with members, with updates presented to the Finance Advisory Committee (FAC) and Cabinet.
- Investment decisions comply with the Treasury Management Strategy & any breaches reported to FAC.
- At the time of this review (13th December) the Council was able to meet its day to day financial obligations.
- Treasury management decisions are documented and correctly authorised.

However, there was one area that internal audit felt could be improved:

- The updating of Treasury Management procedural notes, as these were last reviewed in 2009.

A recommendation to review the procedure notes has been agreed with Management to address the above.

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

Review of Procurement & Contracting 2016/17

Issued 1 March 2017

Opinion: Substantial Assurance

Previous Review: Good (Framework & Compliance)

The purpose of this audit review was to provide an assurance regarding the effectiveness of the arrangements in place for proposed and recent procurement activities at the Council.

To this effect the following risks were examined:

1. Risk that the Council may not comply with relevant procurement legislation (including EU Directives and UK legislation).
2. Risk that the Council may not comply with relevant internal policies, Contract Procedure Rules, Financial Procedure Rules or other good professional practice in procurement.
3. Risk that opportunities to achieve or to demonstrate efficiencies and/or value for money may not be maximised, such as by insufficient or infrequent market-testing being undertaken or by a lack of strategic planning in procurement.
4. Risk that procurement plans are not produced and future procurement activity recorded.
5. Risk that contracts may not be effectively managed.

6. Risk that fraud and corruption may be undetected for example “supplier kickbacks” are received for the award of tenders or tenders are improperly awarded to connected persons such as family members.
7. Risk that Operational and Strategic risk assessments may not be undertaken in accordance with Council policy and procurement risks not adequately managed.

Audit testing results indicated that controls were substantially met. Arrangements are in place to ensure compliance with current relevant legislation for example the EU Directives and Contract Procedure Rules. There is an effective system in place to ensure the production of forward procurement plans and market testing. Current contracts are adequately managed and risk assessed.

However, there are areas where further enhancements can be made especially where these could compliment the imminent staff development programme.

The following recommendations have been agreed with Management to address the above:

- The Council’s revised procurement Strategy should be made available to Officers via the Intranet. A responsible officer should monitor the key documents available to officers to ensure that they are the latest version and in accordance with current legislation.
- Enhance intranet based policies and procedure links and their availability to compliment changes, training and potential new portal.
- Consideration should be given to adding the following to the strategic risk register “Procurement and commissioning of services is not carried out effectively, consistently or in accordance with law”.

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

Review of Direct Services (Fuel & Stock) 2016/17

Issued 2 March 2017

Opinion: Full Assurance

Previous Review: None

The purpose of this audit review is to provide an assurance regarding the effectiveness of the arrangements in place for procurement and issue of stock and fuel supplies at the Dunbriek Depot site and to ensure that these arrangements are fit-for-purpose to deliver service objectives and comply with Council procedures.

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

1. Risk that the Council may not comply with relevant legislation, such as the Oil Duties Act 1979, Council policies and good practice.

2. Risk that there may be ineffective authorisation controls for purchase of stock and fuel supplies.
3. Risk that there may be weak physical access controls for stock items and fuel.
4. Risk that there may be weak monitoring controls relating to expenditure on stock and fuel supplies.
5. Risk that there may be ineffective or infrequent stock checks undertaken of store items.
6. Risk that opportunities to achieve or demonstrate efficiency or value for money may not be maximised, for example best prices are not obtained when purchasing stock and fuel.
7. Risk that fraud and corruption may be undetected, for example pilfering of stock items or fuel may go unnoticed.
8. Risk that Operational and Strategic risk assessments may not be undertaken in accordance with Council policy and the risks not adequately managed.

Audit testing and fieldwork demonstrated that there were effective controls in place for the ordering, storing and issuing of fuel at the Dunbrik depot. Fieldwork did not identify any significant control weaknesses. Effective controls were also in place for the ordering and issue of vehicle parts and other stock items held in the store area.

As a result of the above findings there were no recommendation made in the audit report.

**Review of Due Diligence 2016/17
(Organisational Changes)**

Issued 3 March 2017

Opinion: Full Assurance
Previous Review: None

The purpose of this audit review is to provide an assurance regarding the effectiveness of the organisational changes that took place between January and May 2016 within the senior management structure at Sevenoaks District Council.

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, such as employment law or corporate objectives.
2. Risk that the rationale for organisational changes may not be open or transparent.
3. Risk that key stakeholders may not have been properly consulted during the evaluation of organisational changes.

4. Risk that officers taking on new organisational responsibilities may not have the necessary experience or skill set to take on the role.
5. Risk that insufficient funding may not have been provided to deliver the agreed changes.
6. Risk that the expected benefits from the organisation changes may not have been realised.
7. Risk that opportunities to achieve or demonstrate efficiency or value for money may not be maximised, for example the organisational changes may have an adverse effect on service delivery.
8. Risk that fraud and corruption may not be detected, for example the organisational changes do not allow effective separation of duties for key tasks.
9. Risk that Operational and Strategic risk assessments may not be undertaken in accordance with Council policy and risks not adequately managed.

Audit fieldwork and testing confirmed that the organisational restructure has been undertaken effectively and no significant control weaknesses had been identified by this audit review. The decision making process had been clearly documented. Officers affected by the change and Council Members were fully consulted and had the opportunity to scrutinise proposals put forward by the Council. Feedback received during the audit process has been positive.

As a result of the above findings there were no recommendation made in the audit report.

Review of Data Protection & Freedom of Information Arrangements 2016/17

Issued 17 March 2017

Opinion: Substantial Assurance
Previous Review: Good (Framework & Compliance)

The purpose of this audit review is to provide reasonable assurance to Senior Management, on the Council's arrangements in place for the effective compliance with the Data Protection Act 1998 (DPA) and Freedom of Information Act 2000 (FOIA), to ensure that the Publication Scheme in respect to FOI, is published in accordance with the Information Commissioners Office (ICO) model guidance. The ICO is an independent body set up to promote access to official information, and to protect personal information. The DPA relates to "personal data" held by the Council about individuals. This legislation makes provisions on how this data (manual, electronic, audio and images) is obtained, held, used, processed or disclosed.

To this effect the following risks were examined:

Appendix B

1. Risk that the Council is not compliant with DPA 1998, FOIA 2000, corporate policies and good practice as cited by the ICO.
2. Risk that Council staff may not be aware of their responsibilities, or the procedure for dealing with requests under the DPA and FOI.
3. Risk that the FOI Model publication scheme may not be implemented in accordance with good practice as specified by the ICO.
4. Risk that the Council may not be compliant with the prescribed turnaround deadlines to respond to request under the DPA and FOI.
5. Risk that issues relating to DPA and FOI may not be effectively embedded into the corporate complaints procedure.
6. Risk that opportunities to achieve or demonstrate efficiency or value for money may not be maximised, for example review processes to improve turnaround on specific information requests.
7. Risk that fraud and corruption may be undetected, for example altering or concealing information.
8. Risk that risk assessments may not be undertaken in accordance with Council policy and risks not adequately managed.

From the audit testing results we generally found that, the administrative process in dealing and meeting the ICO target turnaround times was good. However, we provided advice (where there was no significant risk impact) where applicable, to support better efficiency in both the FOI and DPA processes. There were areas we felt could benefit from some improvement and these are listed below.

The following recommendations have been agreed with Management to address the above:

- Ensure that all key policies and procedures relating to both FOI and DPA are updated, approved, version controlled, dated and reviewed regularly.
- Ensure that all staff that is involved in the FOI administration, has completed the required mandatory training for FOI and DPA modules and that the Service Manager and HR. monitor this.
- Consideration is to be given for an impact review into the likely event of a partial/full loss of email service for the Customer Services Team responsible for the administration of FOI requests. The results of this review should inform the Service Business Continuity Plan.
- Consider including the following areas as part of the development of the Council's website FOI reporting facility that will support improvement in the service:
 - Comments on FOI survey
 - The impact on operational risk (responses outside 20 days without extensions)

- The analysis of FOI complaints in the period
- The DPO and/or the Solicitor (Legal services) should consider training members (as part of induction or ongoing) about the potential risks of the use of private emails for Council business, and update relevant policies to support the discouragement of such practices.

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

Review of Agency Staff & Contracting 2016/17

Issued 17 March 2017

Opinion: Full Assurance

Previous Review: Good (Framework & Compliance)

The purpose of this audit review is to provide an assurance regarding the effectiveness of the implementation of previous recommendations from the review undertaken in 2014/15. In view of the Council's commitment to providing good value for money, it was agreed that this follow-up review is undertaken.

To this effect the following risks were examined:-

1. Risk that the Council may not comply with relevant internal policies, such as, Contract Procedure Rules, Financial Procedure Rules or good professional practice.
2. Risk that the Council may not comply with relevant internal policies, Contract Procedure Rules, Financial Procedure Rules or other good professional practice in procurement.
3. Risk that opportunities to achieve or to demonstrate efficiencies and/or value for money may not be maximised, such as by insufficient or infrequent market-testing being undertaken or by a lack of strategic planning in procurement.

Audit testing results indicated that controls were fully met. Arrangements are in place to ensure compliance with current relevant legislation and Council policies including the Contract Procedure Rules. There is an effective system in place to ensure implementation of previous audit recommendations and appropriate procedures in place to ensure that alternative options are considered. All recruitment has been appropriately authorised and risk assessed.

Review of Payroll 2016/17

Issued 23 March 2017

Opinion: Full Assurance

Previous Review: Good (Framework & Compliance)

The purpose of this audit review is to provide reasonable assurance to Senior Management, on the Council's arrangements for the effective operation of the

payroll function (I-Trent system) in accordance with Council procedures and legal requirements.

To this effect the following risks were examined:-

1. Risk the Council may not comply with relevant legislation, policies or good practice, such as the proper PAYE collection of tax and national insurance.
2. Risk the payroll payments are not made on a due and timely basis.
3. Risk the fraud and corruption may be undetected, for example in regards to allowances claimed or “ghost employees” or other inaccurate unauthorised or fraudulent payroll payments being made.
4. Risk the payroll system may not correctly reconcile to the main accounting system resulting in potential misstatements in the accounts.
5. Risk the starters and leavers may not be correctly set up or removed.
6. Risk the changes to individual pay scales may not be correctly set-up and authorised.
7. Risk the overtime payments may not be appropriate, correctly applied and authorised.
8. Risk the opportunities to achieve or demonstrate efficiency or value for money may not be maximised, for example by greater use of on-line transactions and access.
9. Risk the Operational and strategic risk assessments may not be undertaken and risks not adequately managed.

From the audit testing results we found that the framework of controls in place were sound, to enable the effective processing of the payroll for the period under review. For example:

- There were up to date procedures in place.
- New staff at the Council was correctly added onto the payroll system, and staff leaving the Council was also correctly removed.
- Monthly reconciliations of payroll totals against the totals recorded the main accounting system (Agresso).
- The timely submission of HRMC information.
- Suitable separation of duties that facilitated the appropriate validation, and independent checks at each stage of the payroll process.
- Staff were paid on time.
- Access to the payroll system was restricted to authorised staff only.
- Regular back up of payroll data was performed.

Appendix B

The overall opinion was Full Assurance, so no further recommendations were made in this review.