

Internal Audit Update Report

5 October 2023



Introduction

1. Internal Audit is an independent and objective assurance and consulting function. The shared team undertake reviews over the course of the year that are designed to evaluate and improve the Council's internal control, governance and risk management processes. Each individual review contributes towards the Chief Audit Executive's overall opinion on systems of risk management, governance and control provided at the end of the year.
2. This report provides Members with an update on internal audit activity, and, most importantly, its outcomes, against the Plan that was agreed by Members of this Committee in March 2023.
3. It also seeks to enable the Committee to discharge its responsibility to provide oversight of the quality and effectiveness of the Internal Audit Partnership. The Key Performance Indicators for Quarter 1 are provided in **Annex A**.

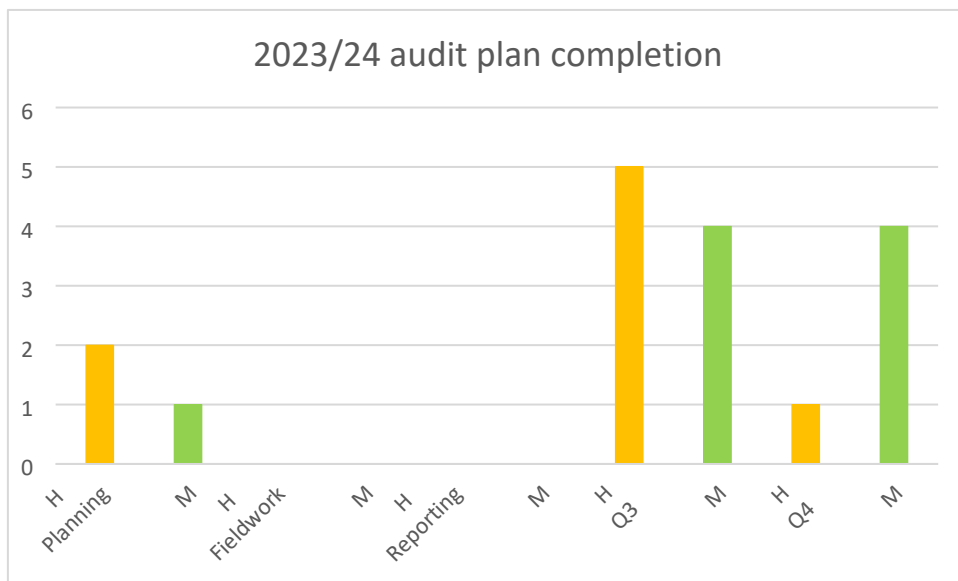
Internal Audit Progress Update

4. After the successful recruitment of two new Trainees and a Support Officer to the team, we unfortunately now have a vacancy for a Lead Auditor. We attempted to recruit to this post in July but that exercise was unsuccessful. We are currently out to advert for the post again.
5. Since the annual report and opinion presented to this committee in July, we have made the following progress on audit work:

Audit Title	Current Status	Assurance
2022/23 Audit Plan		
Service Planning	Complete	Reasonable
Taxi Licensing	Complete	Reasonable
Procurement	Complete	Limited
Landlord Incentive Scheme	Complete	Reasonable
Contract Management	Draft Report	
West Kent Partnership	Fieldwork	
Capital Project Management	Fieldwork	
Net Zero Action Plan	Draft Report	
Business Continuity	Fieldwork	
Revenues & Benefits Discretionary Powers	Draft Report	
2023/24 Audit Plan		
Accounts Payable continuous assurance	Planning	

Audit Title	Current Status	Assurance
IT Service Desk	Planning	
Community Mobilisation (Better Together)	Planning	
HUG1 grant claim verification	Fieldwork	

6. I have reviewed the 2023/24 audit plan and summarise our progress in the chart below. The issues raised above have meant that our focus in the first part of this audit year has unfortunately needed to be on completing 2022/23 work which explains our slow progress towards 2023/24 work. As part of the chart below, you will see when we intend to complete the remainder of the plan.



Internal Audit Outcomes

7. Since the last update report in September, we have completed a further 4 audits. I provide the summaries of the completed audits over the page along with their associated assurance ratings (definitions found at **Annex B**):

Taxi Licensing – Issued July 2023

Reasonable

The objective of this audit was to provide assurance on administration of applications and compliance with relevant legislation.

Sevenoaks District Council has responsibility for receiving and processing applications for both hackney carriage and private hire licenses and undertaking relevant checks to ensure compliance with the Hackney Carriage and Private Hire License Policy, Taxi and Private Hire Licensing: best practice guidance March 2010 & Statutory Taxi & Private Hire Vehicle Standards 2020 as well as other relevant legislation.

Key Strengths:

- There is an approved Hackney Carriage and Private Hire License Policy in place which is currently being reviewed and will be subject to public consultation and follow a formal approval process in preparation for March 2024.
- There is a robust training programme in place for new starters.
- There are sufficient controls in place to ensure applications are only progressed once the knowledge test has been passed.
- Controls are in place to ensure all fees and charges are collected before applications are progressed. A daily reconciliation takes place to match up payments received against applications made.

Areas for Development:

- Testing of new and renewed licence applications found that some applications had been approved when information was missing. Missing information included: practical taxi test certificate, certificate of good conduct, right to work in the UK, and vehicle inspection report.
- Testing of DBS checks found that while DBS checks are being submitted on time, they are not always followed up timely and in one case the 6 monthly check had not taken place.

The table on the next page provides a summary of the number of actions resulting from this audit.

Priority Ranking	Number of audit actions	Actions agreed
High	2	2
Medium	2	2
Low	5	5
Total	9	9

Service Planning – Issued August 2023

Reasonable

The objective of the audit was to consider the effectiveness of the Council’s service planning process. We found the arrangements in place to complete and monitor service plans are generally sound. However, we identified improvements in control to strengthen the process to engage staff and to report progress against objectives.

Key strengths

- The Council Planning Framework sufficiently sets out the thread between the Council Plan, Corporate Strategy and service planning.
- There is sufficient coverage of all five of the Council’s themes and Corporate Strategy pillars across service plan objectives.
- The progress update template provides sufficient guidance on the elements requiring an update.

Areas for development

- The service plan template does not ask managers to consider and document the risks to achievement of their objectives and how these will be mitigated. Nor does it cover the resources required, including input from other teams across the Council.
- There is no defined or documented timeline in place for the service planning process.
- The approach to reporting progress against service objectives needs reviewing to ensure management receive an accurate picture of progress, including those who do not return an update.

Priority Ranking	Number of audit actions	Actions agreed
High	1	1
Medium	3	3
Low	4	4
Advisory	1	1
Total	9	9

Procurement – Issued August 2023

Limited

The objective of this audit was to review the Council's compliance with legislation and Contract Procedure Rules when undertaking procurement.

Procurement is embedded across all Council services and a key function to deliver best value and help the Council achieve their vision. The Council does not have dedicated procurement resources. Overall responsibility for Council procurement activity is devolved to the respective Chief Officers and by delegation to their respective Service Managers. The experience, knowledge and advice of the Head of Legal and Democratic Services, Procurement Assurance Group (PAG), and Service Managers are relied upon to ensure that procurements are implemented and aligned with the Council's Procurement Manual (PM), Contract Procurement Rules (CPR) and the relevant regulations.

Key Strengths:

- There is an up to date and approved PM and CPR in place which are aligned to regulations. These were developed by an external consultant.
- There is a Scheme of Delegation (SoD) in place which is built into the Council's financial system, Agresso.

Areas for Development:

- There are inconsistencies between the requirements of the Council's procurement guidance, PM and CPR.
- Guidance does not detail the procurement process for each of the different spending thresholds.
- There is a lack of resources and structure in place to provide monitoring and oversight and therefore Officers do not have assurance that procurement is being effectively implemented.
- There is no process in place to analyse Council spend to ensure aggregation of spend.
- The Head of Legal and Democratic Services is not supported in the procurement process, leading to overstretched resources, bottlenecks and continuity issues.
- The process to complete waivers/ exemptions is not always followed.
- The Council does not have a formal approach to procurement training for officers and members of the PAG to ensure that the rules are acknowledged and understood. Nor is there a process in place to ensure that relevant officer's awareness is refreshed periodically.

A summary of the number of actions we have raised is shown in the table below:

Priority Ranking	Number of audit actions	Actions agreed
High	7	7
Medium	7	7
Advisory	1	1
Total	15	15

Landlord “Help to Let Scheme” – Issued August 2023

Reasonable

The objective of the audit was to seek assurance on the adequacy and effectiveness of the Landlord Help to Let Scheme in line with requirements, as well as on the accuracy of performance and financial information. Overall, we found that arrangements in place for managing the Help to Let Scheme are adequate and effective. We have identified the following strengths and areas for development which have contributed to the Reasonable audit opinion provided.

Key strengths:

- The Help to Let Scheme is aligned to the Council’s and Housing Directorate’s priorities.
- There is a scheme of delegation to approve financial incentive payment requests.
- Sample testing confirmed Help to Let applications have been processed in accordance with the Scheme requirements and approved in accordance with the Council’s Scheme of Delegation.
- There is Help to Let KPI “*Number of Customers housing in PSL property*” and target included in the Housing 2022/23 Service Plan that was approved by Chief Officer of People and Places.
- The Help to Let KPIs performance was monitored and reported monthly to Senior Management Team and quarterly exception reports submitted to Scrutiny Committee.
- There are a variety of communication channels used to raise awareness of the Help to Let Scheme. These include advertising on Twitter, the Landlord Forum, and the Inshape Magazine distributed across the district.
- Sample testing confirmed landlords’ compliance certificates meet the Help to Let Scheme requirements.

Areas for development:

- The criteria/basis for determining and calculating the Scheme’s financial incentive payments is not clearly defined in the Help to Let Brochure.
- The Help to Let Private Sector Letting (PSL) Procedures which guide staff on the processing of Help to Let applications and payments are not consistent with the current working practices. In addition, there is no evidence to demonstrate the PSL Procedures have been reviewed and approved.
- The General Home Pot budget is overspent by £18,077 and there is no record on the Department’s Finance Budget Summary to explain the reason why and the corrective action taken.

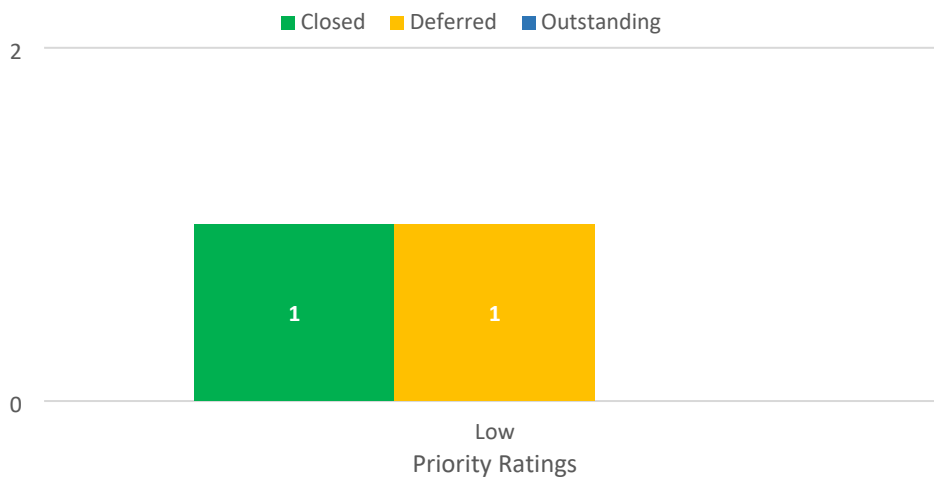
The below table provides a summary of the actions we have raised:

Priority Ranking	Number of audit actions	Actions agreed
Medium	3	3
Total	3	3

Follow Up

8. Internal Audit follows up all Critical, High, Medium and Low priority findings as they fall due. The below table shows the results of our follow up process for actions due in Quarter 1 this financial year. All deferrals have been agreed by the Chief Officer – Finance and Trading or the actions have made significant progress and we are expecting them to be fully implemented shortly.

Action progress between 1 April and 30 June 2023



Internal Audit Performance

9. **Annex A** contains the results of our Performance Indicators (PIs) for Quarter 1 (April - June). Our PIs indicate that we are still struggling with meeting timelines and budgets agreed when planning audits. We are working to identify the main causes of these issues so that we can address them, though we have already made some improvements to our processes since the audits that have impacted on these figures were started. As a result, throughout this year, I would anticipate that the PIs should improve. Issues during the past 12 months including vacancies within the team, long term sickness have contributed to these figures. Additionally, with ensuring that our 3 new members of the team have been properly supported during their induction and training, this has also had an impact on our performance as reported during quarter 1.
10. One of our Trainees, Abigail Corbett recently received a letter of commendation from Birmingham City University for achieving the highest score in her cohort for their recent exam on Internal Audit Leadership.

Conclusion

11. While slower than desired, completion of prior year's audit work is progressing well and is improved from recent years. Work on the 2023/24 audit plan has started and is in line with anticipated timings given the delays in completing 2022/23 work.
12. The majority of our vacancies are now filled and the new Members of the team are settling in well. Efforts to recruit to the remaining vacant post are ongoing.
13. We would like to thank Officers, Managers and Members for their ongoing support and co-operation to enable us to deliver our work.

Jennifer Warrillow

Audit Manager

Annex A – Key Performance Indicators for Q1 (April to June 2023)

Finance: Associated performance indicators	Q1 2023	Internal processes: Associated performance indicators	Q1 2023
<p>F1: Percentage of budgeted days taken to complete projects – <i>Target 110%</i> Reported on a cumulative basis</p> <p>Indicator measures any variance between the days agreed on the final brief vs. the actual time coded</p>	218%	<p>I1: Percentage of draft audit reports issued by the date given on the final audit brief - <i>Target 70%</i> Reported quarterly</p> <p>Indicator measures the efficiency of our audit work and effective engagement between auditors and clients</p>	0%
<p>F2: Chargeable days – <i>Target 65%</i> Reported on a quarterly basis</p> <p>Indicator measures the actual chargeable activities against the assumptions made in the audit plan</p>	52%	<p>I2: Average time taken between issue of the DRAFT report and FINAL report – <i>Target 15 working days</i> Reported quarterly</p> <p>Indicator measures the effectiveness of our process to finalise audit reports and currency of reporting</p>	4.7 days
Client satisfaction: Associated performance indicators	Q1 2023	Learning & Development: Associated performance indicators	Q1 2023
<p>C1: Percentage of audits with real time service improvements – <i>Information only.</i> Reported quarterly</p> <p>Indicator measures percentage of audits which result in service improvements identified and actioned during the audit process and not included in management action plans</p>	67%	<p>L1: Audit actions fully implemented within agreed timescales – <i>Target 80%</i></p> <p>Reported quarterly</p> <p>Indicator measures the successful implementation of audit actions and the effectiveness of our follow-up process</p>	<p>DBC 12/19</p> <p>63%</p>
<p>C2: Respondents agreement with the audit actions – <i>Target 90%</i> Reported on a project by project basis</p> <p>Indicator measures Client agreement to the audit findings and resulting actions from our audit work</p>	100%	<p>L2: Number of audits using data analytics tools – <i>Target 60%</i></p> <p>Reported quarterly</p> <p>Indicator measures our development of the use of data analytics to enable greater assurance to be provided.</p>	67%

Annex B - Definitions of Assurance ratings:

OPINION	DEFINITIONS
<p>Substantial Assurance</p>	<p>A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.</p>
<p>Reasonable Assurance</p>	<p>There is a generally sound system of governance, risk management and control in place.</p> <p>Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.</p>
<p>Limited Assurance</p>	<p>Significant gaps, weaknesses or non-compliance were identified.</p> <p>Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.</p>
<p>No Assurance</p>	<p>Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified.</p> <p>The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.</p>