

17 September 2019 at 7.00 pm

Conference Room, Argyle Road, Sevenoaks
Despatched: 09.09.19



Audit Committee

Membership:

Chairman, Cllr. McGarvey; Vice-Chairman, Cllr. Mrs. Morris
Cllrs. Barnes, Brown, Firth, Kitchener, London, Pender and Williamson

Agenda

There are no fire drills planned. If the fire alarm is activated, which is a continuous siren with a flashing red light, please leave the building immediately, following the fire exit signs.

	Pages	Contact
Apologies for Absence		
1. Minutes To agree the Minutes of the meeting of the Audit Committee held on 18 July 2019, as a correct record.	(Pages 1 - 6)	
2. Declarations of Interest Any declarations of interest not already registered.		
3. Actions from Previous Meeting	(Pages 7 - 8)	
4. Responses of the Council, Cabinet or Council Committees to the Committee's reports or recommendations (if any)		
5. Member Development - Public Sector Internal Audit Standards (PSIAS)	(Pages 9 - 10)	Russell Heppleston Tel: 01732227053
6. Internal Audit Self-Assessment	(Pages 11 - 26)	Russell Heppleston Tel: 01732227053
7. Members' Allowance Scheme Monitoring 2018/19	(Pages 27 - 40)	Martin Goodman Tel: 01732227245
8. Internal Audit Update Report	(Pages 41 - 62)	Russell Heppleston Tel: 01732227053
9. Risk Management Update	(Pages 63 - 94)	Russell Heppleston Tel: 01732227053

10. **Work Plan**

(Pages 95 - 96)

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.

If you wish to obtain further factual information on any of the agenda items listed above, please contact the named officer prior to the day of the meeting.

Should you need this agenda or any of the reports in a different format, or have any other queries concerning this agenda or the meeting please contact Democratic Services on 01732 227000 or democratic.services@sevenoaks.gov.uk.

AUDIT COMMITTEE

Minutes of the meeting held on 18 July 2019 commencing at 7.00 pm

Present: Cllr McGarvey (Chairman)

Cllr Mrs Morris (Vice Chairman)

Cllrs Kitchener, London and Pender

An apology for absence was received from Cllr. Firth

Cllr Dickins was also present.

3. Minutes

Resolved: That the minutes of the meeting of the Audit Committee held on the 28 March 2019 and the Special Audit Committee on 21 May 2019 be agreed and signed as a correct record.

4. Declarations of Interest

No additional declarations of interest were made.

5. Actions from Previous Meeting

The actions were noted.

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

No additional declarations if interest were made.

7. Audit Committee Terms of Reference and Member Development

The Chief Finance Officer presented a report on the Terms of Reference for the Audit Committee agreed at the Annual Council meeting on 12 May 2019.

Members were advised that the Audit Committee considered the work of the internal audit team and external auditors in relation to the Council's internal control, corporate governance and risk management arrangements. The report also covered the programme of Member Development and Training agreed in October 2018 which was designed to complement the core functions and responsibilities of the Committee, and to enhance the overall effectiveness of the Committee.

Agenda Item 1

Audit Committee - 18 July 2019

Members were given the opportunity to select the briefings topics for the year.

Members supported the suggestion that Member Development sessions would last between 20-25 minutes and would be included as the first main agenda item. Internal Audit Standards, Risk Management, and Understanding Local Government Accounts were considered as preferred topics for Audit Committee's scheduled for 2019/20. A Member also showed interest in the Counter Fraud session.

Resolved: That

- a) the Terms of Reference be noted; and
- b) the briefing topics from the Member Development Programme for 2019/20, be noted.

8. Statement of Accounts 2018/19

The Committee welcomed Sarah Ironmonger the Engagement Lead and Sebastian Evans the Audit Manager from the Council's External Auditors, Grant Thornton to the meeting.

The Head of Finance presented a report on the Statement of Accounts 2018/19. He explained that a Member Working Group had reviewed the draft Statement of Accounts in detail and provided notes which were included at Appendix C to the report. The external auditors did not identify any adjustments to the financial statements.

The representatives of Grant Thornton explained their findings when considering the Statement of Accounts, which were to be signed off by the end of July 2019. The external representatives explained the McCloud Judgement to the Committee which would affect all Local Authorities through the transitional arrangement for pension schemes. Going forward, the potential liability would be incorporated at the triannual pension scheme valuation. The 2018/19 accounts had not been adjusted to recognise the McCloud liability due to uncertainty regarding the judgement and as the value was not considered to be material to the Council. The external auditors explained that of the risks considered 'significant' which must be included in all audits no significant risk had been found. They noted that group accounts may pose a greater risk as the subsidiary trading companies Quercus 7 and Quercus Housing expand.

The Chairman thanked the Member Working Group for reviewing the accounts with a special thanks to Councillors Pender and Kitchener for their contribution.

Audit Committee - 18 July 2019

Resolved: That

- a) the Statement of Accounts 2018/19 be approved; and
- b) the letter of representation be approved and signed by the Chairman.

9. Local Code of Corporate Governance

The Head of Legal and Democratic Services, in his capacity as Monitoring Officer, presented the report which brought to Members attention to the Local Code of Corporate Governance adopted by the Audit Committee on 26 September 2017. It was agreed that it would be good practice for the Committee to approve the Local Code of Corporate Governance once at the beginning of each electoral cycle. As there had been no reason to revise the Local Code the report sought re-adoption of the existing document.

Resolved: That

- a) the Local Code of Corporate Governance be approved; and
- b) the Monitoring Officer continue to be authorised to maintain and amend the Local Code of Corporate Governance in line with good practice.

10. Counter Fraud And Compliance Report 2018/19

The Fraud Manager presented the report which set out the work conducted by the Counter Fraud & Compliance Team during 2018/19. The Team had been based within the Council's shared Revenues and Benefits service and was tasked with co-ordinating the Council's participation in government led anti-fraud initiatives and creating pro-active exercises designed to protect valuable Council Tax and Business Rate revenue collection. Although the team was part of a shared service with Dartford, Members were advised that the figures provided in the report were solely for Sevenoaks.

Members were advised that the report showed the tangible successes achieved by the Fraud Team, however the Fraud Manager stressed that there were also intangible successes including providing value for money, protecting our reputation and increasing customer confidence in the Council Tax and Business Rate Schemes. It was reported that the financial benefit of the service outweighed its running costs.

The Fraud Manager advised that many large anti-fraud organisations included forecasts of future savings in their figures by estimating how much longer a fraud

case would continue. The report contained details on possible future savings based on different projected loss timeframes.

In response to questions Members were advised that the same detection techniques were used across the Partnership and there appeared to be more instances of fraud in Dartford than in Sevenoaks. Data-matching was the most successful technique in identifying fraud which would be investigated regardless of size. Members noted the Cost Benefit Analysis 2018/19 and suggested a subtotal could be included for the 'fraud discovered' section. Members were also interested in seeing a breakdown of the numbers of people committing different types of fraud in a year.

In response to questions the Fraud Manager expanded on the 30% non-recovery rate of housing benefit overpayments and explained there was now a higher focus on preventing overpayments. Prevention within the service was considered to be a better approach than detection.

Resolved: That the work of the Counter Fraud & Compliance Team carried out during the year ended 31 March 2019, be noted.

11. Internal Audit Annual Opinion 2018/19

The Audit Manager presented the report which set out the effectiveness of the Council's internal control, governance and risk management arrangements. The Internal Audit Annual Opinion is a requirement of Public Sector Internal Audit Standards, and includes a summary of the work completed by Internal Audit during the year and other available sources of assurance. It was explained that the team were only able to give reasonable assurance as there was always an element of uncertainty.

The Audit Manager explained that the Committee would require assurance that the audit team were acting independently and free from any influence. Although reports were discussed with managers they were reported directly to the Committee. If needed, mechanisms were in place to support the Audit Manager to meet with the Committee, the Committee's Chairman and the External Auditors without any other Officers being present.

Members were advised that there had been a positive response from Managers who had been agreeing audit actions when arising in their service. Actions would not be closed until the team was assured the issue had been resolved and would be followed up once after closure. The team were concerned with getting to the root cause of audit findings and hoped to do more preventive work with teams. Members were interested in figures on preventative and corrective Audit Actions.

Action 1: That the Audit Manager investigate the possibility of providing figures differentiating between preventative and corrective actions.

Audit Committee - 18 July 2019

The Audit Manager wished to express thanks to his team for all their hard work and also to Members, Managers and Officers at the Council for their support in completing the work of the audit team. A Member raised questions around the 3 high priority Audit Actions raised, and was advised that two were reported on at the last meeting and one outstanding action was detailed in the following agenda item. Members and Officers discussed how best to recognise 'noteworthy efforts' and share best practice. The Audit Manager confirmed that best practice was shared across the Council and the Partnership as part of each audit where appropriate, but that they were not systematically captured in that same way as audit actions.

Resolved: That the Internal Audit Annual Opinion, be noted.

12. Internal Audit Update Report 2019/20

The report introduced by the Audit Manager updated Members on the Audit Partnership, including Internal Audit activity, service developments and progress towards the delivery of the 2019/20 Audit Plan. It was explained that resources were split equally between the Partnership Authorities with each authority having some days left unassigned for reactive project work. The restructure within the team and long term vacancies had resulted in a decrease in momentum for the beginning of the year (2019/20).

The Audit Manager drew the Committee's attention to the high priority print studio action which had been subject to two deferrals however, temporary measures had been implemented to limit risk ahead of the expected completion date in autumn 2019. In response to questions Members were advised that resources and knowledge were shared with Dartford and there were common risks, however each authority had their own distinct Audit plan.

Resolved: That the Internal Audit Update Report be noted.

13. Review of the Effectiveness of the Audit Committee 2018/19

The Chief Finance Officer introduced the report which assessed the achievements of the Audit Committee in 2018/19. The process incorporated the recommended self-assessment checklist from CIPFA which had been completed drawing from the work of the Committee in relation to its terms of reference and using the evidence available from the work of the Committee during 2018/19. A new self-assessment had been included in Appendix B which was proposed for the Committee to adopt going forward. Appendix C contained the responses to the questionnaire from Members who were on the Committee during 2018/19.

The Chief Finance Officer advised Members that the response turnout had been higher in previous years however responses had been difficult to collect this year as many Members had not been returning to the Committee or Council. It was noted from the self-assessment that the Audit Committee had opportunities to

Agenda Item 1

Audit Committee - 18 July 2019

influence the external audit programme however they had not yet requested to do so. Members wished to clarify that in addition to other Committees' being able to refer issues to the Audit Committee, it could in turn initiate referring matters to those Committees.

In response to questions, the Audit Manager advised the Committee on the day to day work of the audit team. The Audit Manager invited Committee Members to visit the audit team if they would like to know more about their work.

Resolved: That

- a) the Self-Assessment Review of the Effectiveness of the Audit Committee for 2018/19 be approved; and
- b) the revised self-assessment be undertaken later in the year to identify any areas of improvement.

14. Work Plan

Members noted the work plan and agreed to include the proposed Member Development sessions for the remaining meetings for 2019/20. Internal Audit Standards was scheduled for September 2019, Risk Management for January 2020, and Understanding Local Government Accounts for March 2020. The Chairman extended his thanks to the Officers involved in the preparation of reports and attending Committee meetings.

THE MEETING WAS CONCLUDED AT 9.02 PM

CHAIRMAN

ACTIONS FROM THE MEETING HELD ON 18 JULY 2019

Action	Description	Status and last updated	Contact Officer
Action 1	That the Audit Manager investigate the possibility of providing figures differentiating between preventative and corrective actions. (Minute 11)	To be updated at the meeting	Russell Heppleston, Ext. 7053

This page is intentionally left blank

MEMBER DEVELOPMENT - PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS)

Audit Committee - 17 September 2019

Report of Audit Manager

Status For Information

Key Decision No

Portfolio Holder Cllr Matthew Dickins

Contact Officer Russell Heppleston Ext. 7053

 Adrian Rowbotham, Ext. 7153

Recommendation to Audit Committee: The member development to be noted.

Introduction

- 1 At the Audit Committee on 18 July 2019, the Interim Audit Manager presented a Member Development Proposal report.
- 2 The report linked development themes to the Audit Committee's Terms of reference including a training history.
- 3 The Committee approved the following programme for Member development:
 - 17/09/19 - Public Sector Internal Audit Standards (PSIAS)
 - 28/01/20 - Risk Management
 - 26/03/20 - Understanding Local Government Accounts

Key Implications

Financial

There are no financial implications.

Legal Implications and Risk Assessment Statement.

There are no legal implications.

INTERNAL AUDIT SELF-ASSESSMENT

Audit Committee - 17 September 2019

Report of	Audit Manager
Status	For Consideration
Key Decision	No

Executive Summary: The purpose of this report is to provide Members with the outcomes of the internal self-assessment undertaken in August 2019 against the Public Sector Internal Audit Standards (PSIAS). The report also includes an update and progress made to date to address the findings from last year's self-assessments (internal and external).

Portfolio Holder	Cllr Matthew Dickins
Contact Officer	Russell Heppleston, Ext. 7053 Adrian Rowbotham, Ext. 7153

Recommendation to Audit Committee: That the outcomes of the self-assessment (Appendix A) and the actions identified are noted.

Reason for recommendation: As those charged with governance, the Audit Committee is required through its Terms of Reference to provide oversight, support and challenge to gain assurance over the effectiveness of internal control, risk management and governance. As a key source of independent assurance to the Committee it is vital that the Audit Partnership and delivery of internal audit activity is conducted in conformance with professional Standards and in accordance with the agreed Audit Charter.

Introduction and Background

- 1 The Audit Partnership is governed by Public Sector Internal Audit Standards. The Standards require all internal audit services in the public sector to define a Quality Assurance and Improvement Programme (QAIP). The QAIP sets out how the service will maintain conformance with the Standards and continually develop and enhance the audit activities. One of the requirements is to undertake an annual self-assessment (internally) and have an external assessment every 5 years.
- 2 The Audit Committee receives the outcomes and findings from the QAIP throughout the year as part of the regular monitoring of the Audit

Agenda Item 6

Partnership. In addition, the outcomes from any internal and external assessment should also be reported and monitored.

- 3 Each year the Committee has received a report setting out the findings and actions resulting from the QAIP.
- 4 This is the first time that the self-assessment has been undertaken using CIPFA's Local Authority Application Note published in February 2019, and also the first assessment since appointing an Interim Audit Manager in August 2018.

Key Implications

Financial

The Internal Audit Partnership is responsible for delivering the audit service to the required standards. Provision of the service is within the Council's approved budget.

Legal Implications and Risk Assessment Statement

There are no legal implications associated with this decision.

We present this report for information only and so it has no direct risk management implications.

Equality Assessment

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

The outcomes of the self-assessment show that a number of significant improvements have been made over the last year, and that generally the Audit Partnership are conforming to Standards.

Appendices

Appendix A - Internal Audit Self-Assessment
(September 2019)

Background Papers

The outcomes of the previous assessments were reported to the Audit Committee in July 2018 and are publically available on the Council's [website](#).

Russell Heppleston - Audit Manager

Adrian Rowbotham - Chief Finance Officer

DARTFORD & SEVENOAKS AUDIT PARTNERSHIP

Self-Assessment
Public Sector Internal Audit
Standards
September 2019

DARTFORD
BOROUGH COUNCIL

**Sevenoaks**
DISTRICT COUNCIL

Introduction

All Local Authorities in the UK must make proper provision for Internal Audit. Regulations (the [Accounts and Audit Regulations 2015](#)) state that internal audit services must follow the [Public Sector Internal Audit Standards](#). These standards are a consolidated approach to internal auditing across the whole of public sector, and are a more demanding adaptation of the international standards.

In [March 2019](#) the Committee commented on and agreed our **Audit Charter**. This is a key governance document for the Audit Partnership as it sets out the purpose, authority and responsibility for the service. The Charter sets out how we apply the Standards to the way in which we work, and includes the arrangements we have in place to ensure conformance.

The Standards are mandatory and include the following requirements around how to assess conformance internally (the Standards also set out the requirements for external assessments).

1310 Requirements of the Quality Assurance and Improvement Programme

The quality assurance and improvement programme must include both internal and external assessments.

1311 Internal Assessments

Internal assessments must include:

- Ongoing monitoring of the performance of the internal audit activity; and
- Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices.

Interpretation:

Ongoing monitoring is an integral part of the day-to-day supervision, review and measurement of the internal audit activity. Ongoing monitoring is incorporated into the routine policies and practices used to manage the internal audit activity and uses processes, tools and information considered necessary to evaluate conformance with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*.

Periodic assessments are conducted to evaluate conformance with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*.

Sufficient knowledge of internal audit practices requires at least an understanding of all elements of the International Professional Practices Framework.

We monitor and report on audit activity continuously, and the Committee will be familiar with how we track and measure performance through our quarterly update reports. However, this alone is not sufficient to give Members assurance that we are acting at all times, in conformance with our professional standards. As such, we conduct a self-assessment internally and report the findings to the Committee annually. In addition, and in accordance with the standards, we undertake an external assessment once every 5 years.

This is the first internal assessment since appointment of the Interim Audit Manager in August 2018 and since the implementation of a number of significant service changes and updates.

Purpose

The purpose of this report is to provide Members with the outcomes of our internal self-assessment undertaken in August 2019 against the Public Sector Internal Audit Standards (PSIAS).

The Committee is asked to consider and provide comments on the outcomes, and to **note** the findings and actions. Progress against implementing the actions will feature as part of our regular update reports throughout the year.

Background

The Audit Partnership was formed in 2010 and brought together the internal audit services from Dartford Borough Council and Sevenoaks District Council. The Partnership is governed by a Partnership Board and a designated lead officer. The Chief Finance Officer is the client lead for Sevenoaks, and meets regularly with the Audit Manager, and the client lead for Dartford to ensure that the service is operating effectively. The service and Chief Audit Executive, is ultimately accountable to the 'Board', a role fulfilled by the Audit Committee in Sevenoaks and Audit Board in Dartford.

The Partnership is made up of 5.8 FTE and is supported by an administrator (0.6FTE). Auditors work across both sites and conduct a varied work plan of audit and consultancy projects.

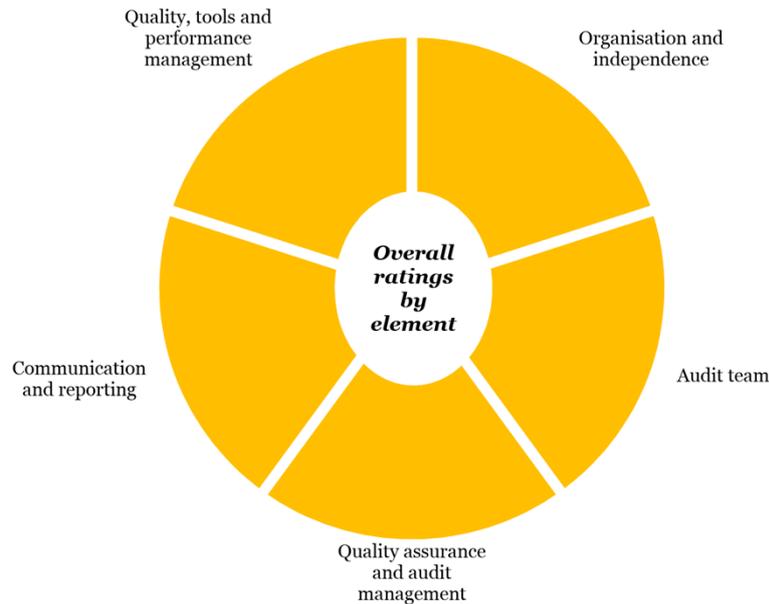
The Public Sector Internal Audit Standards were introduced in 2013 and were applied as mandatory across the whole of public sector. They replaced the previous *Code of Practice for Internal Audit in Local Government*. At the time of introduction, the Standards were demanding and complex, not only incorporating international standards but also including specific public sector interpretations and requirements. Following a period of implementation, the standards were reviewed and updated, with the current version as published being effective from **March 2017**.

The Standards introduced the requirement for internal audit services to be assessed for conformance, both internally and externally. All public sector internal audit services were mandated to undertake an External Quality Assessment (EQA) every 5 years. This meant that services had until 2018 (5 years after the standards were first introduced) to be externally assessed, in order to meet requirements.

The Audit Partnership tendered for their EQA in 2014, and in November of the same year commissioned PricewaterhouseCoopers (PWC) to undertake the review. In May 2015 PWC issued their assessment along with a number of findings and conclusions. Their conclusions were that there was scope for improvement across all areas of their assessment, but generally the service was 'satisfactory':

- Good practice and in some areas at leading practice based on PwC experience and benchmarks
- Good practice with some minor improvements or opportunities to align to management expectations
- Satisfactory with scope for improvement
- Unsatisfactory with significant issues

The following diagram summarises the overall rating for each of the in-scope areas outlined above:



The detailed findings of the review and agreed action plan were reported to Members in [June 2015](#).

Since that time, the service has continued to work to address the findings, and has undertaken a number of internal self-assessments to evidence implementation of the actions. Each time, the outcomes have been reported to Audit Committee and progress to address the actions has been tracked.

In August 2017 PwC were commissioned to undertake a formal follow-up of their 2015 action plan, and to update the overall conclusions based on progress made. While progress had been made to address some of the findings, their overall conclusion identified 3 areas requiring improvement:

	EQA Rating (2015)*	Number of recommendations				EQA Follow Up Rating (2017)	Direction of travel
		Raised in the EQA	Not implemented	Partially implemented	Fully implemented		
Organisation and independence	●	3	2	1	-	●	↔
Audit team	●	2	2	-	-	●	↔
Quality assurance and audit management	●	6	1	2	3	●	↑
Communication and Reporting	●	6	-	3	3	●	↑
Quality, Tools and Performance Management	●	4	-	2	2	●	↑
Total		21	5	8	8		

Over the last few years the partnership as a whole has faced some significant challenges. For a period of time there was no Manager in post, and while interim arrangements were put in place, they were not sustainable.

The Principal Auditor temporarily stepped up to manage the service, but her departure in July 2018 meant that the service was left without any audit management support. In August 2018 the partnership entered into a secondment with Mid-Kent Audit to provide audit management (and Chief Audit Executive responsibilities) until March 2020.

The findings and actions from the internal and external assessments were used to develop the objectives over the secondment period, including a full review of the service, reconfiguration of the partnership, and the development of an Audit Partnership Strategy.

Progress against action plans

The last self-assessment was conducted in early 2017/18 by the previous Audit Manager. At the same time, PricewaterhouseCoopers (PWC) were commissioned to conduct a follow-up to their 2014/15 External Quality Assessment (EQA). The outcome of both assessments were reported to Audit Committee in **July 2018**.

The overall conclusion was that the service had progressed well to address a number of the initial findings and actions, however, collectively, the assessments set out **11** action areas that were outstanding and needed to be addressed.

These actions were used to form the objectives for the new Audit Manager, appointed via secondment from Mid Kent Audit in August 2018. Members have been kept up to date with regular updates against achievement of these objectives as part of the quarterly update reports.

The table below consolidates all of the actions and summarises the progress made since being initially reported in July 2018:

Origin	Action	Progress	Conclusion
Self-assessment 2017/18 Standard: Objectivity	To update the Charter to build in safeguards where auditor objectivity comes in to question.	New Audit Charter agreed by Audit Committee in March 2019 .	Complete
Self-assessment 2017/18 Standard: Proficiency	To review and update the remaining job descriptions as appropriate	New Job Profiles were created for the restructure and adopted in August 2019.	Complete
Self-assessment 2017/18 Standard: Due Professional Care	To review and update IA manual to reflect current working practises.	The Audit Manual was fully redesigned, updated and implemented in November 2018.	Complete
Self-assessment 2017/18 Standard: Policies & Procedures	Update procedure to include new working practises following the implementation of the TeamMate electronic audit software.	Teammate processes were incorporated into the revised Audit Manual in November 2018.	Complete
External Assessment July 2018 Standard: Organisation & Independence	The new Audit Manager will prioritise developing a vision and strategy for Internal Audit once in post.	The Audit Partnership Strategy will be developed over the course of 2019/20 for adoption in April 2020.	Ongoing
External Assessment July 2018 Standard: Organisation & Independence	Audit Charter to be updated and taken to Audit Committee for approval.	New Audit Charter agreed by Audit Committee in March 2019 .	Complete
External Assessment July 2018 Standard: Audit Team	A skills assessment of the Internal Audit team is to be drawn up and a training programme for the team to be developed.	A full skills and competencies assessment was undertaken in December 2018 prior to developing the partnership restructure proposal.	Complete
External Assessment July 2018 Standard: QAIP	Audit manual to be updated.	The Audit Manual was fully redesigned, updated and implemented in November 2018.	Complete

External Assessment July 2018 Standard: Communication & Reporting	Audit report template to be updated.	A suite of refreshed and updated reports and templates were developed and implemented over 2018/19.	Complete
External Assessment July 2018 Standard: Communication & Reporting	Audit manual to be updated	The Audit Manual was fully redesigned, updated and implemented in November 2018.	Complete
External Assessment July 2018 Standard: Quality, Tools & Performance	Template for scoping and feedback meetings to be amended to include benchmarking and good practice.	A suite of refreshed and updated reports and templates were developed and implemented over 2018/19.	Complete

Of the 11 actions we have addressed and fully implemented 10. The remaining action forms part of the long-term strategy for the service, which will be drafted later in the year. This is to allow for the vacancies in the new structure to be appointed and to align with the 2020/21 audit plan.

The Partnership has developed and implemented a number improvements over the last year, most of which have all been mapped alongside the PSIAS. By doing this, the Partnership will be in the best possible position to be fully conforming to the Standards in time for the next External Quality Assessment in 2020/21.

Operating in full conformance with the professional standards is a clear benefit to the investment in time, resource and effort that has made over the last couple of years to move the service and the Partnership from being perceived as not adding value, to a service that is ahead of others, and striving to make real positive change. This is something that the Committee has also echoed over the last couple of years, and have sought to support as the service have undergone challenging but necessary changes.

In order to successfully navigate an external assessment process, we have once again internally re-assessed ourselves against the standards. This time, however, we have used the newly published Local Authority Application Note, issued by CIPFA in February 2019. This guidance not only sets out the assessment criteria for the Standards, but also expands in greater detail (and with examples) on the Local Authority requirements.

The remainder of this report looks ahead to the future, rather than reflecting back on the work undertaken so far. This is important, as we will soon be working to set the long-term strategy for the Audit Partnership which will include the continued development and enhancement of the service.

Self-Assessment Checklist 2019/20

There are 135 criteria in the Local Government Application Note. Of these, 1 is not applicable to us as it relates to outsourced services. We are able to evidence full compliance with 125 (92.5%), and are partially compliant with the remaining 9 areas. We identified no areas of non-conformance. The table below summarises the outcomes of the self-assessment, and includes findings and any related actions:

Agenda Item 6

PSIAS	Criteria	Conformance			Findings & Actions
		Conforms	Partial	Non Conformance	
Section 1: Mission of Internal Audit		1	-	-	None
Section 2: Definition of Internal Auditing		2	-	-	None
Section 3: Core Principles Page 20	1) Demonstrates integrity 2) Demonstrates competent and due professional care 3) Is objective and free from undue influence 4) Aligns with the strategies, objectives and risks of the organisation 5) Is appropriately positioned and adequately resourced 6) Demonstrates quality & continuous improvement 7) Communicates effectively 8) Provides risk-based assurance 9) Is Insightful, proactive and future focussed 10) Promotes organisational improvement	10	3	-	<p>Internal Audit Strategy The work undertaken over the last year has focussed on creating the right foundations to secure the long-term future of the Audit Partnership. Following recruitment into the new Lead Auditor posts, the next stage will be to draft the long-term strategy of the Partnership.</p> <p>Continuous improvement At the current time, given the restructure and immanent recruitment into vacant posts, we are still striving to enhance the value we add. This work will remain ongoing but will be more explicitly referenced in the Audit Partnership Strategy</p> <p>Insightful, proactive and future focussed As above</p> <p>Action 1: Draft the Audit Partnership Strategy, in consultation with Senior Management, for approval by the Audit Committee / board.</p>

		Conformance			
Section 4: Code of Ethics	<ul style="list-style-type: none"> a) Integrity b) Objectivity c) Confidentiality d) Competency e) Seven Principles of Public Life (NOLAN) 	4	-	-	
Section 5: Attribute Standards	Purpose, Authority & Responsibility	4	-	-	
	Independence & Objectivity <ul style="list-style-type: none"> a) Organisational objectivity b) Direct interaction with the Board c) CAE roles beyond Internal Audit d) Individual objectivity e) Impairment to independence or objectivity 	20	1	-	Conflicts of Interest While in practice Auditors will ‘avoid’ conflicts of interest, we have no guidance in place to set out how we ‘manage’ apparent or actual conflicts of interest. Action 2: Develop guidance to manage conflicts of interest.
	Proficiency & Due Professional Care <ul style="list-style-type: none"> a) Proficiency b) Due professional care c) Continuing Professional Development 	8	2	-	Counter Fraud & Fraud Risk A recruitment exercise currently underway and will seek to address skills, knowledge and expertise gaps. ICT and Cyber The Audit Partnership does not have specialist IT / cyber audit skills, however, we are part of two framework agreements that allow us to ‘call-in’ this expertise if and when needed. Action 3: Seek to develop in-house counter-fraud and IT skills and expertise via CPD
	Quality Assurance & Improvement Programme (QAIP) <ul style="list-style-type: none"> a) Requirements of the QIAP 	14	-	-	

		Conformance		
	b) <i>Internal Assessments</i> c) <i>External Assessments</i> d) <i>Reporting on the QAIP</i> e) <i>Use of 'Conforms with International Standards for the Professional Practice of Internal Auditing'</i> f) <i>Disclosure of non-conformance</i>			

PSIAS	Criteria	Conformance			Findings & Actions
		Conforms	Partial	Non Conformance	
Page 22 Section 5: Attribute Standards	Managing the Internal Audit Activity a) <i>Planning</i> b) <i>Communication and approval</i> c) <i>Resource management</i> d) <i>Policies and procedures</i> e) <i>Coordination</i> f) <i>Reporting to Senior Management & the Board</i> g) <i>External Service Provider - Not applicable</i>	14	2	-	Policies & Procedures We have an up to date Audit Manual which includes supporting guidance and templates. Ongoing development of the manual will need to include procedures for consultancy, risk, counter fraud and any related policies. Review and update of the manual is an ongoing process Assurance mapping External assurance is taken into account as part of the audit planning risk assessment and also as part of individual audit projects. This will need to be developed further into a full assurance map to capture any other areas of assurance. Action 4: Create an assurance map to support future audit planning and the wider assurance framework.
	Nature of Work a) <i>Governance</i> b) <i>Risk management</i> c) <i>Control</i>	9	1	-	Fraud risk Fraud risks are considered as part of individual audit projects and we have developed a framework that is included in all audits. The Fraud Risk Assessment is included on the 2019/20 audit plan. Action 5: Conduct the counter fraud risk assessment
	Engagement planning	12	-	-	

		Conformance			
	a) <i>Engagement objectives</i> b) <i>Engagement scope</i> c) <i>Engagement resource allocation</i> d) <i>Engagement work programme</i>				
	Performing the engagement a) <i>Identifying information</i> b) <i>Analysis & evaluation</i> c) <i>Documenting information</i> d) <i>Engagement supervision</i>	6	-	-	

PSIAS	Criteria	Conformance			Findings & Actions
		Conforms	Partial	Non Conformance	
Page 23 Section 5: Attribute Standards	Communicating results a) <i>Criteria for communicating</i> b) <i>Quality of communications</i> c) <i>Errors and omissions</i> d) <i>Use of 'Conforms with International Standards for the Professional Practice of Internal Auditing'</i> e) <i>Disclosure of non-conformance</i> f) <i>Disseminating results</i> g) <i>Overall Opinion</i>	18	-	-	
	Monitoring progress	2	-	-	
	Communicating the acceptance of risk	1	-	-	
	TOTAL	125	9	-	

Through the self-assessment exercise we have identified 5 actions that are ongoing to address areas of partial compliance. This includes the outstanding action from the 2018 assessment. The action plan below will be used to inform the ongoing development of the Audit Partnership, and will ensure that we can address any areas of partial conformance before our next external assessment (2020/21):

Action	Response	Timeframe
Action 1: Draft the Audit Partnership Strategy, in consultation with Senior Management, for approval by the Audit Committee / board	Work to develop the Audit Partnership Strategy will commence following appointment of the Lead Auditors	Between January - March 2020
Action 2: Develop guidance to manage conflicts of interest	The work will aligned with the annual review of the Audit Manual	November 2019
Action 3: Seek to develop in-house counter-fraud and IT skills and expertise via CPD	Where possible these skills will be recruited into the Partnership. Then training plans put in place to support ongoing CPD.	From September 2019 onwards
Action 4: Create an assurance map to support future audit planning and wider assurance framework	This work will be aligned with the 2020/21 audit planning process	Between January - March 2020
Action 5: Conduct the fraud risk assessment	This work is already scheduled on the 2020/21 audit plan	By March 2020

Next steps & conclusion

Internal audit is a key component of corporate governance. It provides Management and Members with a vital source of independent and objective assurance over the effectiveness of the internal control, risk management and governance arrangements for the Council. Given the mandatory nature of the Standards, and the overarching mission for internal audit to '**enhance and protect organisational value**' we strive to not only conform to the requirements, but to continually develop and advance the services we provide.

The outcomes of the self-assessment show that we have made a number of significant improvements over the last year, and that generally we are conforming to Standards. Areas for improvement will form part of the ongoing work plan to put us in the best possible position for the next external assessment.

Over the next 6 months there are a number of key work streams to see through to completion:

Role of the Audit Manager (Chief Audit Executive): The current arrangements conform to the Standards, however they are temporary. The secondment with Mid Kent for the provision of the Audit Manager is due to end on the 31 March 2020. Following the restructure of the partnership, all roles were redesigned, updated and evaluated, except for the Audit Manager (CAE) post. This work is in progress and will be a necessary step before a permanent appointment can be made.

Restructure & appointment into new roles: Our new structure has been designed with a long-term ambition in mind, for us to be a top performing and forward thinking sustainable shared audit service. The appointment into vacancies will inject new expertise and qualifications into the partnership, and the introduction of a new trainee role will mean we can nurture and develop our own talent further and to greater benefit than ever before. Following the appointments there will be a period of induction and training to bring new members of the team up to speed.

Audit Partnership Strategy: The audit planning process for 2018/19 gave us a fully risk assessed audit universe for the first time. We are able to use this to inform our assurance plan and strategy, to ensure that future work remains current, risk focussed and flexible to the changing environment. Drafting our strategic goals and ambitions will pave the way for the future, and allow us to align our objectives to the wider Council Plans.

Development of broader governance: Much of the transformation work over the last year has been focussed on the internal audit activity, however, the partnership is uniquely placed to support the improvement and advancement of wider governance, including risk management and counter fraud. There is a degree of harmony between audit and risk, and while we must safeguard our independence, audit teams across public sector commonly take a lead role with wider governance work. As we develop our strategy we will be working across the Partnership to establish our role with regards broader governance and devise a work plan for the ongoing development and enhancement of the arrangements.

Acknowledgements

All of the internal work we have been undertaking to review, update and improve our service would not have been possible without the hard work and dedication of our audit team, and their willingness to embrace new ways of working. In addition, the appetite from Management and Members to want more from the Audit Partnership and in turn to support us while we implement change has been invaluable.

MEMBERS' ALLOWANCE SCHEME MONITORING 2018/2019

Audit Committee - 17 September 2019

Report of Head of Legal and Democratic Services

Status For Consideration

Key Decision No

Portfolio Holder Cllr Matthew Dickens

Contact Officer Martin Goodman, Ext. 7245

Recommendation to Audit Committee: that Members note the contents of this report.

Introduction and Background

- 1 Within the terms of reference of the Audit Committee, the committee is required 'to monitor the implementation of the Members' Allowance Scheme'.
- 2 The Governance Committee is required 'to receive the recommendation of the Joint Independent Remuneration Panel and make recommendations for changing the Members' Allowance Scheme to the Council and, if required, to the Joint Independent Remuneration Panel'. This process took place during 2017/18 and an updated scheme came into force from May 2019.

Members' Allowance Scheme - 2018/19

- 3 Members' allowances for 2018/19 were published during the summer and can be viewed, alongside past years' information, here:
https://www.sevenoaks.gov.uk/downloads/download/32/councillor_allowance_and_expense_payments
- 4 Basic allowances were paid to all Members but one asked not to receive the full amount. It should be noted that allowances were paid to 55 Members as there was a by-election during the year.
- 5 Travel expenses were claimed by 23 out of 55 Members (42%).
- 6 The IT allowance was claimed by 42 out of 55 Members (76%). This has been consolidated with the basic allowance from May 2019.

Agenda Item 7

- 7 Appendix G from the Constitution of Sevenoaks District Council containing the Members' Allowance Scheme (2018/19) is attached as this report's Appendix.
- 8 All Members' expenses claims are checked by Democratic Services. In the event of any question of interpretation, the Chief Executive or the Monitoring Officer will decide. No issues were found during the year and the next routine internal audit of the arrangements is due to take place in 2020/21.

Key Implications

Financial

The cost of the Members' Allowance Scheme is contained within the approved budget.

Legal Implications and Risk Assessment Statement.

There are no legal or risk implications for this report.

Equality Assessment

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.

Appendices 2018/2019 Members' Allowances Scheme.

Background Papers None.

Martin Goodman

Head of Legal and Democratic Services

APPENDIX G: Members' Allowances Scheme (2018/19)

1. INTRODUCTION

The Members' Allowances Scheme is made under the provisions of the Local Authorities (Members' Allowances) (England) Regulations 2003 (the 2003 Regulations) and other Regulations which may come into force from time to time.

In making this Scheme, the Council must have regard to the recommendations made by the Joint Independent Remuneration Panel.

This Scheme has effect for the financial year appertaining to the year it is introduced and continues until amended or revised.

This Scheme may be amended at any time having regard to the recommendations of the Joint Independent Remuneration Panel.

For the avoidance of doubt, where the only change to this Scheme is effected by annual updating of allowances, this Scheme shall be deemed not to have been amended.

2. STATUTORY MEMBERS' ALLOWANCES SCHEME

2.1 Basic Allowance

Every District Council Member shall be paid an annual basic allowance as set out in Schedule 1 below. It will be paid in instalments of one-twelfth on the 15th of each month, with minor adjustments where necessary to ensure that the total annual sum is correct. The allowance is subject to annual updating - see paragraph 2.8 below.

The basic allowance covers time incurred by a District Council Member in carrying out his/her ordinary duties for the Council. However, it excludes travel and subsistence allowances for approved duties which are referred to separately below. Furthermore, the Council makes available to Members a certain amount of equipment over and above the basic allowance. Again, this is referred to separately below.

2.2 Special Responsibility Allowances

An annual special responsibility allowance (SRA) will be paid to certain Members. SRAs will be paid in monthly instalments. They are not payable when a Member temporarily steps into another's role (say, when the Vice-Chairman chairs a meeting). The special responsibility allowances are set out in Schedule 1 below.

2.3 Child and Dependant Carer's Allowance

Members may claim an allowance in respect of expenses necessarily incurred in relation to the provision of care for their children and other dependants while

Agenda Item 7

carrying out approved duties. Approved duties are listed in a separate section below. Claims should be made monthly in arrears, by attaching the receipt(s) to the submitted Member's claim form and entering the amount claimed on the form. Claims will not be paid without documented receipts.

The allowance to be paid per dependent child per hour during normal daytime working hours (8am to 6pm on Mondays to Fridays) and a single maximum payment per hour as set in Schedule 1 for child care arranged outside normal working hours, accompanied by an official receipt.

The dependent adults carer's allowance will be paid up to the figure in Schedule 1 per hour for the employment of a replacement carer for whom the Member is normally a full time carer. This will also apply where the Member has to arrange care for a disabled dependent child. In either case, the definition of dependant being as set out in the Employment Rights Act 1996 (s.57A), such claims to be supported by a doctor's letter confirming that the dependant is in need of constant or specialist care/supervision; (NB Carer's allowance and the allowance payable in respect of a disabled dependent child, is not payable in respect of the same child for the same period.).

2.4 Pensionable Allowances

Statutory regulations allow local authorities to make certain allowances pensionable, but only if so recommended by their independent remuneration panel. At Sevenoaks it has been agreed that the option to allow Members to participate in the Local Government Pension Scheme should not be introduced at this time.

2.5 Renunciation of Allowances

A Member may choose to forego all or part of his/her entitlement to basic or special responsibility allowances under this scheme. If this is the case, he/she should give notice of this in writing to the Chief Executive or Monitoring Officer, stating what element of his/her allowance entitlement he/she does not wish to claim. The notice should also state whether this is for the current municipal year or the remainder of the Member's term of office - if the notice does not specify a time period then it will be assumed to mean the remainder of the term of office.

A Member not wishing to claim the expenses described in section 3 below need not give notice in writing - he/she simply does not submit any expenses claim forms.

2.6 Publicising Allowances and Expenses Paid

As soon as reasonably practicable after determining a Scheme of Allowances, a copy of the Scheme will be made available for inspection and publication will take place in accordance with the 2003 Regulations.

As soon as practicable after 1st April each year arrangements will be made for the publication of the total paid to each Member in each category of allowance specified in this Scheme, in the preceding year.

2.7 Suspension of Allowances

Any Member/Co-optee who is suspended or partially suspended from his/her responsibilities or duties as a Member of the Council in accordance with legislation or regulations that may come into force from time to time may have his/her allowances withdrawn for the period of any suspension.

Where any payment allowance under this Scheme has already been made in respect of any period during which a Member/Co-optee is suspended or partially suspended or ceases to be a Member or Co-optee of the Council or is in any other way not entitled to receive the allowance in respect of that period the Council may require that such allowance or part of as relates to any such period be repaid to the Council.

2.8 Annual Updating

Members' allowances except for travelling expenses are updated annually in line with the National Joint Council for Local Government Services pay award.

3. **PAYMENT OF EXPENSES**

3.1 Approved Duties

Members/Co-optee members may claim reimbursement of travel, subsistence, Child and Dependent Carer's Allowance and conference expenses incurred whilst undertaking an approved duty. No expenses claimed more than three months after they were incurred will be paid.

Attendance at any of the following is an approved duty:

- (a) The attendance at a meeting of the District Council or of any committee or sub-committee or Working Group of the District Council, or of any body to which the Council make appointments or nominations, or any committee or sub-committee of such a body (If the outside organisation will pay travel and/or subsistence costs, then the Member should claim against that organisation and cannot claim from the District Council.);
- (b) The attendance at any meeting, the holding of which is authorised by the District Council, or a committee or sub-committee of the District Council, or a joint committee of the District Council and one or more local authority within the meaning of section 279(1) of the 1972 Act, or a sub-committee of such a joint committee provided that: -
 - (i) where the authority is divided into two or more political groups, it is a meeting to which members of at least two groups have been invited, or
 - (ii) if the authority is not so divided, it is a meeting to which at least two members of the authority have been invited;
- (c) the attendance at a meeting of any association of authorities of which the District Council is a member

Agenda Item 7

- (d) the attendance at a meeting of the executive (Cabinet) or a meeting of any of its committees;
- (e) the attendance at pre-meeting briefings by Chairmen and Vice-Chairmen of Committees;
- (f) the performance of any duty in pursuance of any standing order made under section 135 of the 1972 Act requiring a Member or Members to be present while tender documents are being opened;
- (g) the performance of any duty in connection with the discharge of any function of the District Council by or under any enactment and empowering or requiring the District Council to inspect or authorise the inspection of premises (including site visits for planning matters); and
- (h) the attendance of any pre-arranged meetings with Officers relating to issues within the Members' responsibilities. This would encompass Portfolio Holder briefings etc. In the event of any question of interpretation, the Chief Executive, or, in his absence, the Monitoring Officer, will decide.
- (i) The attendance at meetings, training or other events where the Member is an official Council representative or requested to attend by the Leader, relevant Cabinet Member or Chief Officer.

Further Clarification of Approved Duties:

In-house training and development seminars including Members' Induction, Staff Induction and service-specific seminars

Conferences or seminars arranged by a Chief Officer.

Expenses will not be paid for attendance at national and regional bodies if the Member was not appointed to the organisation or event by the District Council.

Travel and subsistence allowances for co-opted and lay/expert members of committees and panels will be paid, at the same level as for elected Members.

Schedule 2 sets out tables of examples of what are approved duties. In specific cases not covered by this schedule Members should contact the Democratic Services Team. A decision will be made by the Chief Executive or the Monitoring Officer and the table updated accordingly

3.2 Travelling, Subsistence and other Expenses

Travelling Allowances

Travelling allowances are payable in accordance with the HMRC maximum tax free allowance from time to time:

Per mile up to and including 10,000 miles	45 pence
Over 10,000 miles	25 pence

Bicycles:

20 pence per mile tax free as per HMRC’s maximum tax free allowance for claims.

Motorcycles:

24 pence per mile tax free as per HMRC’s tax free allowance for claims.

Public Transport:

Authorised journeys taken using public transport should be reimbursed at the cost of standard travel.

Travelling allowances may be claimed by Members for attendance at meetings of the bodies or for the purposes listed in 3.1 above.

Car sharing is encouraged by the Council for duties involving more than one Member. Any claim should be made by the vehicle driver only.

Travel by taxi should only be used in exceptional circumstances and, if it is necessary, should involve more than one Member if possible.

3.3 Subsistence Expenses and Council Refreshments

- A Member may claim reimbursement of subsistence costs incurred personally while on approved duties. The latter are described at a separate section below. In order to qualify for reimbursement:
- the Member must be away from his/her usual residence for a minimum of four hours (this time period applying only to the time spent in travel to and from, and attendance at, the approved duty outside the District)
- there must be no meal provided at the approved duty, either by the Council or any other organiser for the event
- claims will only be reimbursed for subsistence purchased in the close vicinity of a local event, or in the vicinity of, or whilst travelling to or from, an event more distant.
- the Member should attach a receipt to his/her expenses claim form to show that a meal was purchased (and the amount paid will be the amount incurred and shown on the receipt up to the maximum limit shown below).

The rates payable are set annually when the annual pay award is agreed. They are currently as set out in the table below.

Subsistence type	Details	Payment amount
Lunch allowance	Covers the period from 12 noon to 2 p.m.	£9.86

Agenda Item 7

Evening meal allowance	For a period of absence ending after 7 p.m.	£12.21
Absence overnight	To cover hotel and associated expenses - but note that, in these cases, the Council will book and pay for hotel accommodation directly (see 'conferences' at separate section below)	£79.82 (increased to a maximum of £91.04 in certain circumstances, e.g. for meetings in London and for LGA meetings)

If a meal is taken on a train, this is taken to relate to the subsistence allowance which it most closely equates to (i.e. lunch or evening). The above conditions still apply.

The Council may provide refreshments for 'approved duty' meetings which last over the lunchtime period or which start between 4.30 p.m. and 6 p.m.

The District Council requires that Members ensure that any overnight stay bookings for approved duties and conferences are made by Council Officers. The Council will then pay for the cost of the accommodation and breakfast. Lunch and evening meal costs up to the subsistence amounts shown above and travel will be claimable.

3.6 Child and dependant carer's allowances

Members may claim an allowance (set out in Schedule 1 below) for the use of childminders, babysitters or other sitters for dependants while carrying out approved duties. See section 2.3 above for details. Claims must be supported by receipts for payments made.

3.7 ICT and other equipment

Members are securely able to access all Council information and communications from any internet access point, including a home computer, through the Members' Electronic Portal. In order to recognise that part of the cost of provision of such equipment is for the performance of Members' duties, Members may make claim for the following financial support:

- (a) an allowance of up to £124 per annum is available to councillors paid on a yearly basis and separately from the Basic and other allowances. This allowance is available to Members who use their own IT resources to undertake their council duties;
- (b) In exceptional circumstances where a Member is unable to afford the purchase cost of a suitable computer the Council would consider assisting the Member by advancing a lump sum which would then be recovered via repayments from this allowance;

- (c) where a Member has been provided with a Council funded computer, no allowance will be paid; and
- (d) all such allowances are subject to tax along with Basic and Special Responsibility Allowances in the normal way.

3.8 Claims procedure

Claims for travel, subsistence and dependant carer's allowances must be made each month using the Members' claim form. Members can either submit a claim in writing or on-line. If any Member wishes to submit claims on-line, he/she is required to sign a 'request to submit forms via e-mail' and return it to the Head of Legal & Democratic Services or Democratic Services Team Leader so that a members' claim form can be sent electronically for completion. All claims must be received by the Democratic Services Team by the twentieth day of the month. This is essential as they must be verified and approved by the twenty third day of the month in time for the monthly payroll run on the fifteenth of the following month. Any claims received after these dates will be paid on the subsequent pay run.

Members should ensure that they submit claims each month as claims stretching back over several months may be delayed owing to the increased difficulty of verifying them. Claims over 3 months old will not be paid. All claims to be finalised within one month of the start of the financial year.

The claim form must include receipts for all expenses claimed other than car mileage, and must be signed by the Member to declare that he/she is entitled to all amounts claimed and has not already been reimbursed for these amounts by the Council or any other organisation. For those claims submitted electronically, all relevant receipts must also be submitted to support the claim.

If a Member wishes to reclaim tax paid on subsistence allowances, he/she must provide relevant receipts to HMRC. If a Member applies for benefit, he/she must declare any allowances and expenses received from the Council on his/her application form.

Should it ever arise that the Council incurs expenditure on behalf of a Member's spouse or partner, then a debtor's account will be sent to the Member to recover all additional costs and a copy of the accounts will be placed with the file of payments to Members.

4. GUIDANCE FOR OFFICERS IN RESPECT OF PAYMENT TO MEMBERS

All Officers must adhere to the above scheme when verifying and making payments to Members. The Head of Legal & Democratic Services or Democratic Services Team Leader must verify all Member claims prior to passing them for payment taking particular note of Schedule 2. The Finance Team will maintain a file of payments to Members. For all payments under the Members' Allowances Scheme, this must show the name of the recipient, together with the amount and nature of each payment. It is open for inspection free of charge by electors in the area, who may copy any part of it.

Agenda Item 7

The scheme also applies to Officers incurring expenditure on a Member's behalf - if an Officer spends more than the prescribed limits shown above for a Member's travel and/or subsistence then *the Officer cannot claim the excess, but must bear the cost personally*. If an Officer wishes to make a claim for Member travel and/or subsistence, he/she must complete an employee travel and subsistence expenses claim form in the usual way, but stating clearly which Member(s) were paid for, and the details of the payment (cost, time of day incurred) which will allow it to be checked against the prescribed subsistence scheme. A copy must be sent immediately to the Finance Team for recording in the file of payments to Members.

If any other issue of payment to a Member arises, other than one covered by the above Members' allowance scheme or a normal service issue, then prior written approval should be obtained from the Chief Executive or Monitoring Officer.

When a department arranges any seminar, conference, course or visit which will incur costs on behalf of a Member, the lead officer must liaise with the Chief Finance Officer to ensure that only permitted expenditure is incurred. The lead Officer of the event should keep a list of Members attending an approved event, and forward it immediately afterwards to the Head of Legal and Democratic Services or Democratic Services Team Leader and the Finance Team to ensure that any subsequent Member claims for travelling and/or subsistence can be verified.

Tours outside the Sevenoaks District may be arranged by the relevant department. They will still require formal committee/cabinet approval and adequate budgetary provision. Any overnight stop, unless paid for directly by the Council, and any lunch or evening meals purchased for the Members involved must adhere to the subsistence rates shown above. If air tickets are reserved, the cheapest rate of public air travel must always be used.

Any proposed payment or commitment of civic funds must be referred to the Chief Executive or Monitoring Officer for prior approval. These Officers must ensure all payments so made remain within budgeted levels of expenditure, and that any payments to or on behalf of Members are recorded in the file of payments to Members.

Schedule 1Members' Allowances Scheme (2017/18)

Description of Allowance	2017/18 Allowance per Member £	2018/19 Allowance per Member £
Basic Allowance (all Members)	5,359	5,466
<u>Special Responsibility Allowances:</u>		
Opposition Group Leaders:		
Liberal Democrat (2 Members)	1,331	1,358
UKIP (2 Members)	1,331	1,358
Cabinet Chairman (Council Leader)	16,078	16,400
Cabinet members	6,699	6,833
Deputy Cabinet Members	671	684
<u>Chairmen</u>		
Advisory Committees (x7)	2,144	2,187
Audit	2,144	2,187
Community Infrastructure Levy Spending Board	2,144	2,187
Development Control	3,217	3,281
Governance	2,144	2,187
Health Liaison Board	2,144	2,187
Licensing	2,144	2,187
Scrutiny	2,144	2,187
Sevenoaks Joint Transportation Board	2,144	2,187
Standards	1,074	1,095
<u>Vice-Chairmen</u>		
Advisory Committees (x7)	535	546
Audit	535	546
Community Infrastructure Levy Spending Board	535	546
Development Control	1000	1020
Governance	535	546
Health Liaison Board	535	546
Licensing	535	546
Scrutiny	535	546

Agenda Item 7

Sevenoaks Joint Transportation Board	535	546
Standards	269	274
 <u>Committee Members</u>		
Development Control members	269	274
Licensing Committee members	134	137
Childcare Allowance	Up to £6.19 per hour per Member	Up to £6.19 per hour per Member
Dependent Carers Allowance	£16.00 per hour per Member	£16.00 per hour per Member
Travel and Subsistence Expenses	Reimbursed in line with the scheme in force for staff of the Council the National Joint Council for Local Government Services pay award	Reimbursed in line with the scheme in force for staff of the Council the National Joint Council for Local Government Services pay award
I.T. Allowance	124	124
Ancillary Expenses (broadband)	Nil	Nil
Special Responsibility Allowance	Only one allowed	Only one allowed
Pensions	Nil	Nil

Schedule 2

Members' Allowance Scheme - Approved Duties Specific Examples

- Attendance at a meeting of Council
- Attendance at a meeting of Cabinet (all Members)
- Attendance at a meeting of any Committee/Sub-Committee/Working Group/Board/Hearing of which you are a Member (attendance at Committee meetings as an observer is not considered an approved duty, the only exception to this being meetings of the Cabinet).
- Attendance at a meeting of any outside organisation that you are appointed to by the Executive or the Council
- Attendance at any Development Control Meeting and Development Control Site Meeting as agreed by the Chairman or Vice-Chairman of Development Control, if you are a member of Development Control or a local member for the ward concerned
- Attendance of any other site visit approved by Council, the Executive or any Committee/Sub-Committee/Working Group/Board/Hearing, if you are a member of the relevant body
- Attendance by a member of the Executive at any Committee/Sub-Committee/Working Group/Board/Hearing that is discussing matters within that member's Portfolio
- Attendance at any meeting organised by Officers of the Council to which at least two political groups have been invited
- Attendance at any training session organised by Officers of the Council to which the Member has been invited
- Attendance at any service-specific seminar organised by Officers of the Council to which the Member has been invited
- Attendance at any Conference or Seminar where prior agreement has been made by a Chief Officer of the Council
- Attendance at pre-meeting briefings by Chairman/Vice-Chairman of Committees/Sub-Committees/Working Groups/Boards/Hearings
- Attendance of members of the Executive at Briefing meetings
- Attendance of a member of the Executive that is required to attend a tender opening
- Attendance at any meeting pre-arranged by Officers of the Council relating to issues within the Member's responsibilities

This page is intentionally left blank

INTERNAL AUDIT UPDATE REPORT

Audit Committee - 17 September 2019

Report of	Audit Manager
Status	For Consideration
Key Decision	No

Executive Summary: The report provides Members of the Audit Committee with an update on the Audit Partnership, including Internal Audit activity, service developments and progress towards delivery of the 2019/20 Audit Plan.

Portfolio Holder	Cllr Matthew Dickins
Contact Officer	Russell Heppleston, Ext. 7053 Adrian Rowbotham, Ext. 7153

Recommendation to Audit Committee: That the Internal Audit Update Report (Appendix A) is noted.

Reason for recommendation: Reporting the outcomes of the internal audit service is a requirement under the Public Sector Internal Audit Standards. As those charged with governance, the Audit Committee is required through its Terms of Reference to provide oversight, support and challenge to gain assurance over the effectiveness of internal control, risk management and governance.

Introduction and Background

- 1 The Audit Committee receives regular updates from the Internal Audit partnership. Principally the focus on these updates is to track progress, findings, and key insights from delivery of the Internal Audit Plan. The Committee provide a key oversight role, and as those charged with governance, must be satisfied that the Council is operating effective internal control, risk and governance processes.
- 2 Following the appointment of the Interim Audit Manager (Chief Audit Executive) in August 2018, the Audit Committee has also been kept abreast of service developments, improvements, and plans to maximise the value provided through the Partnership.

Agenda Item 8

Key Implications

Financial

The Internal Audit Partnership is responsible for delivering the audit service. Delivery of the plan is already approved within the Council's budget.

Legal Implications and Risk Assessment Statement

There are no legal implications associated with this decision.

We present this report for information only and so it has no direct risk management implications.

Equality Assessment

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

This report provides Members with an update on the Audit Partnership, including Internal Audit activity, service developments and progress towards delivery of the 2019/20 Audit Plan.

Appendices

Appendix A - Internal Audit Update Report
(September 2019)

Background Papers

The previous update was reported to the Audit Committee in July 2019 and is publically available on the Council's [website](#).

Russell Heppleston - Audit Manager

Adrian Rowbotham - Chief Finance Officer

DARTFORD & SEVENOAKS AUDIT PARTNERSHIP

Internal Audit Update Report

September 2019



Introduction

Internal Audit is an independent and objective assurance function. For Sevenoaks, the internal audit function is provided through the Audit Partnership with Dartford Borough Council. The shared team undertake assurance and consultancy work over the course of the year, designed to evaluate and improve the Council's internal control, governance and risk management processes.

All Local Authorities must make proper provision for internal audit in line with the [Local Audit and Accountability Act 2014](#) and the [Accounts and Audit Regulations 2015](#) (regulation 5). The latter requires authorities to:

“...undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

The Regulations state that internal audit services must follow the [Public Sector Internal Audit Standards](#). These standards are a consolidated approach to internal auditing across the whole of public sector, and they part of the wider mandatory elements of the International Professional Practices Framework (IPPF) which is applicable to all UK Local Authorities.

The Standards set out a shared mission for all internal audit functions: **to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight**. We achieve this by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance for the Council.

The Standards require that the Chief Audit Executive (the Audit Manager fulfils this role for the Council) issues an annual opinion. The Opinion considers **internal control, corporate governance and risk management**. It is a key part of the overall assurance, Members and Officers of the Council draw on when evaluating governance. The Opinion for 2018/19 was reported to Committee in [July 2019](#).

This report provides Members with an update on Internal Audit activity, in addition, to setting out current progress as we complete our 2019/20 Audit Plan approved by the Audit Committee in [March 2019](#).

Internal Control

Internal control is how the Council ensures achievement of its objectives. In particular, internal control achieves and displays effectiveness and efficiency, reliable financial reporting and compliance with law, rules and policies. It incorporates both financial and non-financial aspects.

We gather evidence to support this part of the Opinion principally through completing the reviews set out in our **audit plan**. As we deliver this work we assess and conclude on the overall level of assurance offered by the controls in accordance with the agreed definitions (see appendix I).

Audit Plan Progress

The Audit Partnership is governed by the principle that resources are split 50/50 across both Partners. Therefore, to calculate the total amount of resources available to each Partner, we take the total available days for the year, and subtract various categories of non-working and non-audit time. The remaining total is split 50/50 to give us a total number of days for the Audit Plan.

This Committee approved our Audit Plan 2019/20 in March 2019. The total chargeable days (850) are split 50/50 for **Sevenoaks** and **Dartford** creating a plan for Sevenoaks of **425** days. We ensure flexibility in how these days are deployed by allocating days to different activities, most of which are planned, but with some available for reactive ad-hoc work.

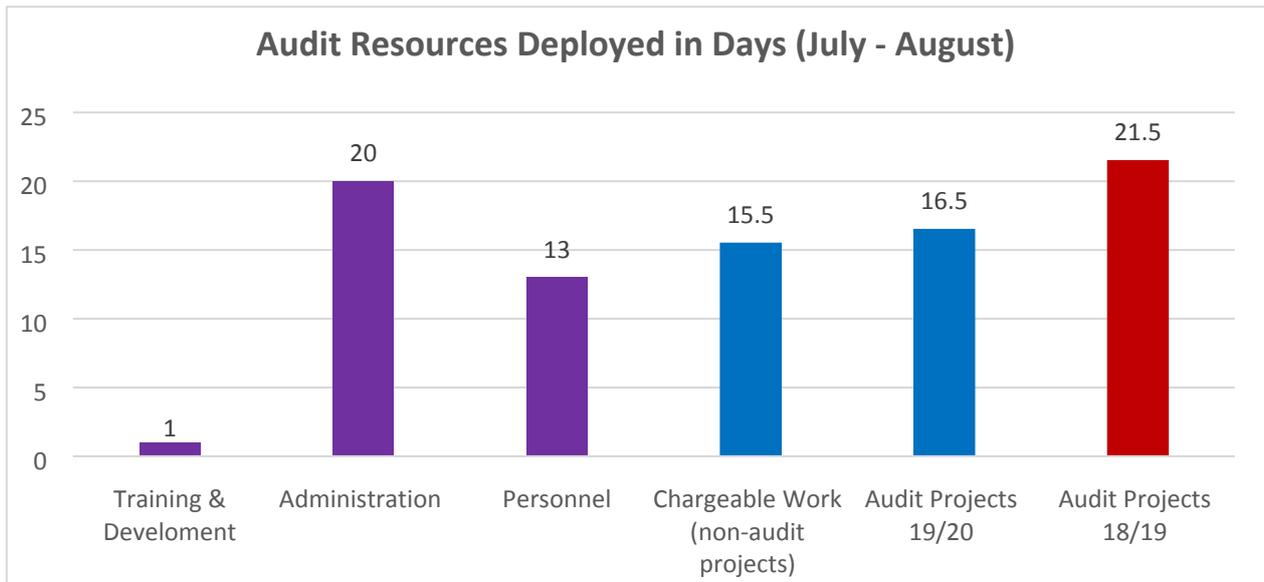
The table below shows the total allocation of **425** audit days for Sevenoaks, and shows how many days we have allocated so far this year:

Activity	Sevenoaks		
	Total Days 19/20	Outturn to Aug 19	Year to Date
Risk Management	10	-	2.5
Counter Fraud	5	0.5	2.5
Member Support/Training/Meetings	10	6	7
Follow-Up	15	3	4
Audit Planning	10	0.5	2
Advisory & Consultancy	50	5.5	10.5
Audit Project Days 19/20	325	16.5	21.5
Total Days	425	32	50
Audit Project Days 18/19	-	18.5	53.5

Audit days between July and August have been split between closing down the carried forward 2018/19 audit projects, and commencing projects from the 2019/20 audit plan. The table also includes the year to date position, showing that we have used 50 days (12%) of the annual 425 days.

The total allocation of Audit Partnership resources includes an allocation of non-chargeable days, these days account for administration, general management and the ongoing professional development of the team. In order to provide some additional context for the time deployed so far for 2019/20 the graph below shows our chargeable and non-chargeable totals from July and August:

Agenda Item 8



Additional administration time was allocated during July following our restructure (covered later in this report).

Audit Scheduling 2019/10

The schedule below sets out our planned work for the first 6 months of the year (Dartford, Sevenoaks + Shared Services). The schedule also shows how the team have been closing the 2018/19 projects and commencing on the 2019/20 audit plan. We will continue to report progress against the schedule to Members as part of our regular reporting, including our conclusions and the details of any findings that we make following issue of the final report:

Site	Title	Q	Quarter 1				Quarter 2												
			June 2019				July 2019					August 2019				Sept 2019			
			03	10	17	24	01	08	15	22	29	05	12	19	26	02	09	16	23
Dartford	Building Control	Q1	█	█			█	█							█				
Dartford	Fleet Vehicle Management	Q1	█	█	█	█	█	█	█	█					█				
Shared	Homelessness Reduction Act	Q1	█	█	█	█	█	█	█	█						█	█		
Sevenoaks	Private Sector Lettings	Q1	█	█			█	█							█				
Sevenoaks	Business Continuity Planning	Q1	█	█	█	█	█	█	█	█	█								
Sevenoaks	Budgetary Control & Monitoring	Q2										█	█	█	█	█	█	█	█
Sevenoaks	Accounts Payable (Systems Mapping)	Q2										█	█	█	█	█	█	█	█
Dartford	Income System (AIM)	Q2														█	█	█	█
Dartford	Dartford Town Centre - Transport & Public Realm Project	Q2											█	█	█	█	█	█	█
Sevenoaks	HR Policy Compliance	Q2														█	█	█	█
Sevenoaks	Corporate Complaints	Q2										█	█	█	█	█	█	█	█
Sevenoaks	Pay & Display Income	Q2										█	█	█	█	█	█	█	█
Dartford	Corporate Complaints	Q2										█	█	█	█	█	█	█	█
Dartford	Feeder Systems & Journals	Q2					█	█	█	█	█	█	█	█	█	█	█	█	█
Dartford	Housing Rent Accounting (Systems)	Q2					█	█	█	█	█	█	█	█	█	█	█	█	█
Shared Service	Animal Welfare - Control	Q2					█	█	█	█	█	█	█	█	█	█	█	█	█
Sevenoaks	Scheme of Delegations & Decision Making	Q2					█	█	█	█	█	█	█	█	█	█	█	█	█
Dartford	Garage Management	Q2					█	█	█	█	█	█	█	█	█	█	█	█	█

Key

- █ Carry forward
- █ In progress
- █ Scheduled
- █ Flexible
- █ Shared

The audit plan included an allowance of 100 days to account for vacancies during the first half of the year. Following the restructure, we have now advertised to fill the vacancies in the new structure. Due to the additional time taken to implement the new structure, it is likely that we will exceed the vacancy days as planned, as such, as the year progresses we will consider engaging with a contractor to supplement delivery of the audit plan and to ensure that the remaining projects on the plan are scheduled appropriately.

We will keep Members updated within progress against delivery of the audit plan as part of our usual reporting, this will include any agreement to revise the Plan prior to year-end in March 2020.

Audit Work Issued Q2

Previous reports to Committee have included summaries of audit work finalised and issued over the period. We include extracts from the published report as an executive summary and report details on any findings of a **MEDIUM** level risk or higher.

Since our last report to Committee the following projects have been finalised:

Ref	Title	Date Issued	Conclusion
2018/19	Accounts Receivable (Systems Mapping)	June 19	Substantial
2018/19	Post GDPR Compliance	June 19	Substantial
2018/19	Public Health – Phase 2 Follow-up	July 19	N/A
2018/19	Business Continuity Planning	August 2019	Substantial
2018/19	Private Sector Letting Scheme	TBC	Draft Report
2018/19	Homelessness Reduction Act (Shared)	TBC	Feedback

Summaries

We include below the executive summaries of the reports issued in final since our last update report in June 2018.

Accounts Receivable (Systems Mapping) – Issued in June 2019

We conclude based on our audit work that there are **SUBSTANTIAL** controls in operation within the Accounts Receivable system.

Accounts Receivable is a key financial system for the Council. During 2017/18, the total amount of debts raised through the system was £3.21 million. Of which 98.23% were paid within the specified payment terms. Of the remaining, aged debts (those unpaid after 61 days) represent 1.17% of the total debts raised.

The review provides independent assurance over the adequacy of controls for the Accounts Receivable process. Our testing confirms that the system is effective in **design** and **operation**. We identified no errors in our key controls testing.

We have raised one action resulting from our work, regarding officer guidance on the Accounts Receivable process. The priority ratings for this action are set out below:

Priority Ranking	Number of recommendations
Medium	1
Total	1

Procedures for raising invoices

**Medium
Priority**

Finding: Some guidance and relevant forms can be accessed on the intranet to assist officers regarding a number of Financial operations, and in particular procurement. However, there is no information available to officers regarding sales requisitions or how to raise an invoice or credit note.

Action: Update and publish guidance to Officers on the Accounts Receivable Financial procedures

Management Response

Agreed

Comments:

The Finance System Team Leader is to draft an Accounts Receivable Procedure flow chart to be available on the intranet which will assist in the standardisation of the sales requisition process.

Post GDPR Compliance – Issued June 2019

We conclude based on our audit work that the controls in place to ensure compliance with the Data Protection Act 2018 provide **SUBSTANTIAL** assurance.

The law relating to data protection changed on 25 May 2018, with the Data Protection Act (DPA) 2018 coming into force. This replaced the DPA 1998 and incorporated the General Data Protection Regulation (GDPR) into UK law. Although many of the principles remained the same as the DPA 1998, there were some important changes which affected the Council.

In general terms, the DPA 2018 and GDPR place more emphasis on transparency, accountability and record keeping. It is vital that personal data is handled correctly as the Information Commissioner’s Office (ICO) can issue fines to organisations who breach the DPA 2018 and GDPR of up to €20 million or 4% of annual turnover, whichever is higher.

Our testing confirms that the Council has adequate, effective and reliable controls in place to ensure compliance with GDPR and the DPA 2018 and the associated changes resulting from the introduction of the Regulations. However, we have identified some areas for improvement. These mainly relate to aspects where we are not displaying up to date information (such as on all our application forms) or where we can seek opportunities to raise awareness and understanding of GDPR and DPA requirements (through better guidance or training).

We have raised 6 findings resulting from our testing, to strengthen the monitoring regime in respect of the DPA 2018. The priority rating of these actions are set out below:

Agenda Item 8

Priority Ranking	Number of actions
Medium	4
Low	2
Total	6

Information Asset Registers

Medium Priority

Finding: Information Asset Registers have not been reviewed and updated since they were produced in 2018.

Action: Review and (where necessary) update Information Asset Registers

Management Response

Agreed

Comments: Service managers have been reminded that they should review their registers of assets regularly

Automatic Deletion of Data

Medium Priority

Finding: Some data held by the Council (e.g. records of contacts on CRM and CCTV images) is automatically deleted when it reaches the end of its retention period. Other data (e.g. information held on the Uniform and Idox databases) has to be manually deleted when it reaches its expiry date.

Action: Adapt databases so that data is automatically deleted when it reaches its expiry date where applicable

Management Response

Agreed

Comments: Service managers have been reminded that databases should be adapted so that data is automatically deleted when it reaches its expiry date. This will assist the Council in respecting the 'right to be forgotten'.

Data Protection Impact Assessments

Medium Priority

Finding: Officer awareness and understanding with regards to completing Data Protection Impact Assessment (DPIA) is not consistent and could be improved.

Action: Produce guidance for completing Data Protection Impact Assessments (DPIAs) and circulate /offer support for Officers who are responsible for completing assessments

Management Response

Agreed

Comments: Guidance notes on DPIAs have been written and are about to be placed on the intranet. Advice and clarification will be given to service managers when required.

Agenda Item 8

Application Forms

Medium Priority

Finding: Examination of a sample of 10 application forms for services on the Council's website identified that three forms (for Building Control Full Plans, Skin Piercing Registration and Temporary Event Licences) did not refer to Data Protection legislation. Other forms referred to the Data Protection Act 1998 instead of the Data Protection Act 2018. None of the forms examined referred to the Council's privacy notice.

Action: Update all application forms for Council services to (a) refer to the Data Protection Act 2018, and (b) refer to the Council's privacy notice

Management Response

Agreed

Comments: Service managers have been reminded that all application forms must refer to the Data Protection Act 2018 and to the Council's privacy notice

Public Health – Phase 2 (Follow-up) – Issued in July 2019

In July 2018 we completed an audit of Public Health (One You). As part of this review we tested a number of health initiatives and projects. The aim of the review was to provide assurance over the effective administration, delivery and achievement of outcomes of the 'One You' service. While we issued a **FULL** assurance rating, we were unable to perform any testing on the delivery of outcomes or performance measures. This was due to the infancy of many of the schemes meaning outcome and performance data was just not there at the time.

As a result, we agreed to return to the audit at a later date and conduct a short follow-up piece of work. The purpose of the follow-up was to look solely at the delivery and outcomes data, to establish whether the 'One You' service and projects are yielding the expected results and outcomes.

We conclude as a result of our testing and review that the performance data collated and reported, along with information being held, is in accordance with KCC requirements. Our testing confirmed that referrals are set up as a record within the database, together with associated data and collated and reported accurately against the provided indicators and targets.

The above conclusion seeks to complement our previous audit work in this area, where we concluded that the overall level of control provided **FULL** assurance. The performance information available to date demonstrates that outcome data is now being collated and reported, and targets are being defined where appropriate. As such, this closes our work in this area, and we consider the work complete, with no further follow-up work planned.

Business Continuity Planning – Issued in August 2019

The purpose of this audit review was to provide independent assurance over the effectiveness of controls in place for the Business Continuity process. We reviewed current legislation and compliance requirements and aligned these against Council policies and practice. Our testing confirms that the controls are effective to allow for compliance with requirements and recognised good practice. Business Continuity Plans are in place for each service and have been maintained and updated. The Council actively engages with the Kent Resilience Forum for the provision of guidance and sharing of best practice across Kent.

Our testing identified some areas for improvement around training and testing of Plans. A training programme is in place for Officers and specified roles in the Plans, however, training requirements have not been assessed or cross referenced to any in-house training that has been attended. In addition, while there has been a lot of work and testing undertaken around the Council’s Emergency Plan (mainly as a response to Brexit), there have been no recent training exercises to test the Business Continuity Plan.

Historically, the Council has responded effectively in the event of a business continuity incident, however, to ensure that this response remains effective (particularly given changes to staff) is it important that the arrangements are tested.

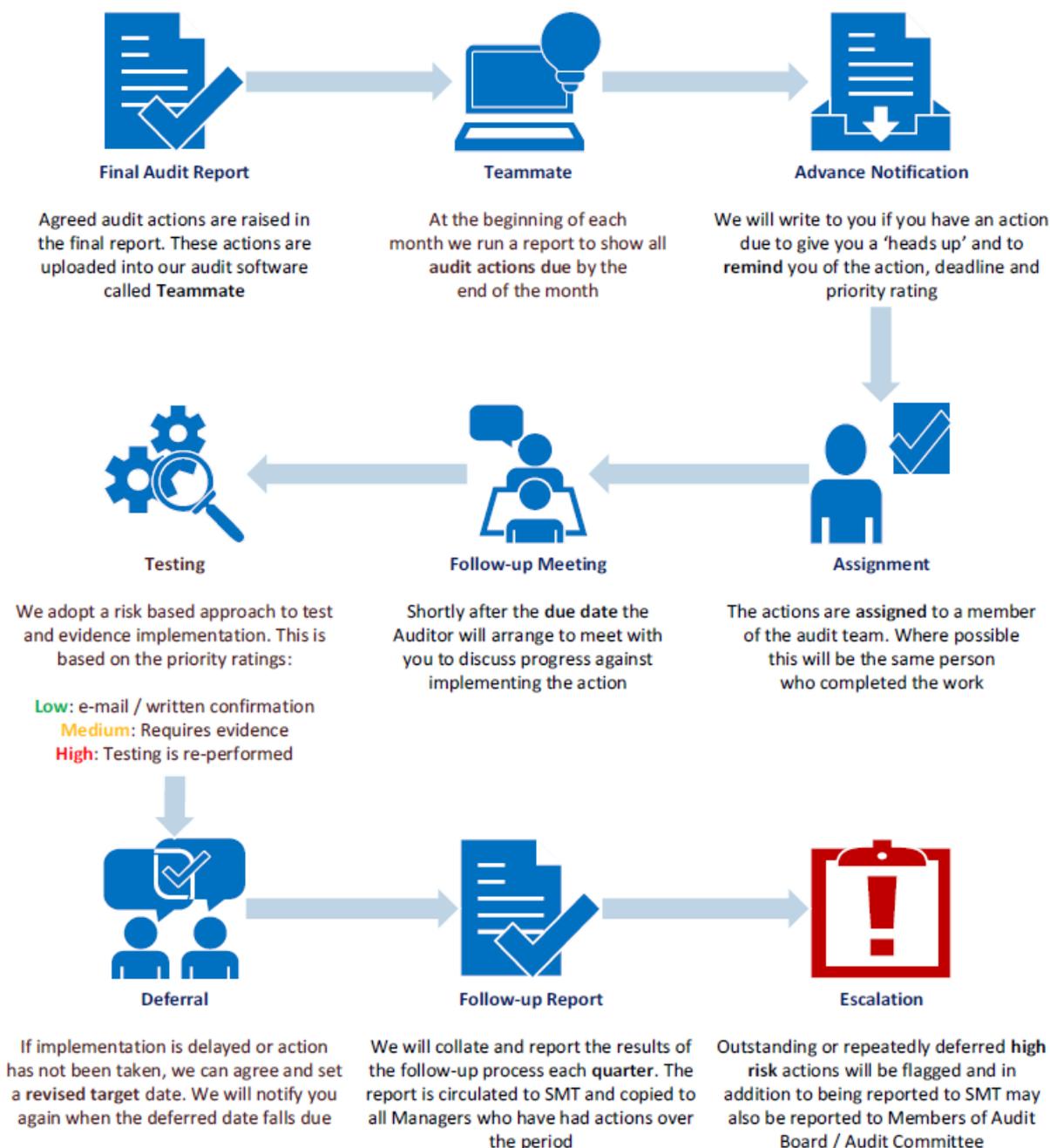
It is our opinion, based on the results of our work, that the controls in place provide **SUBSTANTIAL** Assurance. We raised 3 actions which are summarised below:

Priority Ranking	Number of recommendations
Medium	1
Low	2
Total	3

Testing of the BCP	Medium Priority
<p>Finding: In accordance with the BCP and the Council strategic risk register (SR11) the BCP should be tested on an annual basis. A test of the BCP was planned in April 2019 (Operation Loki), however, this was postponed. There is currently no plan to confirm the test has been rescheduled.</p> <p>Action: Test the BCP arrangements, and capture any feedback / lessons learned.</p>	
Response	
<p>Agreed</p> <p>Comments: Availability of officers and rooms to be established by the Emergency Planning and Property Services Project Manager. An email accompanying the revised BCP (as above) will be sent to all relevant officers to get test dates in diaries.</p>	

Audit Findings

Upon completion of our work, if we identify any issues, we will raise **actions** to assist management in addressing control failings, or to suggest service improvements. Action taken as a result of our audit work is extremely important to capture and track and it is a measurable way for us to measure and quantify the value added by the audit process. The illustration below summarises the follow-up process that adopt, up to and including escalation to Members via the Audit Committee:



**The follow-up exercise will be undertaken each month to ensure that actions are not left untracked. Is it therefore important that the dates you set for implementation are realistic and reasonable as it is that date that will trigger this process. We will report the outcomes quarterly to give an overall view of progress across the Council.*

Audit actions

We raise recommendations to assist management in addressing control failings, or to suggest service improvements following the results of our testing. In accordance with our new follow-up process (outlined above) all audit actions are tracked and followed up when they fall due. The table below shows the current actions, and progress against implementation:

Project	Service Manager	Report Issue Date & Rating	Agreed actions in Final Report	Actions due this Qtr.	Not yet due	Closed this Qtr.	Agreed Deferrals this Qtr.	Total actions complete to date	Total actions outstanding ¹
IT Acquisitions 2017/18	Matt Mitchell	June 2017 Substantial Assurance	2	1(L)	0	1(L)	0	2	0
Key Financial Systems 2017/18	Alan Mitchell	April 2018 Limited Assurance	5	1(M)	0	1(M)	0	5	0
Print Studio 2017/18	Lee Banks	April 2018 Limited Assurance	3	0	1(H), 2(M)	0	0	0	3
Environmental Health (Food Safety) 2018/19	Annie Sargent	December 2018 Substantial Assurance	3	1 (M)	0	0	1 (M)	2	1
Community Infrastructure Levey 2018/19	Richard Morris	December 2018 Substantial Assurance	2	1 (M)	0	1 (M)	0	2	0
Markets 2018/19	Ian Finch	April 2019 Substantial Assurance	1	1(L)	0	1(L)	0	1	0
Payroll 2018/19	Debbie Hoadley/Graeme Taylor	April 2019 Full Assurance	2	2 (M)	0	2 (M)	0	2	0
Accounts Receivable 2018/19	Alan Mitchell	June 2019 Substantial Assurance	1	0	1(M)	0	0	0	1

¹ Projects with 0 actions outstanding will be removed from future reports and be closed

Project	Service Manager	Report Issue Date & Rating	Agreed actions in Final Report	Actions due this Qtr.	Not yet due	Closed this Qtr.	Agreed Deferrals this Qtr.	Total actions complete to date	Total actions outstanding ¹
Post GDPR Review 2018/19	Martin Goodman	June 2019 Substantial Assurance	6	3 (3M,1L)	3 (2M,1L)	3 (2M,1L)	0	3	3
Business Continuity Planning 2018/19	Alex Dawson	August 2019 Substantial Assurance	3		3 (1M, 2L)	0	0	0	3
		TOTAL	28	10	10	9	1	17	11

Based on the results of our current follow-up work, there are **11** actions that are ‘live’ and which we are monitoring. We will report progress on the implementation of these actions as they fall due.

Agreed Deferrals

This table shows the **1** audit action that has been deferred. Officers have been asked to provide an update on progress, and the reason for the deferral. We will follow-up this action in September 2019:

Project	Action (including priority)	Original agreed implementation date	Revised date	Reason for deferral	No. of times deferred
Environmental Health (Food Safety) 2018/19	Address the outstanding backlog of new premise food inspections. (Medium)	31/1/19 & 1/4/19	31/8/19	Additional resources will not be provided by management. Audit will review in August 2019 the proposed action plan commenced in April 2019 to address the backlog of inspections from existing resources.	2

Service update

In the January 2019 the Audit Partnership Board meeting agreed to extend the secondment with Mid Kent Audit, to provide Audit Management (Chief Audit Executive) from **01/04/2019** to **31/03/2020**.

The action areas and objectives have been mapped to the findings of the External Quality Assessment recommendations (which were reported to Audit Committee in **July 2018**), alongside service and quality improvement. A self-assessment against the full Standards has been conducted over the summer and a separate report showing the outcomes is included in the Audit Committee papers. The table below sets out the progress to date against the objectives set in the secondment agreement:

Action Area	Description	Progress	EQA
Audit Strategy & Operating Models	Draft the Internal Audit Strategy and delivery model options for the longer term operation of the service	80%	EQA 1.1
Audit Charter	Update the Internal Audit Charter to be compliant with the PSIAS, and to better reflect the level of service for each Authority. Charters to also set out the roles of CAE, Audit Committee and sets out the safeguards to independence	100%	EQA 1.0, 1.2
Internal Audit Process	Undertake an exercise to refresh the audit process to ensure compliance with PSIAS and harmonised where appropriate across both Authorities with the aid of Teammate to provide efficiency and consistent working practices	100%	EQA 3.2, 3.5, 4.1, 4.2, 4.6
Brand & Presentation	Update and refresh key audit documents (audit briefs, reports, follow-ups, and management team / audit committee reports) to include recognised good practice and to meet the needs of each Partner	100%	EQA 4.2
Communication & Engagement	Create a suite of supporting literature for auditees and the Council to raise awareness of the service and wider profession (providing clarity / education of the internal audit service, process, FAQ's and consultancy & additional services)	90%	EQA 4.1, 4.2, 5.4
Risk Management	Provide updated risk management strategies for each Partner, including recognised good practice updates, and improved risk reporting to Management Teams and Members	60%	

We are in the process of defining some new objectives to align with our new structure, and the future strategy of the Audit Partnership.

The Audit Partnership restructure

Our new structure came into effect on the **1 August 2019**. The new structure created a risk of redundancy, as we moved from a relatively flat structure with 3 Senior Auditors, to a more progressive structure with 2 Lead Auditors, 2 Auditors and a Trainee.

This work has been a significant step for the Partnership. Over the last few months as the restructure has been implemented, it has been a period of challenge. The sensitivity, support and guidance offered by our colleagues across the Council and within the team has been greatly appreciated.

These key milestones for the restructure are set out below along with an update projection to March 2020:

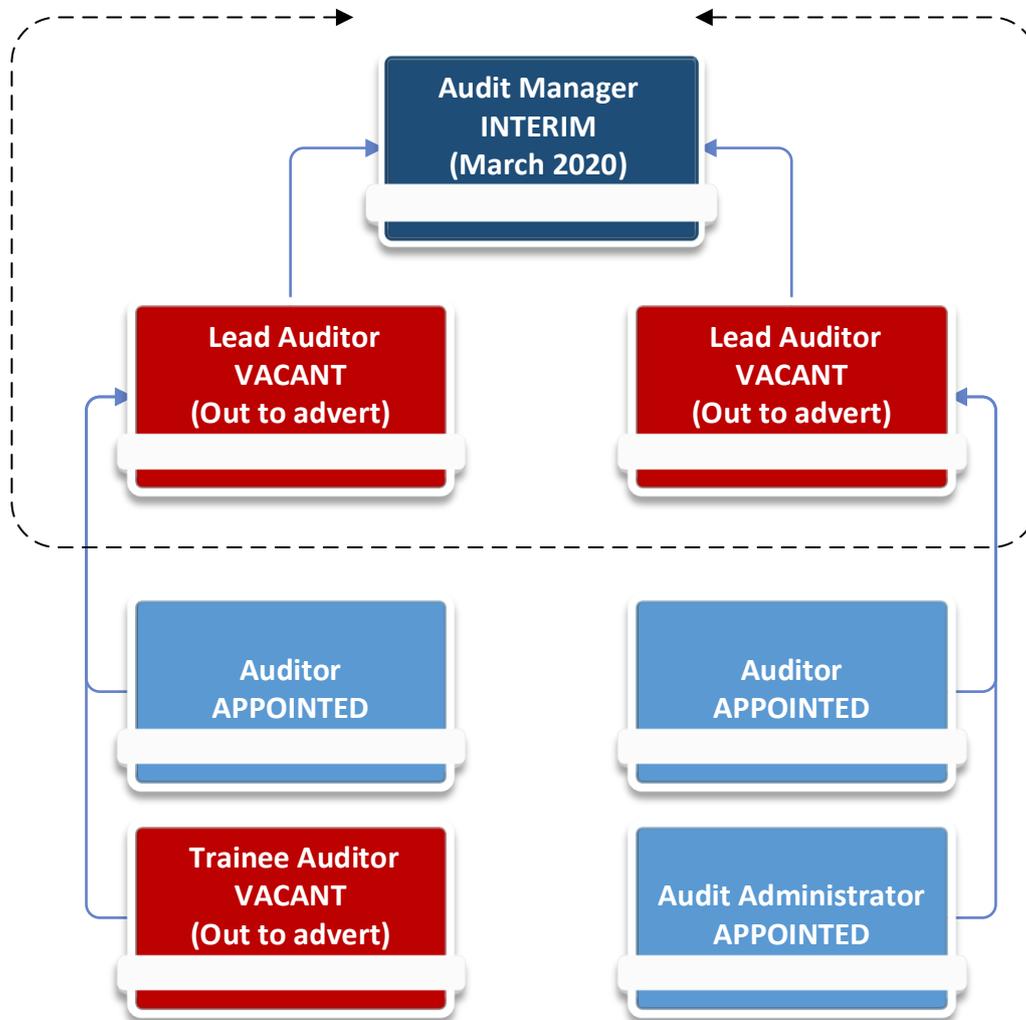
- **May 2019:** Following a period of consultation with existing members of the team, the final structure is agreed
- **June 2019:** Assessments are undertaken to align skills, knowledge and competencies with the roles and responsibilities in the new structure
- **July 2019:** Internal appointments are made into new posts
- **August 2019:** Vacancies are advertised
- **September 2019:** Interviews and assessments conducted
- **September to December 2019:** Depending on notice periods, new appointments commence join the team
- **January to March 2020:** Audit planning exercise undertaken to draft a 3-5 year strategy and assurance plan, showing coverage of the audit universe and alignment to strategic objectives

We have now published the adverts for the vacant posts, links to the full adverts are here: [Lead Auditor & Trainee Auditor](#)

In addition to publishing the adverts on 'JobsGoPublic', we have also published through the IIA (our professional institute), IRM (risk management profession), the Kent Audit Group, London Audit Group, LinkedIn, and also through the University of Kent & Greenwich graduate network.

Audit Partnership Structure Chart

Our new structure is outlined below:



We will keep Members updated with progress of the recruitment campaign, including introductions to new members of the team following successful appointment.

Acknowledgements

We would like to thank Officers, Managers and Members for their ongoing support and assistance as we undertake our work throughout the year. Internal Audit continues to be seen as a critical friend within the Council and we are pleased to report that we do not receive any undue pressure or hindrance when undertaking our work.

In addition, all of the internal work we have been undertaking to review, update and improve our service would not have been possible without the hard work and dedication of the audit team, and their willingness to embrace new ways of working.

Appendix I

Definitions of Assurance ratings:

OPINION	DEFINITIONS
<p>Full Assurance</p> <p>(no High or Medium priority actions)</p>	<p>A sound framework of control is in place that meets Council or service objectives. All expected controls tested are in place and are operating effectively.</p> <p>A review with this level of assurance will generally have no actions, or very few LOW priority actions. Agreed actions will be followed up as they fall due.</p>
<p>Substantial Assurance</p> <p>(no High priority actions)</p>	<p>There is generally a sound framework of control in place that meets Council or service objectives. However, there are isolated weaknesses in design of controls, or inconsistent application of controls, which puts the achievement of a limited number of objectives at risk.</p> <p>A review of this level of assurance may raise a number of MEDIUM priority actions. Agreed actions will be followed up as they fall due.</p>
<p>Limited Assurance</p>	<p>There are weaknesses within the framework of control or evidence of non-compliance with Council procedures or good practice, which puts the achievement of the Council's or service objectives in many of the areas reviewed at risk.</p> <p>A review with this level of assurance will raise one or more HIGH priority actions. Actions with a high priority should be acted on as soon as practical and will be followed up as soon as they fall due.</p>
<p>No Assurance</p>	<p>Key controls are absent from the framework of control. There are fundamental weaknesses identified with both the design and operation of the system under review. As a result, it is unlikely that Council or service objectives will be achieved.</p> <p>A review of this level may include a number of HIGH or CRITICAL priority actions. Actions of a critical level will be reported as soon as they are identified and escalated to the relevant Senior Manager. Actions to address the findings will be followed up as soon as they fall due.</p>

Audit Findings Priority Ratings

Priority	Definition
<p style="text-align: center;">Critical</p>	<p>Control weakness that could have a significant impact upon not only the system, function or process objectives, but also the achievement of the organisation’s objectives in relation to:</p> <ul style="list-style-type: none"> • the efficient and effective use of resources • the safeguarding of assets • the preparation of reliable financial and operational information • compliance with laws and regulations
<p style="text-align: center;">High</p>	<p>Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall organizational objectives.</p>
<p style="text-align: center;">Medium</p>	<p>Control weakness that has a low impact on the achievement of the key system, function or process objectives; or This weakness has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.</p>
<p style="text-align: center;">Low</p>	<p>Control weakness that does not impact upon the achievement of key system, function or process objectives; however, implementation of the recommendation would improve overall control.</p>
<p style="text-align: center;">Advisory</p>	<p>Observations and areas for consideration, these findings are drawn from our shared experience of working across the Council and more widely with partners. These findings require no formal response and will not be followed up.</p>

This page is intentionally left blank

RISK MANAGEMENT UPDATE**Audit Committee Meeting - 17 September 2019**

Report of Audit Manager

Status For Decision

Key Decision No

Executive Summary: The Audit Committee provides those charged with governance with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.¹

This report (Appendix A) provides the Committee with an update on the Council's risk management arrangements. It includes the role and work of the Risk Management Group, and summarises the plans to update and enhance the risk management processes over the next year.

The Council continually monitors strategic risk issues through the strategic risk register. These risks are reviewed, monitored and reported on a regular basis. The most recent update to the register (Appendix B) was in June 2019 and shows how the Council is managing and responding to each of the identified strategic risk issues.

Portfolio Holder Cllr Matthew Dickins

Contact Officer Russell Heppleston, Ext. 7053

 Adrian Rowbotham, Ext. 7153

Recommendation to Audit Committee: That

- a) the risk management process is noted; and
- b) the strategic risk register (Appendix A) is agreed.

Reason for recommendation: The Audit Committee is charged with oversight of risk management and so it is important that they are aware of the processes and

¹ CIPFA: Audit Committees Practical Guidance for Local Authorities 2018 Edition

key risk issues facing the Council. By reviewing the risk management process and agreeing the strategic risk register the Committee is able to demonstrate that it is effectively discharging its duties in accordance with the agreed Terms of Reference.

Introduction and Background

- 1 We recognise that we will need to take risks, both in our ordinary business and to achieve the priorities set out in our Council Plan. Good risk management ensures we make well informed decisions and that we understand the associated risks. It is an important component to maintain effective governance and also provide control and a high level of due diligence consistent with our public responsibilities as a Local Authority.
- 2 Oversight of the Council's risk management arrangements falls with the Audit Committee, and consistent with its Terms of Reference, the Committee receives regular updates to gain assurance over the effectiveness of processes in place to manage risks.

Other Options Considered and/or Rejected

- 3 The Audit Committee has received regular updates on the Council's risk management processes, and strategic risks. The Committee could decide that it no longer requires these updates, however, that would be contrary to the responsibilities outlined in the Terms of Reference.
- 4 To continue to receive risk management updates is therefore the only option considered.

Key Implications

Financial

Risk management support is provided by the Audit Partnership within existing budgets and resources. This decision therefore has no direct financial implications.

Legal Implications and Risk Assessment Statement

There are no legal implications associated with this decision.

Risk management is the focus of this report.

Equality Assessment

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

The Council operates a risk management process to enable risk issues to be captured, assessed and for actions to be taken to manage risks to an acceptable level. At the strategic level, risk management helps the Council to maintain awareness of key issues that could prevent the successful delivery of the Council Plan.

The report seeks to give assurance to the Audit Committee, that the risk management processes are effective and that there is an ongoing programme to enhance and improve the arrangements. In addition, to give Members assurance that strategic risk issues have been identified and are being managed.

Appendices

Appendix A - Risk Management Update

Appendix B - Strategic Risk Register

Background Papers

The **risk management strategy** was reported to and agreed by Audit Committee in [September 2017](#).

The **Strategic risk register** was last reported to and agreed by the Audit Committee in [October 2018](#).

Russell Heppleston - Audit Manager

Adrian Rowbotham - Chief Finance Officer

This page is intentionally left blank

DARTFORD & SEVENOAKS AUDIT PARTNERSHIP

Risk Management Update

September 2019



Introduction

Effective risk management is a vital part of our governance framework, and is necessary to ensure successful delivery of services and achievement of our Council Plan. The Council has always recognised and supported the need to have effective risk management processes in place, and this support has been mirrored by the Audit Committee, as those who oversee governance. The Committee receives regular updates either through specific risk management reports, the strategic risk register or via the Internal Audit update reports.

The Risk Management Strategy was last updated and approved by the Audit Committee in **September 2017**. Aligned to this, is the Council's strategic risk register. The register is reported annually to the Committee, and is reviewed quarterly by the Strategic Management Team. The register was last reported in **October 2018**.

Purpose

The purpose of this report is to provide Members with an overview of the risk management process in place at the Council and to provide an update on risk activity (including future plans) since the last report in October 2018.

The report is linked to the *regulatory framework* responsibilities within the Terms of Reference, specifically (k):

To maintain an overview of the effective development and operation of corporate governance and risk management in the Council

The Risk Management Process

The **risk management strategy** sets out how we identify, manage and monitor risks. The strategy openly acknowledges that risks are an everyday part business. In order to achieve the ambitions set out in the Council Plan, we will have to take risks. However, as a custodian of public funds it is important that the risks we take are carefully considered, well informed and that any potential negative impacts are minimised. There are two levels of risks that we capture:

Strategic level risks: These risks are higher level in nature and are derived directly from our corporate objectives. Strategic risks are co-ordinated and overseen by Strategic Management Team (SMT) quarterly, and are reported annually to Audit Committee. Impact from strategic risks are likely to be felt across the Council as a whole.

Operational risks: Are principally identified as part of the service planning cycle each year. These risks are owned by Officers and Managers as part of day to day service delivery. Impact from operational risks are generally localised to service delivery.

Regardless of the level of risk, the risk management process follows 5 stages:



The strategy, implementation and approach to risk management is overseen by the **Risk Management Group**. The group comprises a cross section of officers and managers from key services, and is chaired and co-ordinated by the Audit Manager. The group exists to help ensure that the Council develops and maintains an effective risk management process and that significant and emerging risk issues are captured and managed to an acceptable level. The Group has a formal Terms of Reference which includes reporting and escalating risk issues to SMT on a regular basis.

In 2018/19 the Group established a work programme, and has been working throughout the last year to develop the risk management approach, to provide greater insight & support and also to explore new ways of identifying risks on the horizon.

Risk activity in 2018/19

The summaries below seek to provide Members with an update of risk activity over the last 12 months:

Risk Management Group

The purpose and Terms of Reference for the Group have been updated and made clearer. The core responsibilities of the Group are:

- a) To develop and maintain the Council’s Risk Management Framework

Agenda Item 9

- b) To act as a sounding board for high level risks to ensure that actions are being taken to manage impact / likelihood
- c) To maintain a broader view of the risk profile for the Council and highlight key risk themes and emerging risks
- d) To develop and implement effective risk management responses and actions
- e) To champion and advocate risk management across the Council
- f) To provide risk management support, guidance and training

Following update to the Terms of Reference the Group also set itself a work programme of specific projects to undertake, these include:

- Refresh of the Strategic Risk Register and ongoing monitoring and update (**completed & ongoing review**)
- To establish an *impact* and *likelihood* matrix to assist with the assessment of risk (**completed see below**)
- To review and update risk management guidance (**in progress**)
- To monitor risk actions across the Council and encourage sharing of risk responses (**ongoing**)
- Deliver training and workshops to facilitate and embed risk management practices and raise awareness (**in progress & ongoing**)

The Group meets between 3 and 4 times a year and reports outcomes directly to SMT.

Strategic Risk Register

Strategic risks were last reviewed and updated in May / June 2019 (the full register is attached as *appendix b*). There have been no new risks added to the register over the course of the year, and associated risk actions have been monitored and updated. When the Committee last saw the register in October 2018 there were 4 actions identified, all of which have been implemented:

Risk	Actions (October 2018)	Progress	Impact
SR03: Asset Management & Maintenance	<ol style="list-style-type: none">1. Review the Asset Management Plan as part of the 19/20 budget2. Survey buildings to assess planned maintenance requirements for estimated life of buildings	Both actions have been taken and the 'controls' added to the risk. Capital Programme and Asset Maintenance 2019-22 plan is in place.	While the controls have been updated, the impact was not deemed to have a material effect on the overall ' <i>likelihood</i> ' score

SR04: Knowledge, capacity & culture	3. IIP Working Group in place until January 2019 to support re-assessment of IIP Platinum	IIP Platinum was maintained (February 2019)	IIP status, an explicit recognition of the Council as a high quality employer, helps to reduce likelihood of the risk
SR07: Legal compliance, governance & ethics	4. Review effectiveness of Procurement Working Group	Action was removed - Procurement Group continues to meet and provide oversight	No impact on risk score

Following the most recent updates to the register, there are 4 live risk actions that we will be monitored and updated through the Risk Management Group and reported to SMT:

Risk	Current Actions
SR05: Technology	1. Review of Project Steering Group to ensure clarity of purpose, and effective operation / governance
SR06: Information & Data Management	2. Internal Audit Review of post-GDPR Compliance (April 2019)
SR09: Customer re-design project	3. Post-implementation review of completed projects, identifying lessons learned
SR11: Emergency planning & severe weather events	4. BCP plans and testing being undertaken as part of Kent preparedness plans, including responses to Brexit no-deal scenario planning

Impact & Likelihood

Risks are assessed for *impact* and *likelihood*. A common understanding of scale is important so that we achieve consistency when assessing risks. Risk tolerances and appetites are subjective, but having a clear framework to assess against helps to ensure that the risks are evaluated in an informed way. In June 2019 SMT developed and agreed the following risk impact and likelihood matrix:

Impact Headings	Financial	Service Delivery & Capability	Reputation	Legal & Regulatory	People & culture
	<i>Relating to uncontrolled expenditure or loss of income</i>	<i>Relating to operational delivery of services / objectives</i>	<i>May cause harm to public confidence or embarrassment</i>	<i>Related to breaches of law, rules or governance</i>	<i>May impact negatively on our workforce, culture or values</i>
Critical (5)	Uncontrolled financial losses in excess of multiple £m's	Failure to deliver <i>statutory</i> service / service disruption for >14 days	National adverse publicity perceived as failing in a significant area of responsibility	Breach of law, regulations leading to significant sanctions Breakdown of governance / internal control resulting in fraud	Significant staff dissatisfaction / increased long term absence & staff turnover Loss of culture and value framework
Major (4)	Uncontrolled financial losses in excess of £1m+ overspend in budget by >£1m+	Unable to deliver <i>discretionary</i> service / service disruption for >14 days	Sustained negative local media attention & damage to public confidence	Breach of law or regulation leading to some sanction Breakdown of internal controls open to abuse	Adverse staff dissatisfaction / likely increased absence and turnover of staff Negative impact on culture & value framework
Moderate (3)	Uncontrolled financial losses between £500k - £1m / overspend in budget by >£500k	Unsatisfactory service performance / service disruption of >5 days	Isolated negative local publicity	Breach of regulation or internal standard (limited sanctions) Isolated internal control weaknesses	Declining staff dissatisfaction Isolated instances of behaviours outside of value framework
Minor (2)	Uncontrolled financial losses between £100k - £500k / overspend in budget by >£100k	Reduced service delivery / service disruption for 7 hours	Local publicity, but manageable through communication channels	Breach of internal policies Internal controls partially effective	Isolated areas of staff dissatisfaction / likely impact on absence and turnover

**Minimal
(1)**

Uncontrolled financial losses less than **£100k** / overspend in budget less than **£100k**

Disruption managed within normal day to day operations

Unlikely to cause adverse publicity

Breaches of internal procedures / working practices

Loss of staff morale but unlikely to result in absence or turnover of staff

What's next...?

Risk management is a continuous process, and to be valuable it must be updated and maintained. As we continue in to 2019/20, we have recognised the need to continue to enhance the risk management process, and to promote and develop a positive risk aware culture.

Update risk management guidance: Developing the impact and likelihood matrix was a necessary step to frame how future risks will be evaluated and to enable the development of our risk appetite and tolerance. The next stage will be to refresh and update the existing risk management strategy and guidance. The strategy, last updated and agreed in 2017, requires modernisation and for recognised good practice to be incorporated.

Risk workshops and operational risk registers: Once updated, the guidance will be published and rolled out across the Council. It is likely that this work will dovetail with the annual service planning process, as collectively, that is when services set their objectives. Therefore, the risks facing delivery of those objectives can be captured, evaluated and appropriately managed. Risk register workshops will be planned with Managers to assist them in updating their operational risk registers.

New strategic risk register: Alongside this work, it will be necessary to update the monitoring and reporting processes to officers, SMT and Members. Currently, strategic risk are overseen and co-ordinated by SMT on a regular basis, and so building on this, will be the opportunity to report a greater level of risk information from the updated service risk registers once they are complete. This will include the alignment of strategic risks to the new Council Plan objectives.

Risk reporting & monitoring: Once the operational and strategic risk work has been completed, all of the risks will be collated to form a single Council risk register. From this, it will be possible draw greater insights and intelligence regarding common risks, themes and areas of areas of high risk. Using the register in this way we will be able to update our risk reports, both in terms of content and format to ensure that useful risk information is being reported and monitored, and that action is being take to address risks that sit above the tolerance levels.

We will continue to keep Members up to date as this work progresses. This will include the Committees role to formally adopt a revised risk strategy & guidance, and also the delivery of a Member briefing on risk later in the year.

Strategic Risk Register

June 2019



Introduction

Risk management is the process of identifying, quantifying and managing the risks that we face in attempting to achieve our objectives.

The Council's [Risk Management Strategy](#) sets our approach to managing risks. The Strategy recognises that we will need to take risks in order to achieve our objectives, yet in doing so; we will ensure that the risks we take are well informed and that any negative consequences are managed to an acceptable level.

We manage risks at two levels:

Strategic level: These risks are directly linked to the delivery of the [Corporate Plan](#). Being more strategic in nature means they are inherently more risky, with impacts that could be felt Council wide. As such, these risks are closely monitored, updated and reported.

Operational level: These risks are more directly linked with the day to day operation of Council services, and are mainly identified and monitored through the service planning process. Operational risks are monitored and updated by our Managers and Officers, and escalated where appropriate through to the Risk Management Group.

The **Risk Management Group** is a working group made up of a cross section of Officers within the Council. The Group has oversight of the risk management process. The purpose of the Group is to ensure that we have effective risk management arrangements in place and that we continue to develop and improve them and keep up with good practice. In addition, the Group takes an active role to monitor and update the strategic risks, and identify actions needed to manage them to an acceptable level.

Purpose

This document sets out our strategic risks. The register (detailed below) shows the triggers for each risk, the impact to the Council if the risk materialises, and the internal controls we have in place to manage the risk. In response to these risks, we have also identified any further actions that we need to take to keep the risk to an acceptable level.

Strategic Risk Profile

We assess risks based on *impact and likelihood* to gain an overall view of whether the risk poses a significant threat to the achievement of objectives. Multiplying the impact and likelihood gives us an overall score which is used to inform our response to the risk:

Impact: This is the consideration of how severely the Council would be affected if the risk was to materialise.

Likelihood: This is the consideration of how likely it is that the risk will occur, also known as probability.

The strategic risk register includes 13 risks. The matrix below shows the *net* risk score (taking into consideration existing controls) for each risk:

Page 77

Ref	Risk Title	Score
SR01	Finance	10 Medium
SR02	Property Investment Strategy	9 Medium
SR03	Asset management & maintenance	9 Medium
SR04	Knowledge, capacity & culture	8 Medium
SR05	Technology	9 Medium
SR06	Information & data management	8 Medium
SR07	Legal compliance, governance & ethics	6 Low
SR08	Capacity of community partners	6 Low
SR09	Customer Re-Design	8 Medium
SR10	Health & Safety (incl. Staff Wellbeing)	8 Medium
SR11	Emergency planning & severe weather events	6 Low
SR12	Safeguarding	4 Low
SR13	Local Plan	8 Medium

Likelihood	Very Likely (5)					
	Likely (4)					
	Possible (3)			SR02 SR03 SR05		
	Unlikely (2)			SR07 SR08 SR11	SR04, SR06 SR09, SR10 SR13	SR01
	Very Unlikely (1)				SR12	
		No Impact (1)	Minor (2)	Significant (3)	Serious (4)	Breakdown of Service (5)
Impact						

The summary below maps each of the strategic risks to the Council's Corporate Plan:

No.	Risk	Net Risk Rating	Value for Money	Keep the District Safe	Provide high quality services	Protect the Green Belt	Support and grow the local economy
01	Finance	10 Medium	✓	✓	✓	✓	✓
02	Property Investment Strategy	9 Medium	✓		✓		✓
03	Asset management & maintenance	9 Medium	✓		✓		✓
04	Knowledge, capacity & culture	8 Medium	✓	✓	✓	✓	✓
05	Technology	9 Medium	✓	✓	✓	✓	✓
06	Information & data management	8 Medium	✓	✓	✓	✓	✓
07	Legal compliance, governance & ethics	6 Low	✓	✓	✓	✓	✓
08	Capacity of community partners	6 Low	✓	✓	✓		✓
09	Customer Re-design	8 Medium	✓		✓		✓
10	Health & Safety (incl. Staff Wellbeing)	8 Medium	✓	✓	✓	✓	✓
11	Emergency planning & severe weather events	6 Low	✓	✓	✓	✓	✓
12	Safeguarding	4 Low		✓	✓		
13	Local Plan	8 Medium	✓		✓	✓	✓

Strategic Risk Register

The strategic risks are detailed below. Each risk has a lead officer who is best placed to co-ordinate the response to the risk. The impact and likelihood of each risk are first assessed gross (without existing controls in place) and then re-assessed following the identification of key controls (net). Actions have been identified to further enhance controls, and progress is updated quarterly through the Risk Management Group.

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating
SR01: Finance - Failure deliver a balanced budget Lead Officer: Adrian Rowbotham & Alan Mitchell								
<ul style="list-style-type: none"> Limited opportunity to generate income through the business rates retention scheme and New Homes Bonus Effect of council tax capping and referendum costs Low and decreasing level of government grant Potential for negative government funding (local authority to make payments to Government) Effect of cost of external borrowing on the Council's budgets Loss of external funding Accuracy of budget assumptions Failure to meet savings targets Poor financial plans and strategies Ineffective financial governance Lack of capacity and skilled professionals within the finance team Failure to maintain proper financial and budgetary controls Procurement 	<ul style="list-style-type: none"> Poor financial health Inability to maintain services and deliver Council Vision and Promises Reputational damage Negative impact on staff morale and potential recruitment and retention difficulties Poor outcome for the Audit of Accounts or Value for Money assessment - Potential for increased intervention 	4	5	20	<ul style="list-style-type: none"> Self-sufficient budget position; no reliance on direct government funding Long term 10 year budget framework Savings Plan Property Investment Strategy Strong financial and scenario planning over the short, medium and long term Effective budget setting and financial monitoring processes embedded Financial and budget risk management process in place Effective financial governance including reports to FAC, Cabinet, Audit Committee and Scrutiny Committee Restructured service with qualified and experienced officers in post development Annual Internal and External Audit reviews Contract and Financial Procedure Rules, Procurement Working Group and procurement training for officers. 	2	5	10

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating
SR02: Property Investment Strategy - Failure to identify opportunities to meet the Property Investment Strategy Lead Officer: Adrian Rowbotham & Andrew Stirling								
<ul style="list-style-type: none"> Ability to seek appropriate investment opportunities Appetite for risk within investment strategy to enable the Council to generate target returns Ability to deliver sufficient funds to maximise the opportunities presented through the Property Investment Strategy Appetite to prudentially borrow over the medium to long term The cost of interest payments Lack of capacity or skilled professionals to advise on investment and borrowing strategies Ineffective governance processes that could result in opportunities being missed or being ineffectively scrutinised Ineffective use of Quercus 7 to support the Council's investment strategy Ability to borrow funds 	<ul style="list-style-type: none"> Lack of diversity in investments Cost of interest payments Negative impact on budgets, reserves and the ability to deliver Council projects Poor financial health Unable to maintain low increases in council tax levels Reputational damage Poor outcome for the Audit of Accounts or Value for Money assessment and potential for increased intervention 	4	4	16	<ul style="list-style-type: none"> Council approved Property Investment Strategy, with defined rates of return demonstrating risk appetite Governance arrangements defined with appropriate delegations agreed Qualified and experienced officers in post Professional, external advisers engaged to support the development of strategies and fill skills gaps Effective budget setting and financial monitoring processes embedded Effective financial governance including reports to FAC, Cabinet, Audit Committee and Scrutiny Committee Regular Quercus 7 Board and Trading Board meetings - including regular review of investment parameters to monitor market fluctuations 	3	3	9

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating
<p>SR03: Asset Management & Maintenance - Losing the ability to:</p> <p>a) Dispose of surplus land; b) Maintain and develop assets and land holdings; c) Secure tenants for vacant or part-vacant assets</p> <p>Lead Officers: Lesley Bowles & Richard Wilson</p>								
<ul style="list-style-type: none"> • Lack of finance to deliver asset management plans and maintenance programmes • Lack of capacity to appropriately manage, maintain and invest in the council's assets • Failure to maximise the benefit from asset disposals • Lack of tenants to occupy vacant or part-vacant assets • Lack of buyers for surplus Council land • Failure to adopt effective governance procedures • Project management skills to ensure cost effective and robust developments • Failure to identify partners to take forward projects and initiatives • Loss of contracted providers to manage and operate assets 	<ul style="list-style-type: none"> • Decrease in asset values placing increased pressure on council budgets • Failure to maximise the opportunity to raise income from investment in assets • Increased insurance premiums • Adverse impact on service delivery • Loss of investment or income opportunities • Reputational damage • Closure of public assets and loss of community facilities 	4	4	16	<ul style="list-style-type: none"> • Property / Asset Register (record of land in Council ownership) • Annual review of Asset Management Plan • Asset maintenance budgets reviewed annually • Ongoing strategic review of council owned property • Inventory registers in place • Financial procedure rules and disposal policy in place • Economic Development & Property team in place • Professional, external advisers engaged to support the development of strategies and fill skills and capacity gaps • Capital Programme and Asset Maintenance 2019-22 plan in place • Surveys of all Council buildings completed and reflected in Asset Maintenance plan • Long term leases in place with providers with regular monitoring 	3	3	9

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating
<p>SR04: Knowledge, capacity & culture - Management of the Council's human resources fails to protect the Council's culture, making it difficult to address gaps in capacity and knowledge</p> <p>Lead Officer: Jim Carrington-West & Graeme Taylor</p>								
<ul style="list-style-type: none"> • Continuing reductions to Council budgets • National and local pay constraint • Employment and retention of high quality staff • Amendments to the Local Government Pension Scheme • Increased demand for services and high levels of work with reduced capacity and resources • Requirement for new skills to deliver the Council's Corporate Plan promises • Lack of capacity within the Human Resources team to develop policy and support the workforce • Ineffective succession planning • High staff turnover • Loss of IIP Platinum status 	<ul style="list-style-type: none"> • Lack of resources to employ, develop and support the wellbeing of staff • Impact of poor mental health across the organisation • Reduced morale and staff satisfaction • Reduced productivity • Reduced quality of staff and work / services • Unable to recruit or retain high quality staff • Increased absence levels • Unable to continue to deliver the range and quality of services currently experienced • Skills gaps that inhibit the ability to deliver Council projects • Reputational damage as an employer and a service provider 	4	4	16	<ul style="list-style-type: none"> • 10 year budget minimises the need for short notice changes to the workforce • HR Strategy including workforce development plan, recruitment and retention policies • Managing Attendance Policy supported by return to work and staff wellbeing initiatives • Staff Appraisal Scheme and Personal Development Plans • Regular Staff Surveys and Investors in People Assessments to benchmark effectiveness as an employer • Management and Staff Development programmes to support staff and protect the organisational culture • Ability to engage professional, external advisers to support the organisation and fill skills and capacity gaps • Investors in People Platinum status maintained (re-assessed in February 2019), demonstrating the Council is a high quality employer 	2	4	8

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating
SR05: Technology - The Council's Information Technology doesn't meet the needs of the Council, Members, Officers and the local community Lead Officer: Jim Carrington-West & Matt Mitchell								
<ul style="list-style-type: none"> Lack of finance to effectively procure and develop IT infrastructure and solutions across the Council Lack of capacity and skilled professionals to procure, implement and develop IT infrastructure and solutions across the Council Failure to identify areas where IT solutions could improve service delivery and reduce costs Failure to implement robust IT security arrangements in existing and new infrastructure and software Failure to meet the demands of partnership working in the delivery of solutions and on-going IT support Poor data management preventing the implementation of new services 	<ul style="list-style-type: none"> Failure to effectively deliver Council services and objectives Failure to benefit from the service efficiencies good use of IT would deliver e.g. channel shift, demand management, digital services Failure to maximise the cost savings and value for money efficient use of IT would deliver Security lapse could compromise the Council IT network and render systems inoperable Data loss Reputational damage Failure to deliver projects within required timescales - Failure to provide adequate day to day support to customers 	3	4	16	<ul style="list-style-type: none"> IT Strategy and Action Plan IT Security Policy Business Continuity Plan Disaster recovery plans in place Project Steering Groups meet regularly to ensure effective management of key projects Network security measures in place including firewall and access level controls Risk management and procurement best practice embedded across the Council Internal Audit review of IT Security Experienced staff in post Effective budget setting and financial monitoring processes embedded Officer groups in place to support progress of digital services <p>Action</p> <ul style="list-style-type: none"> Review of Project Steering Group to ensure clarity of purpose, and effective operation / governance 	3	3	9

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating
SR06: Information & Data Management - Failure to properly protect, preserve and make best use of the data and information resources that the Council holds Lead Officer: Jim Carrington-West & Martin Goodman								
<ul style="list-style-type: none"> Lack of capacity or skills within the workforce to implement a knowledge management system Lack of IT capacity to support a knowledge and information management system Ensuring compliance with the requirements of the Code of Connection <p>Ensuring security levels are appropriate to protect data and information without preventing effective and efficient service delivery</p> <p>Breach / non-compliance with General Data Protection Regulations (GDPR)</p>	<ul style="list-style-type: none"> Failure to meet the Council's objectives Failure to continue to deliver high quality services across the Council Increased costs from recruitment and staff training Negative impact on the organisations culture and on staff morale Reputational damage 	4	4	16	<ul style="list-style-type: none"> Data Protection policies in place and available to all staff Training for all staff on Data Protection IT Strategy, Plan and related policies in place Annual assessment against the Code of Compliance Disaster recovery plans in place Business Continuity Plan in place Information Governance Policy endorsed by SMT <p>Action</p> <ul style="list-style-type: none"> Planned Internal Audit Review of post-GDPR Compliance (April 2019) 	2	4	8

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating
SR07: Legal compliance, governance & ethics - Failure to recognise and adapt to changes in legislation and to deliver proper governance, scrutiny and internal control to protect the Council from poor practice and mismanagement Lead Officer: Jim Carrington-West & Martin Goodman								
<ul style="list-style-type: none"> Lack of capacity in the workforce to identify and adhere to legislative changes Lack of finance to adjust to changes in legislation Lack of Member or Senior Management support to deliver service changes in response to new legislation Breakdown in relationships between Members and Officers Lack of capacity and skilled professionals within the Legal, Democratic and Internal Audit teams Lack of financial resources to deliver high quality governance arrangements Governance arrangements which may not provide effective oversight of shared service arrangements Lack of skills and resources to provide Anti-Fraud and Corruption service Ineffective support for Councillors in relation to governance, legal compliance and ethics Procurement undertaken outside of / in breach of the Rules 	<ul style="list-style-type: none"> Failure to fulfil statutory duties resulting in government intervention and an increase in legal liabilities Failure to continue to deliver high quality services Increase in customer complaints and falling satisfaction levels Increase in incidences of fraud and error Failure to maximise the opportunities changes to legislation may bring Ineffective political and management leadership Ineffective scrutiny of decision making and performance Failure to deliver statutory requirements including an up to date constitution, an effective Internal Audit function and an Annual Governance Statement Reputational damage 	3	4	12	<ul style="list-style-type: none"> Dedicated Lexcel accredited in house Legal team with qualified and experienced officers in place Professional managers within service areas Council's Constitution including Codes of Conduct, Officer / Member Protocol and Standards regime Cabinet and Committee Structure including Advisory, Governance, Audit, Scrutiny & Standards Committee's Monitoring Officer and Section 151 officers in post Internal Audit function complies with Public Sector Internal Audit Standards Risk Management processes embedded Effective budget setting and financial monitoring processes embedded Annual review of Committee Terms of Reference Members Handbook and Training Annual Governance Statement and action monitored and plan reported to Audit Committee Procurement Group oversee and monitor compliance 	2	3	6

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating
SR08: Capacity of Community Partners - <i>The impact of austerity and reduced public spending on the workloads and budgets of community partners and the voluntary sector</i> Lead Officer: Lesley Bowles & Hayley Brooks								
<ul style="list-style-type: none"> • Reductions in Government funding of partners such as housing, health, leisure, Police and Fire & Rescue services • Changes to the way Government grant is distributed inhibiting the delivery of local priorities e.g. health funding • Reductions in Council grant constraining the funding available for community grants <p>Reduction in the number of voluntary sector organisations operating in the District as a result of funding difficulties or lack of willing volunteers</p>	<ul style="list-style-type: none"> • Unable to deliver the priorities and actions set out in the Community Plan, Community Safety Action Plan and Health Action Plan • Unable to deliver on the priorities and actions set out in the Council's health and housing strategies • Increased hardship in the District • Greater health inequalities across the District 	3	3	9	<ul style="list-style-type: none"> • Robust budget setting processes in place which considers the benefits of the Council's community grant scheme • Ability to attract external funding to sustain community projects • Strong relationships with local community and voluntary groups • Community Awards Scheme to celebrate the success of local residents and community projects and promote the benefits of volunteering • Robust monitoring • Development of a Voluntary Sector Forum for the District 	2	3	6

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating
SR09: Customer re-design project - Potential impact on staff, organisational culture and service performance that may arise through the Council's customer re-design project								
Lead Officer: Lee Banks & Amy Wilton								
<ul style="list-style-type: none"> Adequate project management in place for each phase of the customer re-design Adequacy of the communication plans for the customer re-design Level of engagement with managers and staff throughout the project Sufficient resource and skills to deliver the project effectively Sufficient budget to deliver the programme and the outcomes identified 	<ul style="list-style-type: none"> Increase in staff turnover Falling morale and satisfaction in the workplace Decline in service performance and customer satisfaction Project unsuccessful in delivering the desired outcomes 	3	4	12	<ul style="list-style-type: none"> Project management structure in place for the customer re-design project Communications plan in place for the customer re-design project Frequent briefings of Managers and Staff to keep them informed Project methodology developed in partnership with expert consultants Staff trained to deliver the programme by expert consultants Performance measures in place evaluate service performance Budget identified to support invest to save projects <p>Action</p> <ul style="list-style-type: none"> Post-implementation review of completed projects, identifying lessons learned 	2	4	8

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating
SR10: Health & Safety - Breach / non-compliance with Health & Safety legislation and practices resulting in harm to workforce Lead Officer: Richard Wilson & Alex Dawson								
<ul style="list-style-type: none"> Health and Safety Policy, guidance and training for staff Controls for the effective management of Health and Safety Effectiveness of health and safety risk assessments Awareness of health and safety controls and practices at work Capacity and skills to ensure continuous provision of high quality health and safety in the work place Property standards decline Non-compliance with statutory requirements	<ul style="list-style-type: none"> Poor working practices Increased absence from work Work place accidents and near misses Health and Safety Executive inspections and fines Reputational damage as a service provider and as an employer Corporate Manslaughter Financial burden 	4	4	16	<ul style="list-style-type: none"> Health and Safety Policy regularly updated Health and Safety guidance Health and Safety risk assessments Health & Safety risks included within Operational Risk Registers Regular review and monitoring of risk assessments and safe working practices Health and Safety training Health monitoring Accident recording, monitoring and action planning Qualified Officers undertake H&S risk assessments Occupational health service 	2	4	8

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating
SR11: Emergency planning & severe weather events - Ability to respond effectively in the event of a prolonged major incident while maintaining the ability to keep services running Lead Officer: Richard Wilson & Alex Dawson								
<ul style="list-style-type: none"> Adequacy of emergency plan & business continuity plans Ability to appropriately implement emergency plans in response to any given event Capacity or specialist skills within the workforce to co-ordinate and respond to a major emergency Controls for major emergency hazards Security - responding to national threat levels (move to critical plans within the major) emergency plan) 	<ul style="list-style-type: none"> Disruption to the community and to community services Inability to maintain Council services Excessive non-recoverable expenditure on response Loss of Council information Reputational damage 	3	4	12	<ul style="list-style-type: none"> Emergency Planning Officer Group Expertise to formulate and co-ordinate the Council's emergency response Programme of training delivered to staff on Emergency Planning & BCP District Major Emergency Plan (including BCP) in place, regularly updated, enhanced and tested Community Risk Register IT Disaster Recovery Plan in place & tested Collaborative arrangements and plans agreed with other Category 1 and 2 responders, Town and Parish Councils, the voluntary sector and others Access to support resources from across the Council, including Direct Services Applied learning from experience of emergency and flooding incidents Council is a member of the Kent Resilience Forum which gives access to expertise and resources Business continuity impact assessments undertaken identifying priority services Mutual aid provision via CCA <p>Action</p> <ul style="list-style-type: none"> BCP plans and testing being undertaken as part of Kent preparedness plans, including responses to Brexit no-deal scenario planning 	2	3	6

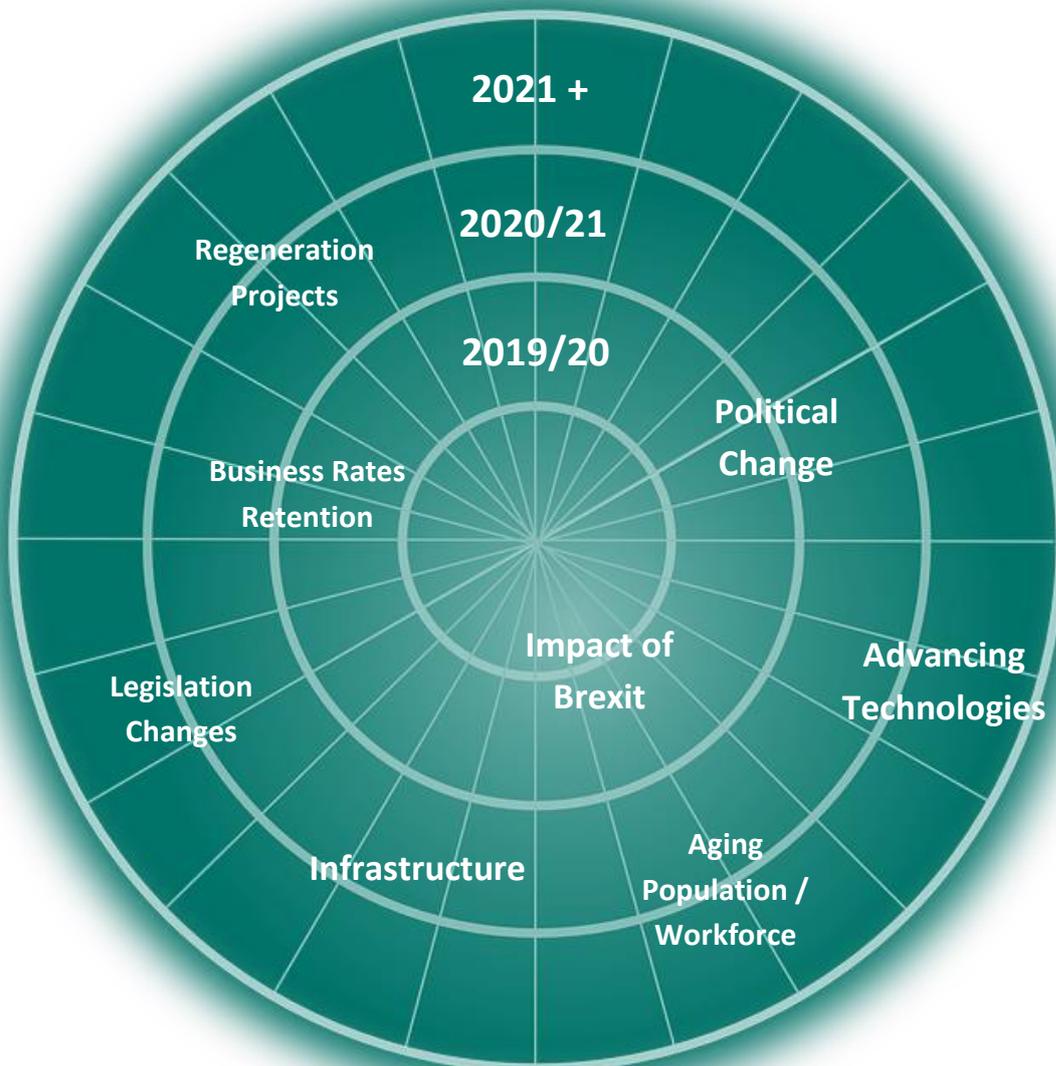
Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating
SR12: Safeguarding - Failure to identify and act on a Safeguarding concern Lead Officer: Lesley Bowles & Kelly Webb								
<ul style="list-style-type: none"> Failure by the organisation or a member of staff to take action to refer a child or vulnerable adult to the appropriate agency when we become aware that they may be at risk Training and awareness of Safeguarding duties and processes <p>Increased interaction with potentially vulnerable children and adults</p> <p>Reductions or loss of resources, capacity and knowledge / expertise</p>	<ul style="list-style-type: none"> Could result in domestic homicide, suicide or other death, injury or continuing neglect, continuing modern slavery, human trafficking, terrorism Damage to public confidence and Council reputation 	2	4	8	<ul style="list-style-type: none"> Safeguarding Policy, DBS checks in place for relevant staff, Training for staff, Promotion of safeguarding to all staff through posters, Safeguarding newsletters and Grapevine Simple reporting arrangements A corporate Safeguarding Group to continually review and update policy and processes, and monitor strategic risk Staff trained as trainers Trained Designated Safeguarding Officers. Lead Chief Officer reports regularly to SMT. Deputy Lead is also a Chief Officer Annual Section 11 Audits to provide external assurance Internal audit review and follow-up Good working relationship with KCC and the Kent Safeguarding Boards Rollout of Net-Consent to evidence communication and awareness of Policies and Procedures Staff sign up to the policy online and complete online training as soon as they join the organisation. <p>Action</p> <ul style="list-style-type: none"> Safeguarding integration with procurement / contracts to be reviewed in 2019/20 to ensure requirements are being met 	1	4	4

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating
SR13: Local Plan - The Local Plan is not found sound at examination								
Lead Officer: Richard Morris & Development Management Leadership Team								
<ul style="list-style-type: none"> The weight the Inspector attributes to material factors is inconsistent with examination examples A plan is submitted that doesn't align with the evidence base Government introduce new, or amend existing, plan making requirements 	<ul style="list-style-type: none"> Unplanned, unsuitable and unsustainable development could occur Housing growth could not deliver the identified infrastructure needs The appropriate balance of uses; housing; employment; retail; social and community facilities would not be delivered Cherished landscapes could not be protected Significant waste of public monies 	3	4	12	<ul style="list-style-type: none"> Full Member engagement on plan making and agreement on strategy and approach Officer membership of expert groups so knowledge is current External plan making and legal support to ensure compliance with the statutory process Robust evidence base and high standard stakeholder and community engagement Use of Counsel to advise on procedural and soundness issues Close liaison with key stakeholders such as PINS, and the CLG Monitoring of comparable DPDs and identify relevant lessons Staff training and good levels of awareness Peer review 	2	8	8

Strategic Risk Radar

Long-term horizon scanning allows us to be aware of key risks which are, as yet, too uncertain to assess or quantify. By keeping our eye on and tracking these issues we are able to draw them down into the strategic risk register when the timing is right.

Having a longer-term view of strategic risk also enables us to be aware of local, sector-wide and even global issues. The chart below shows some of issues we are keeping on our radar for potential future inclusion into the strategic risk register:



Monitoring

We keep a watching eye on our strategic risks, principally through the Council’s Management Team on a quarterly basis, and through our Audit Committee annually.

However, risk management is an ongoing and living process. We operate in a volatile environment where risks are ever changing. It is therefore vital that we have an awareness of emerging risks, and ensure that we are in the best position to respond to those risks. As such, we have a Risk Management Group who maintains an overall responsibility to ensure that we are managing our strategic risks effectively.

A supporting work plan is in place to set out how we develop, maintain and monitor the risk management process and the management of our risks:

Meeting	Responsibilities					
	Risk Framework	Risk Management	Risk Issues	Risk Actions	Risk Culture	Training & Guidance
	To develop and maintain the Council’s Risk Management Framework	To act as a sounding board for high level risks to ensure that actions are being taken to manage impact / likelihood	To maintain a broader view of the risk profile for the Council and highlight key risk themes and emerging risks	To develop and implement effective risk management responses and actions	To champion and advocate risk management across the Council	To provide risk management support, guidance and training
Spring (Q1)		✓	✓	✓	✓	
Summer (Q2)		✓	✓	✓	✓	✓
Autumn (Q3)		✓	✓	✓	✓	
Winter (Q4)	✓	✓	✓	✓	✓	✓
Key project	<i>Review and update of Risk Management Strategy</i>	<i>Refresh and update of Strategic & Operational Risks</i>	<i>Reporting of risk analysis & intelligence</i>	<i>Risk Action Plans</i>	<i>Communication of risk information on website</i>	<i>Update training programme & guidance</i>
Audit Committee	Q3 2019/20	Q3 2019/20				

This page is intentionally left blank

Audit Committee 2019/20 - Work Plan (as at 14/08/19)

	17 September 2019	28 January 2020	26 March 2020	Summer 2020
Internal Audit (Irregularities to be reported confidentially as & when necessary)	Internal Audit Progress Report 2019/20 Audit Partnership Self-Assessment against PSIAS	Internal Audit Progress Report 2019/20	Internal Audit Progress Report 2019/20	Internal Audit Annual Report & Annual Opinion 2019/20 Internal Audit Progress Report 2020/21
Risk Management	Risk Management Update 2019			
Accounts and External Audit		External Audit - Annual Audit Letter 2018/19 External Audit - Housing Benefit Subsidy 2018/19	Annual Governance Statement 2019/20 External Audit - Annual Audit Plan 2019/20 Statement of Accounts 2019/20 - Establishment of Member Working Group	Statement of Accounts 2019/20

	17 September 2019	28 January 2020	26 March 2020	Summer 2020
Other	Members' Allowance Scheme Monitoring		Annual Report to Council	Audit Committee Terms of Reference Review of the Effectiveness of the Audit Committee 2019/20 Counter Fraud and Compliance Report 2019/20
Members Development Briefings	Internal Audit Standards	Risk Management	Understanding Local Government Accounts	TBC