

Internal Audit Annual Report

2014/15



**SEVENOAKS DISTRICT COUNCIL
ANNUAL INTERNAL AUDIT REPORT 2014/15**

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Background

1. This report deals with the outcome of the work undertaken by the Audit Risk and Anti-Fraud Team for the period 2014/15. The report also contains the overall Assurance Opinion of the Internal Audit Manager regarding the effectiveness of the systems of internal controls within the Council for the period 2014/15; and a summary of the reviews carried out, including outturn performance indicators for the period.

Members may note that this is the fifth annual report following the shared services agreement with Dartford Borough Council.

2. The Accounts and Audit Regulations 2011, require local Councils to comply with proper practices regarding their arrangements for internal audit and internal control. This requires compliance with the new mandatory Public Sector Internal Audit Standards which came into effect on 1 April 2013. This report is therefore prepared in compliance with the new standards and the practice notes issued by CIPFA in 2013.

Introduction

- 3 This report sets out the following details relating to the team's service plan objectives for 2014/15:

- Provides an overall assurance opinion on the adequacy and effectiveness of the organisations control environment for 2014/15
- Summarises the outcome of the team's work during 2014/15 with respect to:
 - The Annual Internal Audit Plan for 2014/15
 - Risk Management
 - Annual Governance Statement
- Assesses Internal Audit performance against a range of performance measures
- Summarises the result of 2014/15 audit reviews. (Annex 1)
- Summaries of outcome of the findings and recommendations of reports issued since the last meeting of the committee are attached in Annex 2

Basis of the opinion on the Council's Internal Control Environment

4. The Internal Audit Manager's opinion on the Council's system of internal control environment is substantially based on the work of the Audit, Risk and Anti-Fraud team during 2014/15, details of which can be found in Annex 1 of this report. Other sources of assurance are also taken into consideration in the overall opinion where appropriate.

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4.1. Overall Assurance Opinion

Based on the audit work undertaken throughout the year, responses to our recommendations and our fraud or irregularity investigations; and giving regard to other sources of assurance; in my opinion as Internal Audit Manager, Sevenoaks District Council's Control Environment, contributes effectively to the proper, economic, efficient and effective use of resources in achieving the Council's objectives. This opinion is based on the work of the Internal Audit Service during 2014-15 and giving regard to the work of the External Auditors and other sources of assurance. By control environment is meant, the entire system that contributes towards, identifying and delivering organisational objectives (In particular, internal control processes, risk management and governance)

Whilst it was identified that management had, in the main, established effective control environment within the areas reviewed by internal audit during 2014-15, there were areas which presented opportunities for further improvement within the control environment , or where compliance with existing controls could be enhanced, to reduce the financial, legal or reputational risk to the Council. Where such findings were identified, recommendations were agreed with management to further strengthen the controls within the systems/processes they affect.

The control environment is designed to manage risks to a reasonable level rather than to eliminate all risks of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

Activities During The Year - Internal Audit

5. The key responsibility of the team is to provide an in-house internal audit service on behalf of the Council.
6. Internal Audit is defined by the new Public Sector Internal Audit Standards 2013, as; "an independent, objective assurance and consulting activity designed to add value to improve the operations of the Council. It assists the Council to accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the Council's risk management, control, and governance processes".
7. The original audit plan for 2014/15 contained 20 reviews. During the year the plan was revised to reflect available resources and to take account of risk and materiality in delivering the assurance requirements for 2014/15. Three reviews were deferred which have been included in the annual audit plan for 2015/16 The remaining reviews have all been completed at least to draft report stage. A summary of the outcome of reviews is attached as Annex 1 to this report.
8. The key aspects of our internal control responsibilities are aimed at achieving the following:
 - to ensure adherence to Council policies and directives in order to achieve the organisation's objectives
 - to safeguard assets

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- to secure the relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of records and
 - to ensure compliance with statutory requirements.
9. An additional responsibility is that internal audit works closely with the Council's external auditors in order to minimise duplication and disruption to service. We also share our findings which contribute towards strengthening of internal controls an assurance.
10. Annex 1 shows a summary of the findings and opinions on individual reviews conducted during the year. Given that some of the audit work was carried out over a year ago, where appropriate, an updated opinion is given to reflect changes over the period and the position as at 26 May 2015.
11. There were no significant issues arising from the work done with regard to the audit plan. We received a good response to our recommendations to improve control across the organisation. To date departments have implemented 32 (38%) (16, 46% in 2013/14) of our recommendations, immediately following the audit, with action in progress, or have plans to implement the remainder within an agreed timescale.

Prepare the Internal Audit Plan for 2015/16

12. The audit plan for 2015/16 was presented to the Audit Committee in March 2015. The plan is risk based, and reflects the Council's risk profile. At the time of audit planning, operational risk registers were being updated and the strategic risk register was under review by senior management. The internal audit plan is designed to be flexible to the needs of the Council and would therefore be revised as necessary to reflect any changes in risk profiles, or the Council's priorities. Any revisions to the audit plan will be presented to the next meeting of the Audit Committee for approval.

Risk Management

13. During the year substantial progress was made in implementing the new risk management framework. The new risk management Strategy was approved both by the Audit Committee and Cabinet. The strategic risk register is being updated to reflect the key priorities of the new Council, following the May elections. The updated strategic risk register will be presented to this Committee at the meeting in September 2015.

Annual Governance Statement (AGS)

14. Regulation 4 of the Accounts and Audit Regulations 2011 requires the Council to carry out an annual review of its system of internal control; risk management processes and governance arrangements. The outcomes of these reviews are required to be included in an Annual Governance Statement (AGS). The team co-ordinated the information gathering process, which fed into the production of the AGS, and offered advice, guidance and information to Management, in order to facilitate the effective completion of the process. A report on the Annual

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Governance Statement is included in the papers to the June Audit Committee for their consideration.

Other Activities

15. A summary of the non-core activities undertaken by the team is as follows:
- Liaise with the Council's new External Auditors to facilitate closer co-operation and minimise duplication in delivering the assurance requirements for the Council and to strengthen internal control.
 - Carried out investigations and ad hoc projects as required by management in delivering the Council's objectives
 - The Audit Manager also attended regular finance managers' meetings and Senior Management Group meetings

Audit Approach

16. The following sets out our approach in carrying out our audit responsibilities during 2014/15:

Risk Based System Reviews

17. When carrying out an audit review, we identify the financial and operational controls in place within the system to manage potential risks, and then evaluate and test the controls to ensure that they are operating as planned. This allows us to test only a sample of transactions and still draw conclusions about how well procedures are working in the Council. Examples of the types of controls we expect to see in place are as follows:
- up-to-date procedure notes, so that staff are aware of the procedures they should be following
 - separation of duties and third party checks, so that staff act as checks on each other's actions
 - effective supervision, so that quality is maintained and that any problems are promptly identified and addressed
 - reconciliations between financial records and other records held, to confirm the accuracy of the financial records
 - access to records is limited to those who are authorised to use it for pursuance of Council business
 - effective review of exception reports and other management information

Contract Audit

18. As well as reviewing the Council's Contracts Register, we advise on tendering procedures and compliance with legislation and regulations. We also follow the progress of the contract throughout its life where appropriate and confirm the final accounts have been checked to ensure these are in accordance with the contract and any variation orders. In accordance with guidance from CIPFA, we do not audit final accounts, as we place reliance on the technical staff responsible

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for managing and monitoring the contracts in compliance with Council procedures.

Fraud and Corruption

19. When a loss or potential fraud is brought to our attention or discovered during an audit, we undertake an investigation in order to determine whether the loss was as a result of an error or deliberate action. Where appropriate, we make recommendations to improve controls within the system affected by the loss or allegation. During the year 2014/15 one investigation was undertaken.
20. We work closely with the Audit Commission's National Fraud Initiative (NFI) who provides us with 'fraud warnings' and relevant fraud data throughout the year. Where appropriate, we investigate to ensure that fraud found at other organisations is not taking place at Sevenoaks District Council, as part of the fraud risk management process. During the year we carried out investigations into data matches passed to us by the NFI. There were no significant findings from the matches investigated.

Following up Previous Year's Audits

21. Follow-up on previous audit recommendations and agreed actions is necessary to enable internal audit to assess the effectiveness of the audit recommendations implemented by management to address identified weaknesses in internal controls. When we carry out an audit, we follow up on any previous audit recommendations as part of our review. Where areas are reviewed annually this means that recommendations are usually followed up the year after they are made. However, where the audit opinion is unsatisfactory, follow-up would be carried out within 3 to 6 months of the review or sooner, where appropriate.

Internal Audit Section Performance

22. Internal Audit's performance over the past year is analysed over a number of factors in order to facilitate continuous monitoring of inputs, outputs and quality, and to maintain high professional standards. Outturn data for performance measures are highlighted below (see pages 8 to 11 below).

Quality Measures

23. *External Audit* – Grant Thornton became the new external auditors in 2012/13. During the year we worked closely with the District Auditor and staff to meet the assurance requirements.
24. The reliance placed on our work by the external auditors reduces both the duplication of audit effort and the total cost to the Council of work done by the external auditors. We will continue to work in co-operation with the external auditors in 2015 to ensure an integrated audit approach.
25. The team is ISO9001 accredited and had a successful review following the last assessment by BSI in August 2014.

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26. *Audit satisfaction questionnaires* – As part of our overall approach to quality, we send a customer questionnaire to all recipients of our reports, who are asked to comment on their satisfaction with the audit process and outcomes. The survey results received so far are summarised in the table below:

Responses to Questionnaires: –

	Question	Yes	%	No	%
1	I was given adequate notification and opportunity to contribute and comment prior to the Audit Brief being issued	13	100%	0	0%
2	Appropriate staff were interviewed	10	77%	3	23%
3	Audit objectives covered all the relevant issues	11	85%	2	15%
4	I am confident with the accuracy of the audit findings	13	100%		
5a	I was given adequate opportunity to discuss audit findings and recommendations during the feedback	13	100%	0	%
5b	and my views were adequately reflected in the final report	13	100%	0	%
6a	The final audit report was timely	10	77%	3	23%
6b	and clear and understandable	13	100%		
7a	The audit recommendations in the final report were relevant,	12	92%	1	8%
7b	practical,	12	92%	1	8%
7c	realistic	13	100%	0	0%
8	This audit has added value and/or assurance of adequacy (or not) of internal controls	11	85%	2	15%
9	Did this audit identify any unknown issues	1	8%	12	92%

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Implementation of Recommendations

27. Following our audit all report recipients are asked to complete a monitoring sheet showing whether they agree with the recommendations made and how they plan to implement them. The results are summarised as follows:

Analysis of progress sheets

Recommendations	2014/15		2013/14	
	number	%	number	%
accepted	85	100	35	100
Rejected	-	-	0	0
recommendation implemented	32	38	16	46
implementation in progress	30	35	12	34
implementation planned	23	27	7	20
no action recorded	0	0	0	0

28. In total, we have agreed 85 recommendations to date in 2014/15. The majority of which have either been implemented or are being implemented.

29. The above shows that departments are taking action on 100% of our recommendations.

Input Resources

30. **Staffing** – The team had two vacancies for much of the year, one of which was the Principal Auditor. However, we used agency staff to cover for the vacancies and would be looking to recruit permanent staff to the vacant positions in the coming months.

31. **Sickness levels** – Total sick days for the year for the team was 34 days in 2014/15, averaging approximately 5.81 days.. The sickness levels are skewed by the long term illness of one staff member, who was off for 20 days. Excluding the long term sickness, the average sickness is 2.39 days. The average number of sickness days for the Council as a whole for 2014/15 is 8.65 days.

32. **Training** – Training is an important part of staff development and is required to ensure continuing professional development (CPD) to equip staff with the skills they need to provide quality and an effective services and to keep abreast of regulatory and technical developments. Over the past year, team members participated in training covering the following areas:

- Internal Audit Development Day
- Markets Administration Cash Collection System (MACCS)
- Cedar Financials
- IDEA
- NFI
- Budget Monitoring
- KAG Conference

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- CIPFA – Audit Conference
- ALARM Development Day
- Ivy soft (In-house on-line training on a range of subjects)

33. The section also participated in the following County Wide and professional group meetings where best practice is discussed and disseminated:

- Kent Audit Group meetings – Heads of Audit
- Institute of Internal Auditors Heads of Internal Audit Forum

Output Measures

Completion of the audit programme:

34. Seventeen reviews out of seventeen within the revised internal audit plan for 2014/15 were completed to at least to draft stage. The original plan consisted of 20 reviews. However, the plan was revised in January 2014 to take account of changes in operational and assurance requirements for the year. Three reviews were deferred and approved by the Audit Committee. These were taken forward to the 2015/16 internal Audit Plan.

Performance measures

35. In 2014/15, the team was measured against the following PIs for Internal Audit based on the CIPFA guidance. The following shows actual performance against targets for 2014/15.

	Measure	Target	Actual 2014/15	Actual 2013/14
1	Percentage of internal audit time spent on direct activity	80% of available time.	89.45%	88%
2	Efficiency of the audit service	95% of draft reports issued within 15 working days of completion of the audit fieldwork.	*75%	89% (16/18)
3	Efficiency of the audit service	95% of audits achieved in allocated days (+10%)	**67%	48% (10/21)
4	Client satisfaction with audits carried out	92% client satisfaction as indicated by the responses to the post audit	96%	89%

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		<i>questionnaires.</i>		
5	<i>Completion of the Internal Audit Plan</i>	95 %	95%	100%

36. * Item 2 is mainly due to the impact of the vacancies.

**item 3 this is much improved from last year, when the impact of long term sickness was evident. However, the use of agency staff to cover for existing vacancies had an initial effect on this indicator, due to the fact that agency staff requires more time to settle down and find their way around the organisation.

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Appendix A - Annex 1 – Summary of Reports Issued During the Year

Audit title	Opinion
IT Security 2013/14	Good/Satisfactory
Planning & Development Control 2013/14	Satisfactory/Satisfactory
Bank Reconciliations 2013/14	Good/Good
Main Accounting 2013/14	Good/Good
Shared Service Recharges 2013/14	Good/Good
VFM Postage Review 2014/15	Good
Building Control 2014/15	Good/Good
Markets 2014/15	Good/Good
Data Protection & Records Management 2014/15	Good/Good
Disabled Facilities Grants 2014/15	Good/Satisfactory
Risk Management 2014/15	Good/Good
Procurement & Contracting 2014/15	Good/Good
Housing Benefits & Council Tax Support 2014/15	Good/Good
Performance Management & Data Quality 2014/15	Satisfactory/Satisfactory
Council Tax/NDR 2014/15	Good/Good
Electoral Process 2014/15	Good/Good
Dunbrik (Green Waste) 2014/15	Good/Good
Key Financial Systems 2014/15	Good/Good
Repair & Maintenance Arrangements 2014/15	Satisfactory/Satisfactory.
Overall Opinion	See opinion on Para 4.1

Note: See annex 4 below for definitions of audit opinions.

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Appendix A – Annex 2 – Summary of Report Findings Since Last Meeting

Review of Council Tax/NDR 2014/15

Issued: 05 March 2015

Opinion: Control Framework – Good (Previous year - Good)
Compliance with Framework – Good (Previous year - Good)

The purpose of this review was to provide an assurance regarding the effectiveness of the new system for Non Domestic Rates. It assessed its fitness for purpose including maximisation of available income opportunities. It also assessed any new areas for innovation.

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

- 1) Risk that the Council may not comply with relevant legislation, policy or good practice.
- 2) Risk that the accounting for the Business Rate retention scheme may not be operating correctly.
- 3) Risk that the system for collecting income, including recovery arrangements and over payments, may not be effective
- 4) Risk that rate relief and reductions may not be allocated or accounted for correctly.
- 5) Risk that refunds may not be effectively controlled.
- 6) Risk that fraud and corruption may be undetected.
- 7) Risk that opportunities to achieve or demonstrate efficiency or value for money may not be maximised.
- 8) Risk assessments may not be undertaken and risks not adequately managed.

Audit testing results indicated that controls were fully met in seven of the aspects examined, whilst one was partially met in relation to fraud controls (Risk 6).

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

The following recommendations were agreed with Management to address the areas where one control was partially met (risk 6) and another could be enhanced (risk 3).

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- The Business Rates team should prepare written procedures covering the processes involved in Business Rates to enable new/inexperienced staff to deal with the workload of the section and to act as a reference for existing staff

 - Internal Audit found a 'dummy' account on the NDR system containing credits of £6,505.91 going back to 2005. Management should investigate the reason for the existence of this account and take necessary steps to transfer the account into the appropriate fund

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

**Review of Performance Management &
Data Quality 2014/15**

Issued 9 March 2015

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

The purpose of this review was to provide assurance regarding the effectiveness and accuracy of the Councils arrangements for measuring the performance of service delivery against the Corporate Plan. In addition the review would consider and challenge if the PI data and targets were fit for purpose and relevant in their current form and going forward to enable management to be able to rely upon them as an accurate measure of service performance to enable well informed, appropriate and timely management decisions to be made. This is particularly important given this is the first combined Performance Management & Data Quality review undertaken and the first to cover the period since the Council management restructure in September 2013.

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

- 1) Risk that Ineffective performance monitoring arrangements leading to inability to achieve the Councils key priorities and objectives.
- 2) Risk that the Council may not comply with relevant legislation, the local plan and good practice.
- 3) Risk that eervice plans may be inaccurate or not up to date.
- 4) Risk that timetables, deadlines and milestones may not be met.
- 5) Risk of financial Impact (poor performance).
- 6) Risk that fraud or corruption may be undetected and or inaccurate data may be processed and produced by the system.
- 7) Risk that ineffective decision making due to inaccurate or incomplete information.

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- 8) Risk that opportunities to achieve or demonstrate efficiency or value for money may not be maximised.
- 9) Risk that measuring achievement against targets may be ineffective.
- 10) Risk assessment may not be undertaken and risks not adequately managed.

Audit testing results indicated that controls were fully met in six of the aspects examined, whilst one aspect was partially met in relation to compliance (Risk 6). The remaining three aspects were found to be partially met in relation to both compliance and framework (Risks 1, 3 & 5).

The opinion of the auditor was that the framework of controls was “Satisfactory”. This meant that controls exist to enable the achievement of service objectives, obtain good corporate governance and mitigate against significant foreseeable risks. The effectiveness of the control framework was also “Satisfactory” which means occasional instances of failure to comply with the control process were identified and opportunities still exist to mitigate further against potential risks.

Five recommendations were agreed with Management to address the areas where controls were partially met. These relate to risks detailed above where partial compliance was found.

- The Data Quality Statement (DQS) statement needs to be reviewed annually and updated as required. The current document does not reflect the September 2013 restructure and the proposed changes in Transparency to be implemented in June 2014 may also require revision. References to other policies/documents may have been updated and require revision.

In particular with regard to the PI's the next review/update should consider and document common procedures for all Council service areas to comply with the DQS principles of data quality, the roles and responsibilities and the provision of documented assurances with each PI submission that the data provided complies with the DQS requirements. If there are any departures from the DQS however minor they should be formally documented and written into the PI section of the Service Plan each year and all staff made aware of the agreed change/departure.

- Given how fundamentally important the Service Plans are to performance delivery, management and measurement it is recommended that a timetabled process be documented and put in place and detailed on Insite.

It is recommended that the Senior Managers Group ('SMG') take ownership of this timetabled process due to the frequency that they meet guided by the Head of Transformation and Strategy for the review and approval of the Service Plans, PI's and targets. Formal sign off should be evident.

- Given the fundamental importance of the Service Plans to the performance management and risk register assessment of service areas we would recommend that the PI sections be expanded to fully detail each PI so there is a fully documented point of reference to refer to and review each year. This would also

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serve as an annual reminder to staff of their roles and responsibilities and should also trigger a critical annual review if there had been any changes which could impact on the PI or source data. We would suggest the following should be included:

General

- 1) Introduction and reference to the requirement for all indicators (Local Performance Indicators and Management Performance Indicators) and staff compiling/checking to comply with the DQS highlighting the roles and requirements.

For each indicator (LPI and MPI)

- 2) Summary of the indicator, its purpose and importance if not obvious
- 3) The PI officer, data inputter and data checker personnel
- 4) How the indicator is calculated and where the source data is derived from
- 5) Any reliance on 3rd parties for information including agreed deadlines
- 6) How the data is to be reported and by when (standard 15 days)
- 7) Any agreed variations from the DQS with regard to the reporting method/deadlines.

As the indicators will likely remain fairly static each year this should not be too onerous as it would be a one off exercise to document the indicator formally in year 1 followed by a critical annual review as part of the Service Plan and PI/target setting each year thereafter. The annual review would therefore be more informed and should raise questions on the applicability or fine tuning of the indicator(s).

The initial documentation process would also be a valuable exercise in challenging the understanding of the current indicators as to its relevance and current/ongoing applicability.

- The Council quite rightly relies upon Finance to provide financial budget v actual data and commentary for financial performance which is the responsibility of the Finance and Resources Advisory Committee. Most PI's do not provide direct financial information and as a result Cabinet who generally meet before the Finance and Resources Advisory Committee will not be in a position to evaluate the financial impact of poorly performing PI's unless they make specific enquiry referrals to the Scrutiny Committee who meet after the Finance and Resources Advisory Committee. The only exception to this would be if a PI didn't meet a target where service areas would be required to provide accompanying notes but this would not necessarily include any financial evaluation in the notes.

In order to better inform Cabinet when it reviews the PI's we would recommend that when management select relevant PI's each year that consideration is also given to requesting related/linked financial data from the service area. This would only be required if relevant and applicable to adequately assess, measure and review performance particularly if targets are not met. It can be done by the service manager by directly entering accompanying notes to allow management to better understand and be able to make informed and timely decisions on the PI's without the need to make lengthy referrals.

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- The recommendations made in finding one and three should provide greater clarity over the roles and responsibilities and the calculations required for PI's. In addition we would recommend that the Transformation & Strategy team play a more active role in proactively reporting failures to provide the independent data checking assurance signoffs to both Cabinet as part of the quarterly reporting and each month to the service teams. This should reinforce the DQS role and responsibilities requirement and instil a better quality review to eliminate errors and inaccuracies in the data submitted each month/period.

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

Review of Dunbrik (Green Waste) 2014/15

Issued: 20 March 2015

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

The purpose of the review was to provide an assurance regarding the effectiveness of internal controls within the Dunbrik Depot in meeting relevant service objectives and compliance with Council procedures and policies. This review will focus on the systems and arrangements for operational control and service delivery, including carrying out a review of green waste in order to streamline and manage demand of this service.

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

- 1) Risk that the Council may not comply with relevant legislation, policies or good practice.
- 2) Risk that green waste processes may be labour intensive incurring additional costs.
- 3) Risk that green waste collections may not meet customer expectations, with collections missed or collection days changed particularly after the Christmas/New Year period.
- 4) Risk that Customers subscribing to the annual Service Permit may encounter delays in receiving their garden waste bins after payment has been made.
- 5) Risk that fraud and corruption may be undetected.
- 6) Risk that opportunities to achieve or demonstrate efficiency or value for money may not be maximised.
- 7) Risk assessment may not be undertaken and risks not adequately managed.

Audit testing results indicated that controls were fully met in six of the aspects examined, whilst one aspect was not met in relation to framework and compliance. (Risk 2).

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

The following recommendation was agreed with Management to address the areas where controls were not met. These relate to risk 2.

To improve efficiency and reduce labour costs, consideration should be given

- Ideally to implement a direct debit system. If this were introduced one letter should be sufficient to advise the customer one month before expiry of the permit that upon renewal the payment will be taken by direct debit. A reminder letter should be sent to customers who opt to pay by alternative methods one month before expiry of the permit.

Second reminder letters and subsequent letters addressed to ‘the occupier’ should be dispensed with.

I.T. to investigate establishing on line payments in addition to the kiosk being enabled to facilitate chip and pin, cheque and cash receipts mapped to the TASK finance codes.

The Head of Direct Services and the Finance and Admin Manager should investigate software options to automate and streamline permits management in place of using Excel spreadsheets in order to enhance service resource that could be allocated to other areas within the service.

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

Review of Electoral Process 2014/15

Issued: 20 March 2015

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

The purpose of the review was to provide an assurance regarding the Council’s arrangements for implementing the new requirements for registration of electors and elections and to ascertain fitness for purpose in delivering service objectives and resilience of provision in delivering an effective service.

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

- 1) Risk that the Council may not comply with the new arrangements, legislation and good practice.

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- 2) Risk that proper plans are not in place.
- 3) Risk that there is insufficient funding to cover all costs.
- 4) Risk that there is insufficient public awareness regarding IER.
- 5) Risk that there is insufficient resources to deal with changes
- 6) Lack of, or Loss of IT capability
- 7) Risk that queries may not reach electoral staff timely for effective resolution
- 8) Risk that the electoral registration process may not be accessible to all
- 9) Risk that the electoral registration information provided to the public, including key dates, may not be accurate
- 10) Risk that fraud and corruption may be undetected.
- 11) Risk that opportunities to achieve or demonstrate efficiency or value for money may not be maximised.
- 12) Effective risk assessments may not be undertaken and risks not adequately managed.

Audit testing results indicated that controls were fully met in eight of the aspects examined, whilst four aspects were partially met in relation to framework and compliance. (Risk 1,2,5 & 12).

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

The following findings and recommendations were agreed with Management to address the areas where controls were not met. These relate to risks 1, 2, 5 & 12.

- The Electoral Working Group (EWG) consists of the Chief Executive as well as a number of Chief and Senior officers. The meetings are used to discuss progress and important milestones. Although individual officers take their own notes the meetings are not minuted.

Recommendation One

Consideration should be given to ensure that any actions agreed at the meeting should be recorded and distributed as an action list. This will provide confirmation

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and clarity regarding any actions and officer responsibilities, thus contributing to a more effective process.

- In September 2013 the Electoral Commission (EC) issued two new performance standards to support Electoral Registration Officers (EROs) in planning and delivering the transition to IER. These standards are designed to work alongside current EC guidance to manage services throughout the transition.

PS1) Understand the particular challenges in your registration area and develop a plan for engaging with residents which responds to these challenges

PS2) Deliver your implementation plan, monitoring progress and making amendments where necessary.

Testing in this area has established that the challenge of PS1 has been met. An implementation plan, strategy and risk register covering key areas is in place, together with data matching and the assessment of the quality of data. However although part of PS2 has been met regarding implementation which includes the supply of the register. The data and progress available regarding the integrity of registration is limited. This is also the case for public engagement.

Recommendation Two

Detailed IER Application Statistics need to be available regarding the integrity of the register. This should include contextual data demonstrating the scope and scale of the challenges and progress made in response to those challenges.

This would involve the monitoring of statistics such as –

- Number of residents rated red, amber and green following matching against DWP data
- Number of electors not confirmed
- Number of individual invitations to register (ITR) issued to non-confirmed electors

These statistics once reported upon accurately by Xpress will ensure that everyone including managers and officers have a realistic, clear and current picture as to the processes surrounding an individual's registration.

Recommendation Three

Consideration should be given to an Engagement Strategy whereby implementation can be evaluated. When measuring the success or otherwise of public engagement activity (including care homes) the following could be considered.

- Whether there have been increases in the number of people taking action, such as registering to vote

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- Whether positive feedback has been received from participants in a scheme
- Whether people's understanding of the process has increased
- Whether there has been an increase in requests for information

The following mechanisms could be used for collecting evidence to support the evaluation

- Recording feedback from the public at events or via your website
 - Recording the level of responses as a result of the activity
 - Recording the number of enquiries on the subject
 - Recording the number of hits to the website requesting information
 - Recording any feedback provided on social media
-
- An able team is now in place to provide sufficient resources. A full complement of staff has only been in place since November 2014 due to a management retirement and officer resignation. Until then the team has been under resourced whereby they have relied upon occasional assistance from other officers and a temp to keep on top of the work load.
The implementation of these resolutions together with an increased workforce has since seen the work queues reduced dramatically and a steady state of operation. In the run up to the 2015 elections this steady state may not be maintained due to the increase of activities (detailed below) and subsequent workload (detailed below); and the lack of spare capacity due to staff sickness for example.
 - Mini canvass (49,000 household notification letters)
 - Influx of registrations and postal vote applications due to parliamentary elections
 - Complexities of verifying electors identities under IER

Recommendation Four

Consideration should be given to recruiting a temporary member of staff to maintain a steady state of operation in the run up to the 2015 elections.

Members will be advised of the progress in implementing these recommendations in due course. Please note that recommendations 1&4 were implemented immediately.

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Review of Key Financial Systems 2014/15

Issued: 5 May 2015

Opinion: Control Framework – Good (Previous year - Good)
Compliance with Framework – Good (Previous year - Good)

The purpose of the review was to provide assurance on the effectiveness of the Council's Key Financial Systems. This was a reduced scope audit, in view of the fact that Key Financial Systems are reviewed annually and the most recent review obtained favourable audit opinions. To this effect, the scope of the review only covered areas which were identified within the Service Risk Register as requiring further assurance. The key aspects covered were the following areas; the new Building Control partnership and its impact, staffing of Finance and level of service and the revised purchase order processing module. The risks for all other financial systems were shown as being suitably mitigated.

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

- 1) Risk that the Council may not comply with relevant legislation, policies or good practice.
- 2) Risk that controls, processes and procedures may not have been recorded for circulation to relevant staff in relation to new business.
- 3) Risk that budgetary control under-spend may have a detrimental impact on services where staff have maintained the level of service with fewer staff.
- 4) Risk that the revised Agresso purchase order processing system may not have been fully embedded and fully utilised by all users.
- 5) Risk that individual risk registers with revised financial operations may be out of date
- 6) Risk that fraud and corruption may be undetected.
- 7) Risk that opportunities to achieve or demonstrate efficiency or value for money may not be maximised.
- 8) Risk assessment may not be undertaken and risks not adequately managed.

Audit testing results indicated that controls were fully met in seven of the aspects examined, whilst one aspect was not met in relation to framework and compliance. (Risk 2)

The opinion of the auditor was that the framework of controls for the Key Financial Systems was "good". Additionally, compliance with the framework was also found to be "good". This meant that a high level of control framework was in place to ensure the achievement of service objectives, good corporate governance and to protect the Council

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against foreseeable risks. There was evidence that the framework of controls were substantially being complied with and the risks management process was considered to be good. Only minor errors and omissions were identified.

The following recommendation was agreed with Management to address the areas where controls were not met. These relate to risk 2.

- During discussions with staff it emerged that no formal processes or procedures have been formulated in respect of the Building Control partnership with TMBC or the new kiosk. Processes and procedures should be formulated and circulated to all relevant staff.

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

Review of Repair & Maintenance Arrangements 2014/15

Issued: 5 May 2015

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

The purpose of this review was to provide an assurance regarding the effectiveness of the Council's arrangements for the repairs and maintenance service in delivering Council objectives. This would be the first review following the implementation of a new structure and configuration for the service. To this effect the review will primarily focus on fitness for purpose of the framework and related compliance.

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

- 1) Risk that the Council may not comply with relevant legislation, policies or good practice.
- 2) Risk that the asset management action plan may not be complete or current.
- 3) Risk that the asset management action plan may not be complied with or monitored.
- 4) Risk that the repairs may not be prioritised or undertaken in order to protect from further damage.
- 5) Risk that the repairs may not be undertaken in a cost effective or safe manner.
- 6) Risk that repairs may not be undertaken by legitimate service providers or using agreed contract arrangements.
- 7) Risk that maintenance and repairs may not be managed within the agreed budgets.

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- 8) Fraud and corruption may be undetected.
- 9) Opportunities to achieve or demonstrate efficiency or value for money may not be maximised.
- 10) Risk assessment may not be undertaken and risks not adequately managed.

Audit testing results indicated that controls were fully met in three of the aspects examined, whilst five aspects were partially met in relation to compliance (Risks 1,2,3,8 and 10). The remaining two aspects were found to be partially met in relation to both compliance and framework (Risks 4 & 7).

The opinion of the auditor was that the framework of controls was “Satisfactory”. This meant that controls exist to enable the achievement of service objectives, obtain good corporate governance and mitigate against significant foreseeable risks. The effectiveness of the control framework was also “Satisfactory” which means occasional instances of failure to comply with the control process were identified and opportunities still exist to mitigate further against potential risks.

Thirteen recommendations were agreed with Management to address the areas where controls were partially met. These relate to risks detailed above where partial compliance was found.

- Key access, holding and numbering arrangements is reviewed to ensure all keys held and related locations are current, accurate, complete, accessible and clearly marked to enable expeditious entry.
- A scheduled maintenance plan is produced for the principal, key and operational assets in the estate as soon as this is practicable.
- A timetable for arrangements to inspect the structure and condition of the Argyle Road exterior building are included in the building’s planned maintenance schedule.
- Consideration should be given to setting of targets, or similar indicators for the raising of emergency and non- emergency orders.
- Full written procedures should be produced for raising emergency and non-emergency (Agresso) purchase orders and for approving invoices for payment. Such procedures should make adequate provision for the operation of segregation of duties and internal check and cover both routine and also absence-cover arrangements for both the preparer and authoriser of the transaction. Invoices should not be paid unless supported by an Agresso purchase order.
- Repairs and maintenance activity should be recorded and manipulated on the Supportworks system already in place for recording facilities management and IT activity levels.
- A quarterly financial reconciliation should be undertaken between the repairs and maintenance Agresso budget statements and the service’s own internal financial spreadsheet records. This reconciliation should be relatively brief and structured

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for reporting purposes and contain sufficient narrative explanation as well as financial information to account for any differences between the two balances.

- The above reconciliation is signed off by the Service Accountant and Facilities Manager and dated and the evidence of the reconciliation retained on file.
- An annual spending plan is produced and is updated on a quarterly basis alongside the above reconciliation. The plan should be relatively brief, but clearly indicate the ambitions, amount, location and timing of future repairs and maintenance spend across the current financial year.
- Repairs and maintenance cost centres, account codes are reviewed to ensure where different cost centres and codes are used the narrative descriptions used are similarly clear and distinct from one another and duplication is avoided. The use of contingency as an appropriate description could be explored.
- The section has identified a number of single-point dependencies in the team and through the planning and staff appraisal process is now deploying a programme of training, up-skilling and multi-skilling of staff to address this in contingency terms. This issue must be identified as a risk stated on the section's risk register and appropriately managed.
- Risks identified by the section and included in the operational risk register are linked strongly to the 2015/16 service plan.
- The risk of fraud must be included in the sections risk register.

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

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Appendix A - Annex 3

AUDIT OPINIONS - Definitions

Good	<i>Controls are in place to ensure the achievement of service objectives, good corporate governance and to protect the Council against significant foreseeable risks. Compliance with the risk management process is considered to be good and no significant or material errors or omissions were found.</i>
Satisfactory	<i>Controls exist to enable the achievement of service objectives, obtain good corporate governance, and protect against significant foreseeable risks. However, occasional instances of failure to comply with the control process were identified and opportunities still exist to mitigate further against potential risks.</i>
Adequate	<i>Controls are in place and to varying degrees are complied with but there are gaps in the control process, which weaken the system and leave the Council exposed to some minor risks. There is therefore, a need to introduce some additional controls and improve compliance with existing controls to reduce the risk to the Council.</i>
Unsatisfactory	<i>Controls are considered insufficient with the absence of at least one critical control mechanism. There is also a need to improve compliance with existing controls, and errors and omissions have been detected. Failure to improve controls leaves the Council exposed to significant risk, which could lead to major financial loss, embarrassment, or failure to achieve key service objectives.</i>
Unacceptable	<i>Controls are generally weak or non-existent, leaving the system open to abuse or error. A high number of key risks remain unidentified and therefore, unmanaged.</i>

Audit Opinions

Since January 2013 a trial of two audit opinions have been given for each audit review.

Framework. – the systems in place and controls within it.

The first opinion refers to the framework of controls in place to manage the risks. This refers to the controls in place established by management to manage the risks which could prevent the achievement of service objectives. The review of framework is designed to identify areas where there are control gaps, or a need to enhance existing controls. It will then make recommendations for additional or improved controls.

Effectiveness – the effectiveness of the controls in place.

This opinion refers to the effectiveness of existing controls. This refers to the degree of compliance with established controls. Compliance with established controls is what makes a system effective, assuming that the controls are strong enough to facilitate the effective management of identifiable risks and the delivery of objectives. Substantive testing is undertaken to assess the degree of compliance. The higher the degree of compliance, the more effective the system would be in delivering objectives. Testing will identify where controls are not achieving the required outcomes, or where they are not being followed. Recommendations will then be made to either strengthen or enforce compliance with existing controls.

No compliance testing will be undertaken where no framework exists. However, weakness or threat testing may be undertaken, in order to establish the extent of the risk, or the potential loss to the Council.

Additionally, to support this new approach, the opinions have been redefined and the revised definitions are below.

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

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