

**DARTFORD & SEVENOAKS AUDIT PARTNERSHIP**

# **Internal Audit Progress Report**

**March 2019**



## Introduction

1. 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.”***

2. The Regulations state that services must follow the [Public Sector Internal Audit Standards](#) - a consolidated approach to internal auditing standards across the whole of public sector. They are an expansion of international standards by HM Government, adding elements specific to the UK public Sector. The ‘Standards’ form part of the wider mandatory elements of the International Professional Practices Framework (IPPF) which is applicable to all UK Local Authorities:



3. These ‘Standards’ mandate the mission of internal audit: ***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.
4. 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.
5. This report updates Members on progress and findings as we complete the Audit Plan approved by this Committee in [April 2018](#). In addition, to providing insights from the wider governance roles that we fulfil.

## Internal Control

6. 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.
7. 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

8. This Committee approved our Audit Plan 2018/19 in April 2018. The plan set out, a summary of the audit projects to be delivered, along with a resource plan showing the total number of days allocated to the plan.
9. We began work on the plan in May 2018, following completion of the remaining 2017/18 audit work.
10. We use a time recording system called Teammate to log all time spent on the different audit related tasks. This system enables us to capture time spent delivering different activities and individual audit projects.
11. The table below shows how we have utilised audit days up to February 2019:

Category	2018/19 Plan Days	Outturn to December 2018	Outturn to February 2019	Days Remaining
2017/18 Assurance Projects	0	8	8	0
2018/19 Assurance Projects	256	127 (+27 between Oct-Dec)	165 (+38 between Jan – Feb)	91
Contingency and Consultancy Reported as: <i>General administration/Committee reporting/service development/Audit Planning/risk management/joint working</i>	156	126 (+43 between Oct - Dec)	147 (+21 between Jan- Feb)	9
<b>Totals (18/19 Work Only)</b>	<b>412</b>	<b>253</b>	<b>312</b>	<b>100</b>

12. Based on the figures above, we have utilised just over 75% of the planned days towards the 18/19 audit plan.
13. When bearing in mind the progress against the plan and that we will be completing some projects in April (detailed in the tables below), we are satisfied that we have the necessary days available to deliver the remaining projects on the plan.

## Audit Work

14. The table below shows delivery of the audit plan up to the time of publishing this report (Mid-March 2019).

### Audit projects completed

Sevenoaks Audit Plan 2018/19				
No	Title	Budget	Date Issued	Conclusion
<b>2018/19 Audit Work Completed so far</b>				
1	SDC7-18/19 Health	10	July 18	Full
2	<b>ADDED</b> Housing Register	5	August 18	n/a
3	SDC9-18/19 Fly-Tipping	5	September	Full
4	SDC11 - Environmental Health (Food Safety) <b>SHARED</b>	10*	November 18	Substantial
5	SDC8-18/19 Community Safety	5	November 18	Full
6	SDC1-18/19 Community Infrastructure Levy	5	December 18	Substantial
7	<b>ADDED</b> PayPal – Data Analysis	10	December 18	n/a
8	SDC5-DBC4-18/19 Council Tax Systems Mapping - <b>SHARED</b>	20*	February 19	Full

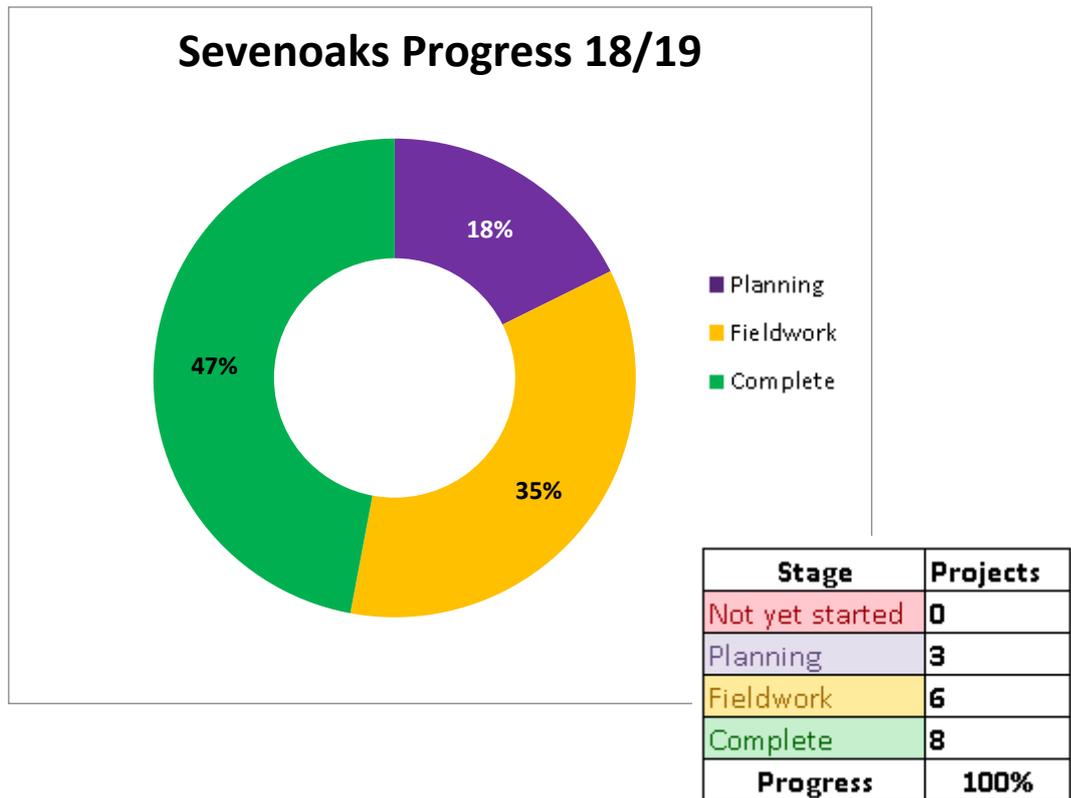
\*Days shared with Dartford

### Audit projects awaiting completion

Sevenoaks Audit Plan 2018/19				
No	Title	Budget	Expected	Progress
9	SDC10-18/19 Markets	10	March 19	Draft Report
10	SDC6-DBC5-18/19 Business Rates Systems Mapping - <b>SHARED</b>	10*	March 19	Fieldwork
11	SDC13-18/19 Payroll	10	March 19	Fieldwork
12	SDC4-18/19 – Accounts Receivable Systems Mapping	15	March 19	Fieldwork
13	SDC15-18/19: ICT Audit Needs Assessment	10	March 19	Fieldwork
14	SDC12-18/19 Business Continuity	10	March 19	Fieldwork
15	SDC2-18/19 Private Sector Letting Scheme	10	March 19	Planning
16	SDC3-18/19 Homelessness Reduction Act	10	April 19	Planning
17	SDC14-18/19 GDPR	15	April 19	Planning

\*Days shared with Dartford

15. The chart below shows a summary of the audit plan based on current progress (with fieldwork including any work not yet reported as final):



## Audit Work Summaries

16. We include below executive summaries of the reports issued in final since our last update report in January 2019.

### Shared – Council Tax Systems Mapping – Issued in February 2019

17. We conclude based on our audit work that the controls in place over the Council Tax system provide **FULL** assurance.
18. Dartford (DBC) and Sevenoaks (SDC) collect in the region of £150m of Council Tax (CT) each year. The vast majority of the funds collected are distributed onwards to the precepting bodies, including Kent County Council and Kent Police and Crime Commissioner and Kent & Medway Fire & Rescue Service
19. This review provides independent assurance over the adequacy of controls for the Council Tax process. We mapped the system from billing through to recovery and identified the key controls and risks. Our testing of the key controls confirms that the system is effective in **design** and **operation**. We identified no errors in our key controls testing.

### PayPal: Data Analysis – Issued in December 2019

20. We were asked to collate and analyse transaction and usage data since the implementation of PayPal to support the post-implementation review of the project. The purpose of our work was to determine if value for money is being provided by the system. The outcomes of our analysis will be used to assist decision making over the longer term plan to use PayPal.
21. The scope of this work included:
  - a. To document, by way of a flowchart, the current processes and controls in place for the services that offer PayPal as a payment method
  - b. To collate activity data (including which areas have most take up)
  - c. To establish and calculate current transactions costs charged by PayPal relative to usage
  - d. To calculate the current cost (by way of resource and time) to the Council for PayPal transactions
  - e. To establish PayPal usage at other local authorities
  - f. To analyse data collated and report findings
22. As this work was undertaken as consultancy, no assurance rating was issued and we did not make any recommendations.

## Community Infrastructure Levy (CIL) – Issued in December 2018

23. The purpose of this audit review was to provide independent assurance over the effectiveness of the controls for the implementation and administration of the Community Infrastructure Levy (CIL).
24. Following the completion of our fieldwork, and subsequent feedback with Officers, we conclude that there is a sound framework in place to administer the CIL scheme. Liabilities are calculated in accordance with the agreed fees, and applied in compliance with the parameters of the scheme. Funds are allocated with full regard to the agreed infrastructure headings through the CIL Spending Board. Our testing identified some areas for improvement. Firstly to bring Officer Delegations (for CIL exemptions) up to date. Secondly, to review and clarify the pre-requisite for Member Support as part of the Spending Board decision making.
25. It is our opinion, based on the results of our work, that the controls in place provide **Substantial Assurance**. We raised 2 actions which are summarised below:

Priority Ranking	Number of recommendations
Medium	2

CIL - Delegations	Medium Priority
<p><b>Finding:</b> The delegations outlined for Officers in Development Services (pre-July 2018) do not include specific reference to authorise exemptions from CIL charges</p> <p><b>Action:</b> Update officer delegations to include CIL exemptions</p>	
Response	
<p><b>Response: Agreed</b> - The delegations to Managers have been updated in accordance with the recommendation</p> <p><i>Action was taken during the reporting phase of the audit to implement this action</i></p>	

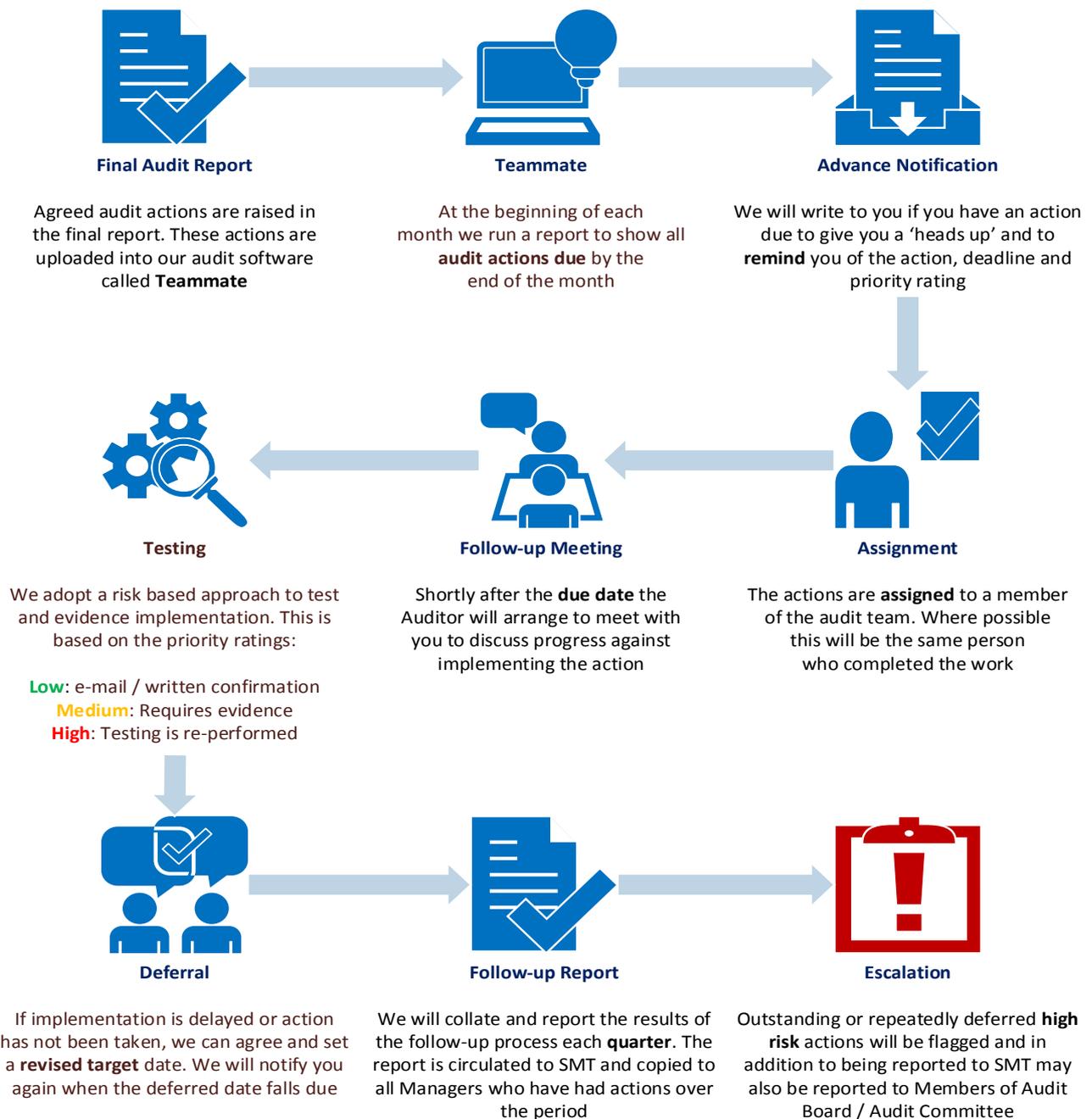
CIL - Governance	Medium Priority
<p><b>Finding:</b> Our testing identified an instance where a scheme did not include the details of a supporting ward member</p> <p><b>Action:</b> Clarify the current prerequisite requirements for Ward Member support and update the Constitution accordingly to reflect any agreed changes</p>	
Response	
<p><b>Response: Agreed</b> - A review of CIL Governance will be conducted in Quarter 1 2019/20</p> <p><i>This action will be followed up between April – June 2019</i></p>	

# DARTFORD & SEVENOAKS AUDIT PARTNERSHIP

## Follow-up of Audit Actions

The mission of internal audit is to **enhance and protect organisational value by providing risk-based and objective assurance, advice and insight**. We achieve this by undertaking audit reviews which document, review and test the systems, processes and controls in place. Our findings sometimes identify instances where controls are not operating as effectively as they could, and so we seek to address these areas by raising **audit actions**.

Through discussion and feedback during the audit process, agreed actions are published in the audit report and we agree **target dates** in which to implement the agreed actions. This summary sets out the process we adopt to follow-up on the progress of implementing audit actions and also shows how the results are communicated to Management and Members. The process below shows the **'typical'** path, but in reality we are able to adapt on a case by case basis to reflect the circumstances of each service.



*\*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

26. 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	Report Issue Date & Rating	Recs Agreed	Delayed	Agreed Deferrals	Not due	Closed	Completed	Full Completion date
IT Acquisitions 2017/18	28/6/17 Substantial Assurance	2	0	0	1 (Low) <sup>1</sup>	0	1	-
Tree Application – Decision Making 2017/18	15/12/17 Limited Assurance	3	0	0	0	0	3	Feb 2019
Members’ Expenses 2017/18	13/3/18 Substantial Assurance	1	0	0	0	0	1	Feb 2019
Key Financial Systems 2017/18	9/4/18 Limited Assurance	5	0	0	1 (Medium)	0	4	
Print Studio 2017/18	13/4/18 Limited Assurance	3	0	0	3 (1 High, 2 Medium) <sup>1</sup>	0		-
Fly-Tipping 2018/19	September 2018 Full Assurance	2	0	0	0	0	2	Feb 2019
Environmental Health – Food Safety 2018/19	December 2018 Substantial Assurance	3	0	0	0	0	3	March 2019
CIL 2018/19	December 2018 Substantial Assurance	2	0	0	1 (Medium)	0	1	
<b>TOTAL</b>		<b>21</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>0</b>	<b>15</b>	

27. Based on the results of our current follow-up work, there are **6** actions that are ‘live’ and which we are monitoring. We will report progress on the implementation of these actions as they fall due.

28. All of the actions due within the period were implemented as agreed.

<sup>1</sup> Agreed deferral to April as per January 2019 progress report

## Governance

29. Corporate governance is the rules, practices and processes that direct and control the Council. We gain evidence of the effectiveness of the Council's governance through completion of our governance related audits on the audit plan (such as GDPR), but also through 'other' activities. These include:
- **Risk Management:** We are actively involved in the support and coordination of the Council's risk management processes. The Audit Manager Chairs the Risk Management Group, and report at least annually to this Committee on how the Council is managing strategic and other key risks. Our audit work looks at operational risk management, and the effectiveness of the controls in place to manage those risks to acceptable levels. **We will be working with Strategic Management Team in early 2019/20 to refresh the Council's Risk Management Strategy.**
  - **Counter Fraud:** We consider the risk of fraud in all of our regular audit projects, and our audit universe includes relevant policies and procedures aimed at preventing, detecting or tackling fraud (such as Officer Declarations, Gifts and Hospitality, and Expenses). We will be considering more proactive efforts as part of the 2019/20 audit plan.
  - **Whistleblowing (speaking-up):** The Committee reviewed and adopted the most recent policy in March / April 2017. The Audit Manager is a named officer in the policy, along with Senior Officers and the Chair of the Audit Committee. We will report feedback on whistleblowing matters to Members as part of the Annual Audit Opinion. To date, we have not received any official disclosures through the policy.
  - **Ad-hoc advice & Consultancy:** The Council has a number of working groups, and we sit, in an advisory capacity, on some in order to provide insight and a view from the risk and control perspective. Such groups include Safeguarding, Project Steering Group and Customer Re-design. In addition, contingency days built into the audit plan can be called upon to deliver special projects. Examples for Sevenoaks include the Housing Register and PayPal projects.
30. Our involvement enables us to provide greater insight into the governance of the Council. As these roles develop, our audit plan will be reactive to the demand on audit time and resource. This could include more or less involvement depending on the appetite of management.
31. We will continue to report outcomes to the Audit Committee throughout the year.

## Service update

32. In the January Partnership Board meeting, the Board agreed to extend the secondment with Mid Kent Audit, to provide Audit Management (Chief Audit Executive) from **01/04/2019** to **31/03/2020**.
33. Building on our previous service update, below sets out the key objectives over the period, along with an indicator of progress to date. The references link to the External Quality Assessment recommendations (which were reported to Audit Board in **July 2018**):

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	75%	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 set 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 board 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	40%	

34. Members will continue to receive regular updates on how the above actions are being progressed, and will be a key part of the process for approving any future plans and strategies for the service.

## **Acknowledgements**

35. We would like to take this opportunity 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.
36. Managers and Officers embrace the findings of each review, and we are pleased to see an appetite to seek improvement through the audit process. This, in part, is made possible through the hard work and dedication of our team, and the open and transparent approach they adopt when undertaking our work.

## Appendix I

### Definitions of Assurance ratings:

OPINION	DEFINITIONS
<p><b>Full Assurance</b></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 <b>LOW</b> priority actions. Agreed actions will be followed up as they fall due.</p>
<p><b>Substantial Assurance</b></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 <b>MEDIUM</b> priority actions. Agreed actions will be followed up as they fall due.</p>
<p><b>Limited Assurance</b></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 <b>HIGH</b> 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><b>No Assurance</b></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 <b>HIGH</b> or <b>CRITICAL</b> 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;"><b>Critical</b></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"> <li>• the efficient and effective use of resources</li> <li>• the safeguarding of assets</li> <li>• the preparation of reliable financial and operational information</li> <li>• compliance with laws and regulations</li> </ul>
<p style="text-align: center;"><b>High</b></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;"><b>Medium</b></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;"><b>Low</b></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;"><b>Advisory</b></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>