

# **Internal Audit Plan**

## **2019/20**

### **Sevenoaks**



# Introduction

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 services must follow the [Public Sector Internal Audit Standards](#) – which are mandated across the whole of the 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.

The 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.

In order to ensure that we work in accordance with the Standards and deliver on our mission we have an ***Internal Audit Charter***. The Charter sets out our purpose, authority and responsibility as an internal audit service for Sevenoaks District Council. Members will have opportunity to consider the Charter in conjunction with this report.

The Standards also set out the requirements over the audit plan. Specifically standard 2010:

## **2010 Planning**

The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals.

### *Interpretation:*

To develop the risk-based plan, the chief audit executive consults with senior management and the board and obtains an understanding of the organisation’s strategies, key business objectives, associated risks and risk management processes. The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organisation’s business, risks, operations, programmes, systems, and controls.

In accordance with that requirement, this report sets out the internal audit plan, it provides Members with a summary of the steps taken to develop, identify, assess and formulate the Audit Plan for 2019/20 and beyond, in addition to providing details of the audit activities and allocation of resources for the year.

## Risk Based Planning

The Standards require that we apply a risk-based approach to our audit plan. As part of this assessment we need to be aware of and consider the risks directly facing the Council, in addition to the wider Sector and economic risks. We then need to apply our own risk assessment that includes an internal audit judgement of risk, plus the Council’s own assessment of risk.

We have undertaken a full risk based planning exercise this year to identify all of the auditable areas across the Council (the “**audit universe**” – Appendix I). The illustration below sets out how we have undertaken the audit planning exercise for 2019/20:



We applied a risk assessment (Appendix II) to each of the audit areas identified. This assessment takes into consideration the following criteria:

- **History:** Audit work undertaken in previous years and the overall conclusions
- **Frequency:** The length of time since we last conducted work in the area
- **Finance:** The level of materiality to the Council budget
- **Regulatory:** The legal, statutory or regulatory framework for the area
- **Priorities:** Links with the Council strategy and corporate plan
- **Inclusion:** Whether it is an area of regular audit attention
- **Change / Environment:** The stability of the operating environment

Resulting from this exercise was a fully assessed and prioritised audit universe. As this is this first time that we ran this exercise, we identified a significant number of ‘new’ audit areas:

Sevenoaks Audit Universe	
Projects with past audit history	86
NEW Audit Areas	97
<b>Total Audit Entities</b>	<b>183</b>

## Global and Sector Risks

In drawing together the audit plan, we also need to consider global and sector risks. This includes updates provided by relevant professional bodies, such as CIPFA. We also consult with our internal audit colleagues through groups such as London and Kent Audit Groups and through review of other published audit plans in the South East.

These sources give us insight into both the key issues facing local government and how other audit teams are responding either directly through the audit plans, or by providing advice and guidance. To show our consideration as part of the 2019/20 audit plan, we have used the [Risk in Focus 2019](#) publication from the Institute of Internal Auditors:

Hot Topics	Audit Partnership Response
<b>IT Governance</b>	The <b>ICT Audit Needs Assessment</b> being undertaken in March 2019 will result in a technical ICT audit plan which can be programmed in over the next few years
<b>Post-GDPR Data Protection</b>	We are completing a <b>post-GDPR review</b> in April 2019. The results of which will be incorporated into future audit planning
<b>Digitalisation, Automation &amp; AI</b>	The <b>ICT Audit Needs Assessment</b> being undertaken in March 2019 will result in a technical ICT audit plan which can be programmed in over the next few years
<b>Sustainability: Environment &amp; Social Ethics</b>	We have included audit work on the <b>Local Air Quality Management</b> plans for 2019/20.
<b>Bribery &amp; Corruption Compliance</b>	Our work in 2019/20 will aim to strengthen governance arrangements. In particular the <b>Counter Fraud Risk Assessment</b> and <b>Whistleblowing Policy</b> work
<b>Communication: Brand and Reputation</b>	<b>Reputational risk</b> will be a key feature in the review of the Council’s risk management framework
<b>Workplace Culture</b>	We have programmed in some specific <b>HR Policy review</b> work, and will be working across the Partnership to explore how <b>workplace culture</b> could be incorporated into every audit that we undertake
<b>Risk Management &amp; Governance</b>	Our work in 2019/20 will aim to strengthen governance arrangements. In particular the <b>Corporate Governance Framework</b> assessment and <b>Risk Management Framework</b>

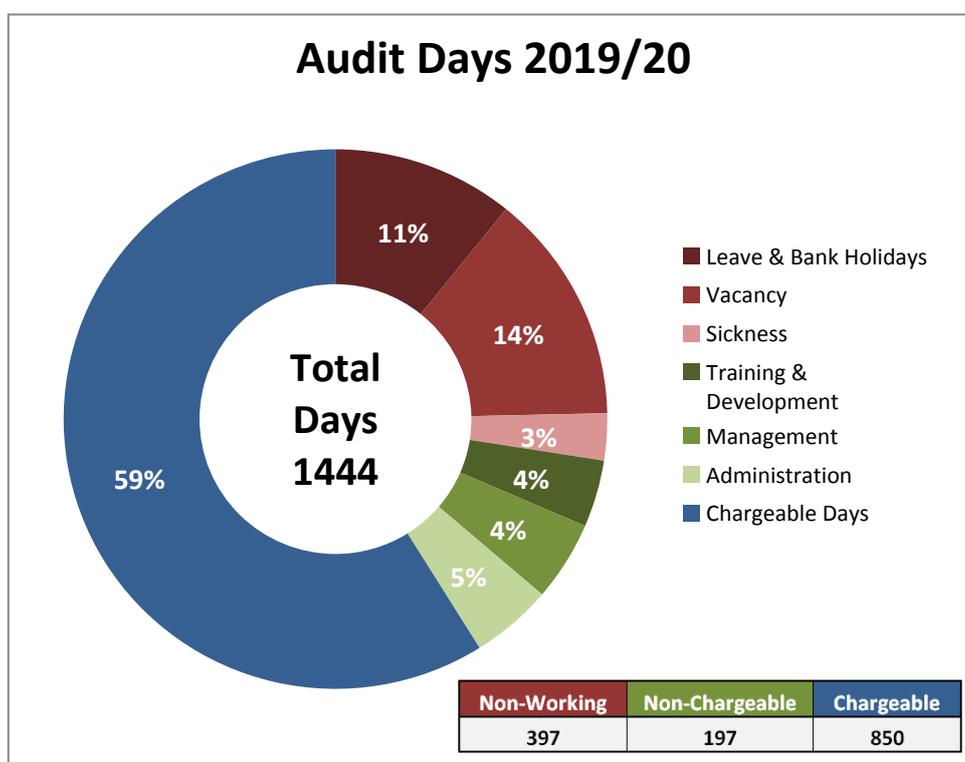
Given the scale of the exercise and the number of new audit areas resulting from the consultations and risk assessment exercise, we have drawn together a plan for 2019/20 of key risk areas only. However, the planning process is continuous, and as we work through the year, these assessments will be enhanced and developed in order to bring together a long term strategy in 2020/21 covering the next 3-5 years.

Once the planning exercise was complete, and we identified the audit priorities for 2019/20 we then need to consider the available resources to deliver the plan.

## Resources

The Partnership consists of 5.8 FTE, plus 0.5 admin support. To calculate the total amount of resources available we take the total available days and subtract various categories of non-working and non-audit time. This enables us to ensure that we factor in the ongoing support and development of the service, in addition to the administrative demands of the role. We have factored in a small vacancy assumption for part of the year, as we continue to hold vacancies until the service review and restructure work has been completed (an update on this is provided later in this report).

The illustration below shows the breakdown of the total available days for the year:



The Partnership has access to 850 chargeable audit days for 2019/20. This is an increase of 26 on the 2018/19 plan. These days are split 50/50 for **Sevenoaks** and **Dartford**, and the available days are allocated to the audit plan. We are able to ensure flexibility in how those days are deployed depending on the demand from each partner. The table below shows the allocation of the **425** audit days for Sevenoaks:

Activity	Dartford		Sevenoaks	
	18/19	19/20	18/19	19/20
Risk Management		<b>10</b>		<b>10</b>
Counter Fraud		<b>5</b>		<b>5</b>
Member Support/Training/Meetings		<b>10</b>		<b>10</b>
Follow-Up		<b>15</b>		<b>15</b>
Audit Planning		<b>10</b>		<b>10</b>
Advisory & Consultancy		<b>50</b>		<b>74</b>
<b>Total non-audit</b>	<b>156</b>	<b>95</b>	<b>156</b>	<b>119</b>

Available for projects	256	330	256	306
<b>Total Days</b>	<b>412</b>	<b>425</b>	<b>412</b>	<b>425</b>

Audit Standards requires us to assess whether the resources available are sufficient to fulfil the audit needs of the Council each year. In order to make this judgement, we consider:

- **Whether we had sufficient resource to complete our prior year plan**
  - On the whole the 18/19 audit plan will be achieved, this has been made possible through support from contractors – this resource remains available for 2019/20
- **Whether the size and complexity of the organisation has changed over the last year**
  - The Council has not undergone any significant changes over the last year
- **Whether the organisation’s appetite for risk has changed**
  - The Council continues to pursue its corporate priorities, and commitment to deliver key strategic projects
- **If there have been any significant changes to the control environment, including any adverse audit opinions and response to our audit findings**
  - We issued no adverse opinions in 2018/19 and have continued to see positive responses to our findings
- **Whether there have been significant changes to professional standards**
  - There have been no significant updates to the Public Sector Internal Audit Standards

Based on the criteria above, we believe we have sufficient resources to deliver the 2019/20 plan.

## The Audit Partnership 2019/20 and beyond

We have kept Members up to date with the progression of our service objectives following appointment of the Interim Audit Manager (Chief Audit Executive) in August 2018. The main focus over 2018/19 has been about developing the service, improving quality, and addressing the outstanding actions from the 2017 External Quality Assessment follow-up.

As we move forward into 2019/20 we will complete the work to review the Partnership and implement a new structure designed to create a sustainable, high quality, and fully compliant Internal Audit service. Without a doubt, this work will result in service disruption, change, and a period of embedding, all of which need to be factored into our 2019/20 plan. We have responded to this mainly by factoring a vacancy assumption for the first part of the year, this will enable us to maintain momentum of the work, alongside delivery of the restructure.

We set out a summary of the key steps below:

- **April 2019:** Following a period of consultation, the new service structure is agreed
- **May 2019:** Assessments are undertaken to align skills, knowledge and competencies with the roles and responsibilities in the new structure
- **June 2019:** Vacancies are advertised
- **July 2019:** Appointments are offered, and depending on notice periods, recruitment exercises are closed
- **August 2019 onwards:** New structure is live and induction and embedding work commences
- **September 2019 onwards:** Work begins to draft the longer term strategy for the Partnership

- **December 2019 to March 2020:** Audit planning exercise undertaken to draft a 3-5 year assurance plan, showing coverage of the audit universe and alignment to strategic objectives

We will continue to keep Members updated with progress through our usual quarterly update reports.

# Audit Plan 2019/20

The outcomes of our audit projects are concluded in one of two ways, those that lead us to issue an assurance rating (**rated**) and those that do not (**not rated**). Members will be familiar with our assurance ratings, and we have kept them the same for 2019/20 (Appendix III). We recognise that Internal Audit resources may sometimes be more usually focussed on supporting work in progress, or providing advice and insight. In these circumstances, an assurance rating is not appropriate. However, we do issue reports for this type of work and will continue to provide summaries in our reporting to Members.

The table below sets out our audit plan for 2019/20. We have categorised our work into 3 types of assurance:

- **Finance:** Those areas that present a material impact on the Council budget;
- **Governance:** Areas that sit in the corporate centre, such as laws and regulations
- **Risk-Based:** Operationally focussed work that looks at how effective controls are at managing key service risks

The plan also includes a short note on the objective of the work, and how we have allocated our available resources to each assurance area. The scope and individual budget for each project will be confirmed and agreed at planning stage. The work will be undertaken in accordance with our revised audit process, our quality assurance and improvement programme, and our performance will be measured using our new performance indicators (most recently reported to Audit Committee in **January 2019**).

Ref	Service Area	Audit Title	Type	Notes
SDC01	Financial Services	Capital Programme: Monitoring	Finance	<b>Rated</b> – To identify and review the controls in place to monitor spend against the agreed Capital Programme.
SDC02	Revenues & Benefits Partnership	Housing Benefits <i>(Shared Service with Dartford)</i>	Finance	<b>Rated</b> – Full systems based audit to map the system, identify key controls and risks and test effectiveness of controls.
SDC03	Financial Services	Budgetary Control & Monitoring	Finance	<b>Rated</b> – To identify and review the controls in place to monitor spend against the Council’s budget, including guidance and support provided to budget managers.
SDC04	Parking Services	Pay and Display Income	Finance	<b>Rated</b> – To establish and test the controls in place over the collection, receipt and banking of pay and display income.
SDC05	Financial Services	Accounts Payable (Creditors)	Finance	<b>Rated</b> – Full systems based audit to map the system, identify key controls and risks and test effectiveness of controls.
<b>FINANCE ASSURANCE</b>			<b>50 Days</b>	

Ref	Service Area	Audit Title	Type	Notes
SDC06	Procurement	Contract Procedure Rules	Governance	<b>Rated</b> – To review and evaluate the rules, incorporating insight from other Local Authority rules, and to test compliance with the rules.
SDC07	Legal & Democratic	Scheme of Delegations & Decision Making	Governance	<b>Rated</b> – To document and review the schemes of delegations and to verify that decisions have complied with agreed delegations.
SDC08	Customer & Service Delivery	Complaints	Governance	<b>Rated</b> – To review the effectiveness of the procedures and processes in place to manage and respond to complaints.
SDC09	Audit Partnership	Fraud Risk Assessment	Governance	<b>Not-Rated</b> – Assessment against the <b>Fighting Fraud and Corruption Locally</b> checklist.
SDC 10/DBC11*	Customer & Service Delivery	Programme Governance	Governance	<b>Not-Rated</b> – Programme governance health-check for corporate projects.
SDC11	Financial Services	Annual Governance Statement	Governance	<b>Not-Rated</b> - Work to review and update the Council's Annual Governance Statement.
SDC12	Legal & Democratic	Corporate Governance Code	Governance	<b>Not-rated</b> – Assessment against the <b>Delivery Good Governance in Local Government Framework</b> .
<b>GOVERNANCE ASSURANCE</b>			<b>70 Days</b>	
SDC13/DBC16*	Environmental Health Partnership	Animal Welfare / Control <i>(Shared Service with Dartford)</i>	Risk Based	<b>Rated</b> – To review the implementation and effectiveness of procedures following the introduction of new <b>Regulations</b> in October 2018.
SDC14	Housing & Health	Housing Allocations Policy	Risk Based	<b>Rated</b> – To review compliance with the Housing Allocations Policy.
SDC15	Planning	Development Management: Enforcement	Risk Based	<b>Rated</b> - To review the process for creating, documenting and executing planning control notices.
SDC16/DBC26*	Revenues & Benefits Partnership	Application of discretionary powers <i>(Shared Service with Dartford)</i>	Risk Based	<b>Rated</b> – To review a sample of discretionary policies and test application and issue.
SDC17	Direct Services	Grounds Maintenance	Risk Based	<b>Rated</b> – Review of the arrangements and processes in place to effectively deliver the ground maintenance service.
SDC18	Emergency Planning &	Private Sector Housing: Enforcement	Risk Based	<b>Rated</b> – This review will include the Housing Health & Safety

Ref	Service Area	Audit Title	Type	Notes
	Property Services Manager			Rating System (HHSRS) and Homes in Multiple Occupation HMO's).
SDC19/DBC17*	Environmental Health Partnership	Local Air Quality Management <i>(Shared Service with Dartford)</i>	Risk Based	<b>Rated</b> – To document and review the processes and controls in place to collect, monitor and report air quality data.
SDC20	Community Safety	Community Safety Partnership	Risk Based	<b>Rated</b> – To establish how the Council collects, maintains and reports data to support achievement of the Community Safety priorities.
SDC21	Direct Services	Fleet Management	Risk Based	<b>Rated</b> – This review will include the maintenance and replacement programme, procurement, and control of the fleet while in operation.
SDC22	Direct Services	Purchasing & Stock Management	Risk Based	<b>Rated</b> – To review the controls in place over the finance and administration processes at the depot (Dunbrik).
SDC23	Direct Services	Domestic Waste & Recycling	Risk Based	<b>Rated</b> – To review the controls in place to manage key risks associated with the waste collection service. Including the data transfer between the Council and KCC.
SDC24	Human Resources	Policy Compliance	Risk Based	<b>Rated</b> - To review a sample of HR policies and test compliance.
SDC25	Human Resources	Recruitment Process	Risk Based	<b>Rated</b> – <i>Limited scope</i> : Review will focus on the 'on-boarding' of new staff, including induction.
<b>RISK BASED ASSURANCE</b>			<b>186 Days</b>	
<b>TOTAL DAYS: 306</b>				

\*Audit resource shared with Dartford

# Appendix I: Sevenoaks Audit Universe

Chief Officer	Service Area	Auditable Areas
Chief Executive	Chief Executive	Quercus 7 (trading company)
		Quercus Housing (Ltd)
		Working Groups / Governance
Chief Officer - Environment & Operational Services	Environment & Operational Services	Corporate Health & Safety
		Contract Procedure Rules
		Contract Waivers
		Procurement
		Contract Management
	Direct Services	CCTV
		Emergency Stand by Service
		Countryside
		Grounds Maintenance
		Markets
		Abandoned vehicles
		Financial Management System (TASK)
		Pest Control
		Purchasing & Stock Management
		Bulky Refuse
		Cesspool Emptying
		Commercial Waste
		Domestic Waste & Recycling
		Fly-tipping
		Green waste collection
		CDSU (Cleaning District Support Unit)
		Public Conveniences
		Street Cleansing
		Fleet Management

	Vehicle Testing (Inc. MOT Servicing)
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Chief Officer	Service Area	Auditable Areas
Chief Officer - Environment & Operational Services (continued)	Licensing Partnership	Licensing: Administration & Fees
		Licensing: Compliance
		Taxi & Hackney Licenses
		Temporary Event Notices
		Licensing Partnership Arrangements
	Environmental Health Partnership	Food Safety
		Health & Safety in commercial premises
		Infectious Disease Control
		Paid for advice (Primary Authority Scheme)
		Animal Welfare / Control
		Consultancy: Planning / Licensing
		Contaminated Land
		Local Air Quality Management
		Pollution Control: Environmental Permitting
		Private Water Supplies
	Parking	Statutory Nuisance
		Parking Enforcement
		Parking Enforcement - Tandridge
		Pay and Display Income
		Residents / Business Parking Permits
		Parking Suspensions and Waivers
	Emergency Planning & Property Services	Season Tickets
		Asset Maintenance
		Property Income
		Facilities Management (General)
		Post, scanning and indexing
		Hospital Discharge Project
		Better Care Fund (Inc. DFG)
Private Sector Housing: Enforcement		
Traveller Sites / Encampments		
Business Continuity		

		Emergency Planning
		Safety Advisory Group

Chief Officer	Service Area	Auditable Areas
Chief Officer of Communities & Business	Economic Development & Property	"Team Around the Business"
		Economic Development Action Plan
		Property Management
		Property Investment
		Visit Kent Service Level Agreement
	Housing & Health	Housing Allocations Policy
		Housing Register
		Homelessness Reduction Act (implementation)
		Relief Duties: Emergency Accommodation
		Prevention Duties: Housing Advice & Prevention
		Empty Homes Initiatives
		HERO Project
		Private Sector Letting Scheme
		Public Health: Health in all Policies
		Public Health: One You
		Community Grants
		Community Plan
		Leisure Trust Monitoring
	Community Safety	Dunton Green Community Development Project
		Anti-Social Behaviour
		Community Safety Partnership
		CSU: Day Tasking Process
		Safeguarding
		Community Projects & Funding / Income

Chief Officer	Service Area	Auditable Areas
Chief Officer Corporate Support	Customer Services & Delivery	Programme Governance
		Project Management Framework
		Complaints
		CRM System
		Customer Services
		Payment Kiosk
		Freedom of Information (Fol)
	Information & Communications Technology (ICT)	Service Desk (IT Support)
		ICT Audit Needs Assessment (March 2019)
		GIS - Data Quality
		Local Land Charges
	Human Resources	Culture / Value Framework
		Wellbeing Programme
		Officer Declarations
		Absence Management
		Change Management
		Performance Management / Capability
		Staff appraisals
		Policy Compliance
		Workforce Planning / People Strategy
		Apprenticeships
		Corporate Training
		Professional / Qualifications Training
		Payroll (System)
		Agency Staff, Consulting & Contracting
	Legal & Democratic	Recruitment Process
Retention & Succession		
Data Protection (GDPR)		
	Member Training & Development	
	Members Allowances	

		Members Expenses
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Chief Officer	Service Area	Auditable Areas
Chief Officer Corporate Support (continued)	Legal & Democratic (continued)	Corporate Governance Review
		Scheme of Delegations & Decision Making
		Case Management - Fee Earning
		Case Management - Time Recording
		LEXCEL Accreditation
		Gifts and Hospitality
		Member Declarations
		Officer Code of Conduct
		Member Induction
	Elections	Elections Process
		Electoral Registration
		Absent Voters

Chief Officer	Service Area	Auditable Areas
Chief Finance Officer	Chief Finance Officer	Budget Setting
		Annual Governance Statement (AGS)
		Shared Service / Partnership Governance
		Property Investment Strategy
	Financial Services	Budgetary Control & Monitoring
		Capital Programme: Strategy
		Capital Programme: Monitoring
		Banking Contract
		Cash Collection Contract
		Cashier Duties
		Payment / Credit Cards
		Accounts Payable (Creditors)
		Accounts Receivable (Debtors)
		Bank Reconciliation
		Feeder Systems & Journals
		Income Generation
		Insurance
		Transparency of Spending
		Treasury Management
		VAT Management (Make Tax Digital)
	Debt Recovery Policy	
	Revenues & Benefits Partnership	Business Rate Relief Fraud Work
		Data Matching (NFI / KIN / HBMS)
		Fraud & Error Red. Incentive Scheme
		Council Tax Reduction
		Universal Credit
		Discretionary Housing Payments
Application of discretionary powers		
Housing Benefits		
Business Rates		

		Council Tax
	Audit Partnership	Counter Fraud Risk Assessment
		Risk Management

Chief Officer	Service Area	Auditable Areas
Chief Officer Planning	Chief Officer Planning	Community Infrastructure Levy (CIL)
	Planning	Development Management: Enforcement
		Planning Admin & Fees
		Planning Application Performance
		Pre-Application Advice
		Housing Strategy
		Conservation & Design
		Local Plan
	Building Control Partnership	Building Control Partnership
	Head of Transformation & Strategy	Transformation & Strategy
Assets of Community Value (Localism)		
Corporate / Strategic Planning		
Performance Management Framework		
Public Sector Equalities Duty		
Service Planning		
Customer Re-design Programme		
Digital Transformation		
Print Room		
Communication & Consultation Manager		Communication Strategy
		Internal Communications & Intranet
		Press & Public Relations
		Website
		Public Consultations

## Summary

Total Projects	Finance	Governance	Risk Based
183	22	24	137

## Appendix II

### Risk Assessment Model:

		1	2	3
<b>History</b>	<i>What have been past audit conclusions of the area?</i>	Positive	Adverse	No / New
<b>Frequency</b>	<i>When did we last undertake the audit?</i>	Within 5 years	Within 3 years	Due / New
<b>Finance</b>	<i>How material is the spend or income of the audit area?</i>	Budget / income less than £500k	Budget / income between £500k - £1m	Budget / income into multiple £m's
<b>Regulatory</b>	<i>Is there a legal / regulatory requirement for the audit area?</i>	Discretionary Service	Regulated / Contracted Service	Statutory Service
<b>Priorities</b>	<i>What is the link to the Council's Corporate Plan?</i>	Operational	Corporate	Strategic
<b>Inclusion</b>	<i>Do we need to review this area regularly</i>	Occasional (5 years +)	Frequent (3 years)	Annual / New Area
<b>Change / Context</b>	<i>What do we know about the environment of the audit area?</i>	Stable / Minimal or No Change	Some Volatility / Isolated Change	Volatile / Significant Change
<b>Overall Rating</b>		<b>1 - 10</b>	<b>10 - 17</b>	<b>18 - 21</b>

## Appendix III

### 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>