

# **Internal Audit Update Report**

**3 November 2020**



## Introduction

1. Internal Audit is an independent and objective assurance and consulting function. The shared team undertake reviews over the course of the year that are designed to evaluate and improve the Council's internal control, governance and risk management processes.
2. This report provides Members with an update on internal audit activity, and, crucially, its outcomes, against the Plan that was agreed by Members of this Committee in July 2020.
3. It also seeks to enable the Committee to discharge its responsibility to provide oversight of the Internal Audit Partnership through performance information and an update on the forthcoming External Quality Assessment (EQA).

## Internal Audit Progress Update

4. Members will recall that due to the Coronavirus pandemic, both the completion of the 2019/20 Plan and the start of the 2020/21 Plan were delayed. The 2020/21 Internal Audit Plan was approved by Members in July 2020; at the same meeting the Annual report for 2019/20 was presented but at that stage, some audits for the previous financial year had not yet been finalised.

## Internal Audit Plan 2019/20

5. Since the Annual Report, we have completed the 2019/20 Plan and have issued the remaining two audit reports (Animal Welfare and HR Policy Compliance). Both of these audits received 'Substantial' assurance (summaries are provided in **Annex B**) and therefore they do not have any detrimental impact on my conclusion in the 2019/20 Annual Report that overall systems of control are sound.

## Internal Audit Plan 2020/21

6. Members will recall that the 2020/21 Internal Audit Plan was divided into two; Plan A contains the audits that are priorities for completion and Plan B contains additional audits that will be completed if resources allow.
7. An overall summary of Internal Audit progress against both Plans as at 12 October 2020 is shown below in **Annex A**. We have made steady progress against Plan A with two pieces of work fully completed and a further five in fieldwork. Nonetheless, it will be important to maintain momentum and work as efficiently as possible in the remaining months of the year in order to complete the Plan. This is a key focus of the Internal Audit Management Team.

## Amendments to the 2020/21 Plan

8. Within the Audit Plan report presented in July, I did note that the Audit Plan may have to be continually revised throughout the year as needs and risks would be likely to change. To date, we propose one amendment to the Internal Audit Plan for which Member approval is requested. We

had planned to undertake an audit of Waste Management in this financial year, however the service has separately commissioned a consultant to undertake a review to benchmark performance and provide an options appraisal for possible future service delivery models. I have reviewed the scoping document and consider that an internal audit review would involve some duplication. Therefore, in the interests of efficiency, I propose to remove that audit from the 2020/21 Plan.

## Internal Audit Outcomes

9. The table below shows all final audit reports issued and the outcomes since the last report to Audit Committee in July 2020. Summaries of these audits can be found in **Annex B**. Definitions of our assurance ratings are provided in **Annex E**.
10. One of the primary functions of Internal Audit is to provide assurance that identified risks are being effectively managed and to this end, the table below also provides links between Internal Audit work and the current Strategic Risk Register (which is presented as a separate agenda item). This does not mean that all controls have been covered as part of our audit but simply shows Members where they may be able to gain some assurance over the management of risk through our work.

Audit Year	Audit	Assurance Level	Links to Strategic Risk Register
2019/20	HR Policy Compliance	Substantial	SR04 – Knowledge, Capacity and Culture
2019/20	Animal Welfare	Substantial	NA
2020/21	Members’ Expenses & Allowances	Substantial	SR07 – Legal Compliance, Governance and Ethics
2020/21	Private Sector Housing Enforcement	N/A	SR13 – Temporary Accommodation

11. The three assurance pieces of work received a ‘Substantial’ rating which is a strong set of results. For these three audits, we found that for the majority of areas reviewed, robust controls were in place for the core process which we found to be working effectively in practice. We did find for all three audits, however, that controls to either detect or monitor and address exceptions could be enhanced. These controls are of course important to ensure that associated risks are identified and managed.
12. We have issued one consultancy audit report relating to Private Sector Housing – Enforcement and we have also provided advice and consultancy services on an ad hoc basis. To date, this work has largely been related to either Covid-19 or to Procurement. We have completed post-payment assurance checks on 35 Business Support Grants (across Dartford and Sevenoaks); these checks did not identify any significant discrepancies. We have also reviewed and commented upon proposed Procurement waivers and we are currently involved in the Council’s Procurement Task Group. The remit of this group is to develop the Council’s procurement arrangements to ensure that commissioners are equipped with the knowledge and skills to follow compliant and best-

practice routes to market. Once these arrangements are in place, then value for money through procurement arrangements will be further enhanced.

## **Follow Up**

13. Internal Audit follows up all Critical, High, Medium and Low priority findings as they fall due. **Annex C** shows the results of our follow up process to date this financial year. There are currently no Critical or High priority issues that are due and outstanding.
14. We have however closed one non-implemented Medium priority action as 'risk accepted'. This is the action raised in our 2018/19 Food Safety audit to reduce the backlog of new food premises inspections. Progress had been made prior to March, but due to the impact of the pandemic (including inability to undertake face to face inspections and large numbers of new food businesses registering), the service accepts that it will need to operate with a backlog for some time yet.

## **Internal Audit Performance**

15. Audit Committee have an important role to play in monitoring the performance of Internal Audit, in order to assure themselves that Internal Audit makes an effective contribution to governance and that reliance can be placed on its conclusions.

## **Key Performance Indicators**

16. To facilitate performance monitoring, a suite of Key Performance Indicators (KPIs) exist and the results for August 2020 (the most recent available at the time of writing) are shown at **Annex D**. Our key challenge at the moment is delivering audits to budget (as well as time and quality) which we are addressing through analysis to understand where and why budget over-runs occur and therefore how we may reduce these.
17. Currently, no figure for compliance with PSIAS is shown. This is because I am currently working through a full self-assessment in preparation for the External Quality Assessment (EQA).

## **External Quality Assessment (EQA)**

18. The External Quality Assessment (EQA) is an important mechanism for Members to receive assurance on the effectiveness of Internal Audit. At the July Audit Committee, Members were advised of the plan to procure an EQA in the form of a validated self-assessment in the current financial year. Since that time, under the sponsorship of the s151 Officers at SDC and DBC, we have requested, received and evaluated quotes and we have appointed the Institute of Internal Auditors (the IIA) to undertake this work. The review is provisionally booked for January 2021.
19. The Institute of Internal Auditors are the standard setters for the profession and are therefore very well qualified to undertake this work. The Lead Reviewer, John Chesshire, is a Chartered Fellow of

the IIA and has over 20 years' internal audit, governance and risk management experience. Quality Assurance will be undertaken by Liz Sandwith, the IIA's Chief Professional Practices Advisor.

20. John Chesshire undertakes a lot of training for the IIA and as such, in 2013 and 2015, I attended training courses as part of my own professional qualification that he delivered. John was also my nominated tutor for one module of my (distance learning) qualification. I do not believe that this constitutes a conflict of interest but nonetheless wished to bring this to Members' attention in the interests of transparency.
21. The EQA report, together with the Action Plan, will be presented to the next available Audit Committee after the report has been finalised.

## **Conclusion**

22. The outcomes of Internal Audit work have been largely positive and in the majority of cases, where findings have highlighted potential weaknesses, officers have put plans in place to address.
23. Clearly, these are volatile times for Councils up and down the country and it will therefore be important over the coming months that risks are continually acknowledged and assessed and that Internal Audit is able to respond in a dynamic way to the situation as it evolves.
24. We would like to thank Officers, Managers and Members for their ongoing support and co-operation to enable us to deliver our work, particularly in the light of the ongoing pandemic.

**Francesca Chivers, CMIIA**

**Audit Manager**

## Annex A – Internal Audit Plan 2020/21

Plan A	Audit Title	Type	Current Status
1	Annual Governance Statement	Consultancy	Not yet started
2	Cyber Security	Compliance	Planning
3	Covid-19 Response and Recovery	Risk-Based	Fieldwork
4	<i>Domestic Waste &amp; Recycling</i>	<i>Risk Based</i>	<i>Cancelled</i>
5	Contact Centre (Phones)	Risk Based	Planning
6	Housing Benefits	Risk Based	Not yet started
7	Members Expenses & Allowances	Risk Based	Complete
8	Contract Management	Risk Based	Planning
9	Local Land Charges	Risk Based	Fieldwork
10	Recruitment Process	Risk Based	Not yet started
11	Communication Strategy	Risk Based	Not yet started
12	Local Air Quality Management	Risk Based	Fieldwork
13	Corporate Health and Safety	Risk Based	Not yet started
14	Licensing Administration & Fees	Risk Based	Not yet started
15	Housing Allocations Policy	Risk Based	Planning
16	Disabled Facilities Grants	Risk Based	Not yet started
17	Tree Maintenance	Risk Based	Planning – draft brief issued
18	Planning Enforcement	Risk Based	Planning – draft brief issued
19	VAT Management (Make Tax Digital)	Consultancy	Planning
20	Counter Fraud - Assessment against FFCL	Consultancy	Fieldwork
21	Private Sector Housing - Enforcement	Consultancy	Complete
22	Budget Control and Monitoring	Finance	Fieldwork
Plan B	Audit Title	Type	Current Status
23	Bank Reconciliation	Finance	Not yet started
24	Insurance	Finance	Not yet started
25	Emergency Planning	Risk Based	Not yet started
26	Safety Advisory Group	Risk Based	Not yet started
27	Car Park – Season Tickets	Risk Based	Not yet started
28	Fleet Management	Risk Based	Not yet started
29	Freedom of Information	Risk Based	Not yet started
30	KCC Funding Agreement – Fraud & Error	Risk Based	Not yet started
31	Revenues and Benefits Shared Service Performance	Finance	Not yet started
32	Pre-application Planning Advice	Risk Based	Not yet started
33	Community Grants	Risk Based	Not yet started
34	Shared Services - Value for Money Review	Consultancy	Not yet started
35	Local Strategic Partnership	Consultancy	Not yet started

## Annex B - Summaries of Audit Reports issued

### HR Policy Compliance 2019/20 (Substantial Assurance) – Issued in August 2020

This audit review examined the arrangements in place for review, updating and compliance with the following Human Resources policies:

- [Disciplinary Policy](#)
- [Grievance Policy](#)
- [Probation Policy](#)

We were advised that the policies had been prepared by officers from the Human Resources Team who are experienced HR professionals and hold the Chartered Institute of Personnel Development (CIPD) qualification.

The Advisory Conciliation and Arbitration Services (ACAS) provides guidance for preparing grievance and disciplinary policies. Fieldwork confirmed the ACAS guidance had been incorporated into the policies.

There are effective consultation arrangements with Strategic Management Team and staff consultation groups before an HR policy is finalised. We were able to evidence these arrangements for the two most recent policies but not for the Grievance Policy (dated 2015).

Sample testing found that cases had been conducted in compliance with the Disciplinary policy. There was only one relevant grievance; this had been dealt with timely but successfully resolved informally. Therefore we have been unable to test application of the full policy.

Sample testing also identified a few exceptions with the probation policy. In two cases, the first one or two meetings had not taken place (although the final ones had been held) because the line manager had left or was otherwise unavailable and there were no contingency arrangements. We have recommended that contingency should be in place but managers have accepted the risk of not taking action.

The table below shows the recommendations raised, the priority level and whether they have been accepted by management:

Priority Ranking	Number of audit actions	Audit Actions Agreed	Risks accepted by management
Medium	1	0	1
Low	0	NA	NA
Advisory	1	0	1
<b>Total</b>	<b>2</b>	<b>0</b>	<b>2</b>

## Animal Welfare 2019/20 (Substantial Assurance) – Issued in September 2020

We conclude based on our audit work that the controls in place over the management and maintenance of Animal Licensing provide **SUBSTANTIAL** assurance.

In October 2018 the Government introduced a new [licensing regime](#) to control the following licensable activities:

- Selling animals as pets
- Providing or arranging for the provision of boarding for cats or dogs
- Hiring out horses
- Breeding dogs
- Keeping or training animals for exhibition

Since October 2019 the Environmental Health Partnership has taken over responsibility for issuing all animal licences. There are currently 70 licenced establishments which require monitoring, inspecting and renewing.

Our review found there is an experienced team consisting of inspectors and support officers who are responsible for Animal Welfare. Officer roles are clearly defined between support and operational.

We found processes in place to deal with new licence applications, inspections and renewals. Records detailing existing licence holders are managed on Uniform and Idox, and monitored using spreadsheets. However, our testing identified inconsistencies in the storing of applications and supporting documentation.

Inspections are carried out in a timely manner by experienced, qualified officers, with adequate documentation to support applications. However, we identified improvements to enhance existing controls over the monitoring and follow up of improvement notices.

There is a system in place for recording and managing complaints. We noted that a number of concerns have been raised by members of the public (nationally as well as locally) regarding alleged illegal breeding and selling of animals. This is an area where the service takes proactive action to identify establishments operating without a licence, resource permitting.

A summary of the actions raised in the review are set out below:

Priority Ranking	Number of audit actions	Actions agreed	Risk accepted by management
Medium	2	2	0
Low	1	1	0
<b>Total</b>	<b>3</b>	<b>3</b>	<b>0</b>

### **Members' Expenses & Allowances 2020/21 (Substantial Assurance) – Issued in September 2020**

We conclude based on our audit work that the controls in place to manage the Members' Expenses and Allowances provide Substantial assurance.

Our review found the arrangements in place to process and pay expense claims are robust in design and effective in practice. All expense payments tested were authorised, valid, supported by evidence, and paid timely. We were able to confirm that where claims had been rejected, this was appropriate.

We also found that the process in place to set up Members on the payroll and process their allowances was largely robust. However, analysis and review of the payroll records identified two instances where the special responsibility allowance had not been accurately paid (this has now been rectified) due to changes which had not been processed.

We did not find any significant opportunities for process efficiencies although we did observe that the process is heavily paper based and the service may wish to consider more use of electronic authorisations and records in line with new corporate ways of working.

The table below shows the recommendations raised:

<b>Priority Ranking</b>	<b>Number of audit actions</b>	<b>Actions agreed</b>	<b>Risk accepted by management</b>
<b>Medium</b>	1	1	0
<b>Advisory</b>	2	2	0
<b>Total</b>	<b>3</b>	<b>3</b>	<b>0</b>

### **Private Sector Housing Enforcement 2020/21 (Consultancy) – Issued in September 2020**

We undertook a consultancy piece of work to review the draft Private Sector Housing Enforcement Strategy against both legislation and best practice from other organisations.

We have provided the Service with our detailed analysis and there are no significant risks to bring to Members' attention.

### Annex C - Audit actions

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

Project	Service Manager	Report Issue Date & Rating	Agreed actions in Final Report	Actions due in Q1 & Q2	Not yet due	Closed in Q1 & Q2	Agreed Deferrals this Qtr.	Total actions complete to date	Total actions outstanding <sup>1</sup>
Environmental Health (Food Safety) 2018/19	Annie Sargent	December 2018 <b>Substantial Assurance</b>	3	1 (M)	0	1 (M)	0	2	0
Post GDPR Review 2018/19	Martin Goodman	June 2019 <b>Substantial Assurance</b>	6	1 (M)	0	1(M)	0	6	0
Business Continuity Planning 2018/19	Alex Dawson	August 2019 <b>Substantial Assurance</b>	3	1 (M)	0	1 (M)	0	3	0
Corporate Complaints 2019/20	Amy Wilton	January 2020 <b>Full Assurance</b>	1	1 (L)	0	1 (L)	0	1	0
Animal Welfare (shared review) 2019/20	Annie Sargent	September 2020 <b>Substantial Assurance</b>	3	0	2 (M), 1 (L)	0	0	0	3
Members' Expenses & Allowances	Martin Goodman	September 2020 <b>Substantial Assurance</b>	1	0	1 (M)	0	0	0	1
		<b>TOTAL</b>	<b>17</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>0</b>	<b>12</b>	<b>4</b>

<sup>1</sup> Projects with 0 actions outstanding will be removed from future reports and be closed

\*Actions due for implementation at the end of September, which is after the report deadline. A verbal update will be provided at the meeting.

## Closed Action

Project	Action (including priority)	Original agreed date	Action closed	Times deferred	Update on Progress
Environmental Health (Food Safety) 2018/19	Address the outstanding backlog of new premise food inspections. (Medium)	31/01/19, 01/04/19, 31/08/19, 31/04/20	22/9/20	4	<p><b>Audit Comments:</b> Risk accepted by management, therefore this action is closed.</p> <p><b>Manager Update:</b> Environmental Health were making progress on reducing the backlog but it was not possible to continue with inspections during lockdown plus, significant numbers of new businesses have started up in recent months, adding to the backlog. On top of this, Environmental Health have considerable extra work as a direct result of the pandemic. Whilst the public health emergency remains ongoing it is simply not possible to say when this can be effectively addressed. I think we have to take our lead from the Food Standards Agency and they have accepted that the pandemic has had significant impact on Environmental Health's ability to undertake inspections and on businesses ability to respond to inspections.</p>

### Annex D – Key Performance Indicators for Q2 Progress (July and August)

Finance: Associated performance indicators	Q2 (Jul – Aug)	Internal processes: Associated performance indicators	Q2 (Jul – Aug)
<b>F1:</b> Projects Completed within budgeted days  Indicator measures any variance between the days agreed on the final brief vs. the actual time coded on Teammate TEC	0/3 0%	<b>I1:</b> Time taken between issue of the DRAFT and FINAL Audit Brief  Indicator measures the effectiveness of our project planning and time taken to prepare the work programme	10 days (average)
<b>F2:</b> Chargeable days (time)  Indicator measures the actual chargeable activities against the assumptions made in the audit plan	Q2 Average 67%	<b>I2:</b> Time taken between the issue of the FEEDBACK and DRAFT report  Indicator measures the currency of our audit finding and effective engagement between Auditors and Clients	15 days (average)
<b>F3:</b> PSIAS conformance  Indicator measures effectiveness of the Quality Assurance & Improvement Programme (QIAP) to ensure compliance with professional Standards	TBC	<b>I3:</b> Time taken between issue of the DRAFT report and FINAL report  Indicator measures the effectiveness of our process to finalise audit reports and issue the report in a timely manner	14.8 days (average)
Client satisfaction: Associated performance indicators	Q2 (Jul – Aug)	Learning & Development: Associated performance indicators	Q2 (Jul – Aug)
<b>C1:</b> Overall client satisfaction with the audit experience  Indicator measures overall satisfaction levels, taking into account the audit approach, conduct, findings and competence of the auditor	4/4 100%	<b>L1:</b> Audit actions fully implemented within agreed timescales  Indicator measures the successful implementation of audit actions and the effectiveness of our follow-up process	SDC 1/1 100%
<b>C2:</b> Respondents agreement with the audit actions  Indicator measures Client agreement to the audit findings and resulting actions from our audit work	5/6 83%	<b>L2:</b> Training & development days  Indicator measures our investment and time spent on training and development against the assumptions made in the audit plan	13.24 Days (of 58 days)

## Annex E - 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>