

Internal Audit Annual Report and Opinion 2021/22

July 2022



DARTFORD & SEVENOAKS AUDIT PARTNERSHIP

Introduction

1. The IIA gives the mission of internal audit: to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.
2. The mission and its associated [code of ethics](#) and [Standards](#) govern over 200,000 professionals in businesses and organisations around the world. Within UK Local Government, authority for internal audit stems from the [Accounts and Audit Regulations 2015](#). The Regulations state services must follow the [Public Sector Internal Audit Standards](#) – an adapted and more demanding version of the global standards. Those Standards set demands for our annual reporting.
3. Standard 2450 states that when an overall opinion is issued, it must take into account the strategies, objectives and risks of the organisation and the expectations of senior management, the board and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant and useful information. Meaning that the communication must include:
 - The scope including the time period to which the opinion pertains
 - Scope limitations
 - Consideration of all related projects including the reliance on other assurance providers
 - A summary of the information that supports the opinion
 - The risk or control framework or other criteria used as a basis for the overall opinion
 - The overall opinion, judgement or conclusion reached
 - The reasons for an unfavourable opinion must be stated.

Independence of Internal Audit

4. During 2021/22 we have had free access to officers and records to complete our work. On no occasion have officers or Members sought or gained undue influence over our scope or findings.
5. Our independence is maintained through functional reporting, including summaries of the work undertaken, to Audit Committee. We meet with individual members of Strategic Management Team to discuss any issues arising from our work where necessary and I also meet periodically with the Chief Executive. We have been given access to all information and systems requested to complete our work in 2021/22 and there are no issues that we have been prevented from reporting.
6. I confirm we have worked with full independence as set out in our Audit Charter and Standard 1100.

Scope and time period of Audit Manager Opinion

7. The opinion takes into account all audits that have been finalised since the last annual opinion in July 2021.
8. However, our audit plan cannot address all risks across the Council and represents our best use of inevitably limited capacity. In approving the plan, the Committee recognised this limit. Beyond this general disclaimer, I have no specific limits of our scope to report to the Committee.

Consideration of work completed and reliance on others

9. I have drawn my opinion from the outcomes of the 2021/22 Plan agreed by Members in July 2021 but also one piece of work from 2020/21 that was not finalised until after the last opinion. My opinion also considers the results of follow up work, ad hoc advisory work and our own informal observations of the organisation through, for example, attendance at management meetings.
10. In completing my work I have placed no specific reliance on external sources.

Risk and control

11. The Council is responsible for ensuring it undertakes its business within the law and proper practices. The Council must also ensure it safeguards and properly accounts for its resources, using them economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to seek continuous improvement in exercising its roles.
12. The Council has described key parts of its internal control and risk management within the Local Code of Governance and Risk Management Framework.
13. Organisations design internal controls to manage to an acceptable level rather than remove the risk of failing to achieve objectives. So, internal controls can only provide reasonable and not complete assurance of effectiveness. Designing internal controls is a continuing exercise designed to identify and set priorities around the risks to the Council achieving its objectives. The work of designing internal controls also evaluates the likelihood of those risks coming about and managing the impact should they do so.
14. In completing our work we have considered the control environment and objectives in place at the Council.

Conformance with standards

15. Internal Audit has conducted its work following the Standards and good practice as represented in our internal quality assurance. This includes working to an agreed audit manual with satisfactory supervision and review.
16. This report also contains the outcomes of our Quality Assurance and Improvement Programme (QAIP), together with the resultant action plan. This action plan will be reported periodically to Audit Committee until the actions are closed. This will enable Members to discharge their responsibility to oversee the quality and effectiveness of Internal Audit.

Overall conclusion

17. I am satisfied that during the year ended 31 March 2021, the Council's systems of governance, risk management and control are managed effectively with **REASONABLE** assurance.

Jennifer Warrillow, CMIIA, CIA

Audit Manager (Chief Audit Executive)

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Internal Control

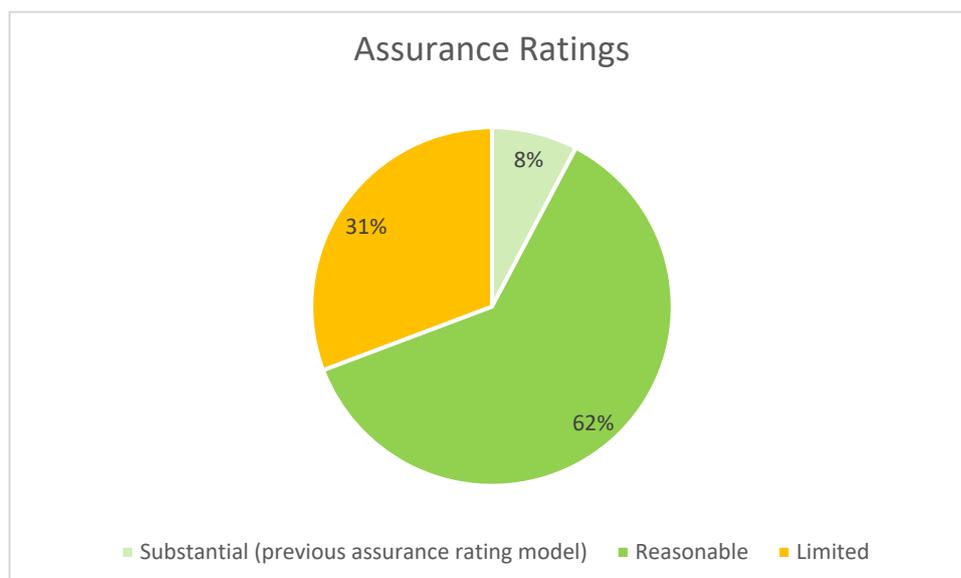
18. Internal control is how the Council ensures achievement of its objectives with effectiveness and efficiency; achieving reliable financial reporting and compliance with laws, regulations and policies. It covers financial and non-financial controls.
19. We gain audit evidence to support the Head of Audit opinion on internal control principally through completing the reviews set out within our agreed audit plan.

Audit Plan Work 2021/22

20. Members will recall that the agreed 2021/22 Internal Audit Plan was divided into two, with audits on Plan 'A' being the priorities for completion and those on Plan 'B' to be completed in the event of sufficient available resource. At the time of writing this report, Plan 'A' audits are largely complete, with 13 now finalised and the remaining six (IT Governance, Corporate Landlord Liabilities, Emergency Planning, Staff Wellbeing, Temporary Accommodation and Quercus) are at reporting stage with a provisional opinion having been given (a summary of the audit will be presented to the next Audit Committee).
21. We have unfortunately not had the capacity to undertake any of the proposed work on Plan 'B' as a result of carrying vacancies within the team for most of the year.

Internal Audit Outcomes

22. Of the 13 audit reviews that are considered as part of this annual opinion, 12 are assurance work with an associated rating. Definitions of the assurance ratings that have been applied to these audits are provided in **Annex E**. The chart below shows a breakdown of these audit assurance opinions.



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23. Over two thirds of the audits completed have received **Reasonable** assurance or equivalent which indicates that the control framework is generally operating well. In particular, audits which have organisation-wide relevance and therefore are integral to the core control environment, such as Payroll, Ten Year Budget and Appraisals, all received Reasonable assurance. Importantly, we have not observed deterioration in the control environment as a result of hybrid working arrangements.
24. Three audits this year received **Limited** assurance; one of these is in a specific service area and the relevant manager has agreed all recommendations made with appropriate implementation dates. The others were Corporate Credit Cards and Safeguarding and while the findings from the audits were concerning, all the high priority actions have now been implemented, meaning the gaps in control have now been addressed. Therefore I do not believe they present a reflection of how the overall risk and control frameworks for the Council are operating.
25. One further audit received a split assurance rating, highlighting concerns around contractual arrangements in place for the Council's Parking Enforcement Agents. The high priority actions highlighted here are in the process of being implemented and the wider implications regarding the use of contracts will be examined during the 2022/23 audit year. The Council does now also have a procurement assurance group in place which can help to mitigate against the risk of services being procured without a contract.
26. The table below summarises assurance engagement progress and findings up to the date of this report. These are the audits that form part of my Annual Opinion. Where there are material matters finished before the committee meeting we will provide a verbal update. Summaries of all of these audits are in **Annex A**, with the ones that have not previously been reported to Audit Committee on pp 12 – 15.

Audit Title	Current Status	Assurance Level	Agreed Actions
Housing Benefit (Shared Service)	Complete	Substantial	1 x Med , 1 x Low
Property Investment Strategy	Complete	Reasonable	1 x Med
Ten Year Budget	Complete	Reasonable	1 x Med , 1 x Low
Appraisals	Complete	Reasonable	4 x Med , 2 x Low
Information Security	Complete	Reasonable	1 x Med , 2 x Low
Safeguarding	Complete	Limited	2 x High , 6 x Med
S106 Agreements	Complete	Reasonable	3 x Med
Council Tax and Recovery (shared)	Complete	Reasonable	2 x Med , 3 x Low
Legal Service Processes (Case Management)	Complete	Limited	1 x High , 2 Med
Parking Processes - Residents Permits and PCN processing (including appeals and cancellations)	Complete	Reasonable (PCN Process), Limited (Contractual Arrangements)	2 x High , 6 x Med , 3 x Low
Corporate Credit Cards	Complete	Limited	2 x High , 4 x Med , 1 x Low

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Audit Title	Current Status	Assurance Level	Agreed Actions
Payroll	Complete	Reasonable	2 x Med, 3 x Low
IT Governance	Draft Report		
Corporate Landlord Liabilities	Draft Report		
Staff Wellbeing	Draft Report		
Temporary Accommodation	Draft Report		
Emergency Planning	Fieldwork		
Companies - Quercus	Fieldwork		

27. The following projects were removed from the plan in year as agreed with Audit Committee Members:

- New Service Review – Environmental Health
- Covid-19 Recovery
- Purchase Orders Continuous Assurance
- Ethical Governance
- Asset Management

Follow Up

28. We follow up each month, examining those actions that fell due since the previous exercise. We take due dates from the action plan agreed with management when we finish our reporting. We report progress on implementation to Senior Management Team each quarter and include matters of continuing concern.

29. When a service is unable to implement actions by the agreed date, they request a deferral. Deferrals are agreed for valid reasons though the original risks do of course remain until implementation is complete. We are working with Senior Management to reduce the numbers of deferrals, including timely reminders to responsible managers from Internal Audit and the introduction of a more stringent process to request deferrals.

30. The following table provides a summary of the results of our follow-up process for the financial year 2021/22.

Priority	Brought forward from 2020/21	Raised in year	Implemented in year	Carried forward to 2022/23
High	4	7	8	3
Med	36	33	54	15
Low	14.5	16	20.5	10

31. Overall we are content with officers' progress on acting to address findings we raise in our reviews.

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Risk Management

32. The Annual Opinion also considers risk management arrangements within the organisation.
33. A new Risk Management Strategy was developed and approved by this Committee earlier in the year and has been implemented for use at strategic risk level. However, the risk maturity of the organisation requires further development over the forthcoming financial year. This will include a process for operational / service level risks, which is currently lacking.

Consultancy and Advice Work

34. We also continue to undertake a broad range of special and scheduled consultancy and advice work for the Council and the following table provides a brief summary of the range of work we have undertaken as per the 2021/22 audit plan.

Project Title	Current Status
Assurance Mapping	Complete
Fraud Risk Assessment	In planning and continuing into 2022/23
Grants Process	Complete
Covid-19 Grant Process	Complete

35. We remain engaged and flexible in seeking to meet the assurance needs of the Council. We are happy to discuss opportunities large and small where the Council can usefully employ the experience and expertise of the Internal Audit team.

Counter Fraud

36. We consider fraud and corruption risks as part of all our audit engagements as part of our assessment of the adequacy and effectiveness of controls. We additionally plan to continue our work on the fraud risk assessment in conjunction with the Revenues & Benefits Counter Fraud Manager.
37. We remain available to the Council to conduct any investigations regarding alleged fraud, corruption or upon receipt of whistleblowing complaints.
38. We have received no allegations or complaints during 2021/22 and therefore have no matters of concern to report.

Quality Assurance

39. Audit Committee has an important oversight role in the quality and effectiveness of Internal Audit. Members of the Committee must assure themselves that Internal Audit makes a valuable contribution to the organisation's governance and that stakeholders can place reliance on its conclusions.

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40. To facilitate this quality oversight role, Internal Audit has a Quality Assurance and Improvement Programme (QAIP), which includes Key Performance Indicators (KPIs), customer satisfaction questionnaires, annual self-assessments against professional standards and five yearly External Quality Assessments (EQA). Members will be aware that the most recent EQA took place in January 2021 and the full report was subsequently presented to Audit Committee in March 2021. The external assessment was largely in agreement with our own self-assessment and the overall conclusion was that the function is 'Partially Conformant' with professional standards.
41. The Key Performance Indicators for Quarter 4 (January to March 2022) are provided in **Annex B**. The KPIs illustrate that customer satisfaction is generally high and that responsible managers have accepted audit recommendations. However they also show, in line with the self-assessment and the EQA, that the function needs to improve on delivery within budget, as over-runs are currently impacting the efficiency and the effectiveness of the service.
42. For completeness, a summary of all results of the customer satisfaction questionnaire is attached at **Annex C**. These results are largely positive with only 2 isolated incidents of managers not feeling as though the Auditor understood the service. We have introduced a new engagement planning process which should eliminate this issue going forwards.
43. The results of the various strands of Quality Assurance activity combine into a single, overarching Quality Improvement Plan which is presented in **Annex D**. The Plan is divided into different themes encompassing internal audit activity but the fundamental objectives of the Plan are to move us into a position of being 'Generally Conformant' with the standards, improve service efficiency and to ensure that all audit work adds value to the Council. The Plan, including progress updates, will be presented periodically to Audit Committee (minimum six monthly) to enable monitoring and oversight.

Acknowledgements

44. The results we have achieved this year has been due to the hard work of our team who have come through a particularly challenging year with the changing of Audit Manager and carrying a vacancy through most of this period. I would therefore like to give my thanks to them for the work they have done so far.
45. In particular, I would like to thank both our Lead Auditors who stepped up to cover the Audit Manager vacancy in the interim three months before I took up my post.
46. I would also like to thank Officers, the Senior Management Team and Audit Committee Members. Without your support we would struggle to work effectively.

Annex A - Summaries of Audit Reports issued

Housing Benefits (Substantial Assurance) – Issued in July 2021

The aim of the audit was to provide assurance that the current processes in place are effective in ensuring only those entitled to Housing Benefits receive them.

At the time of testing, the service had developed a flowchart, showing the process for assessments of applications, and checklists along-side a Risk Based Verification (RBV) desk aid tool. At the time of fieldwork, the RBV policy and desk aid did not reflect working practices due to the reliance on Searchlight checks to verify information rather than original documentation. The new Benefits Evidence Verification Strategy, however, replaced the RBV policy from April 2021 and does include details regarding the reliance on CIS checks.

Testing indicated that applications are assessed correctly and appropriate evidence and documents are retained on the system.

Testing also highlighted that for Changes of Circumstances applications input sheets were not always being completed as part of the normal practice.

The main issue we have raised is concerning Quality Assurance (QA). We noted that checks through the QA module reduced due to priorities of making COVID19 payments. We have been advised by the service that other checks were maintained including Management Information System checks, which do not use the QA module available. We believe that the Management Information System should use the QA module to provide more detailed information about the checks that have been completed.

Grants Process (Advisory - Not Rated) – Issued in August 2021

The objective of this audit was to review the community grants process and ensure it is effective, including monitoring processes to ensure outcomes are being achieved whilst minimising the risks of fraud.

The service has adapted to an online process for community grants using the CRM System, which is adequate in design. The focus for 2020-21 was to develop an online platform for application and evaluation, and we understand the service is keen to further develop it for monitoring and to explore its reporting functionalities. We believe this would be beneficial to further streamline the process, and to reduce the level of manual input, creating and recording information on spreadsheets.

The fraud risks associated with the community grants process are generally controlled, although there are gaps where groups are not required to make a positive affirmation of the data they have submitted and business or charity numbers are not verified. The service should also consider trying to engage Finance again for their expertise in verifying groups or organisation accounts.

The Code of Practice for Grant Making provides a sound framework of principles for grant schemes to ensure consistency across the Council. The principles themselves are not prescriptive, thus allowing for some differences between schemes whilst minimising the risks of fraud. The appendices

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are more prescriptive and the provisions will be appropriate in many circumstances. However we understand through discussions with officers that, particularly in light of events over the past year, the Council would like to broaden the reach of its Community Grants scheme to include smaller groups or one off events.

The monitoring arrangements in terms of the intervals are reasonable for both levels of grant awarded. The focus of the monitoring form is appropriate, by ensuring the objectives have been achieved or are on track, and how this benefitted residents, as well as the output in terms of the indicators. Monitoring is largely the same for both levels of grant, albeit at different intervals, which may not be proportionate for smaller grants awarded, particularly where smaller groups or lesser established organisations may not be familiar with how to phrase or measure performance indicators.

Our analysis of the performance indicators identified common themes across the projects. There are clear themes in the performance indicators and although there are differences in the wording or phrasing, they aim to deliver similar benefits. The service may benefit from developing a suite of standardised performance indicators to assist those less familiar and to increase performance reporting.

Payroll (Reasonable Assurance) – Issued in August 2021

This audit and aimed to review the effectiveness of controls over key elements of payroll including discretionary deductions, expenses and pre-payroll processes.

We found the controls over the payroll are generally sound in both design and operation. Our testing confirmed discretionary deductions are accurately input on appropriate instruction and retained on file. However, a common theme identified throughout testing was the inconsistency in which records are stored.

The process to claim overtime is sufficient, with claims now being made electronically through iTrent. However, the process to claim mileage and the claim form requires improvement to ensure mileage claims are accurate and can be verified by the authoriser.

We also reviewed the pre-payroll processes and identified efficiencies in the checking carried out, where spreadsheets are relied on to verify payroll figures. The service may wish to explore the reporting function further to eliminate the use of the spreadsheets.

Ten Year Budget Strategy (Reasonable Assurance) – Issued in August 2021

The objective of the audit was to review the effectiveness of controls over budget setting and long-term financial planning to provide assurance on the ten-year budget strategy arrangements.

The ten-year budget strategy came into effect at SDC in 2011 on the basis that Government funding for Councils was significantly reducing. As an alternative to making significant budget cuts annually, the Council instead sought to make long term assumptions on their financial status.

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The budget setting process normally concludes in February of each year and is agreed by the Finance & Investment Advisory Committee and Cabinet. The most recent budget setting process took place earlier, in November 2020, in order to more effectively manage impacts arising from the Covid-19 pandemic.

Our testing confirmed that the Council has adequate, effective, and reliable controls in place over budget setting and long-term financial planning.

We noted the following areas of key strengths:

- The Financial Procedure Rules documents the policy around financial planning and budgeting. Responsibilities of key stakeholders are outlined clearly within this document.
- SDC's strategic priorities are aligned to the ten-year budget strategy. The ten-year budget strategy goes through all six Advisory Committees at SDC. One of their roles is to maintain oversight over various strategies and programmes, which is how SDC ensure that financial planning is aligned to SDC's strategic priorities.
- Variances in budgets are identified, explained, and presented to key stakeholders, enabling SDC to identify changes in trends and resource requirements at the earliest opportunity.
- Financial assumptions are set out in the budget and the justifications for assumptions have been presented to Cabinet for review prior to their approval.
- Assumptions are reviewed throughout the budget setting process and the Chief Officer of Finance and Trading receives the latest information from the relevant managers to keep in view for the following year's budget setting process.
- Key stakeholders receive frequent updates on budgets and financial performance and there are regular meetings held during the year to review progress against the financial plan.

Key areas for development include:

- The Financial Procedure Rules document is not periodically updated. The last update took place in August 2014.
- Based on discussions with a sample of stakeholders, three out of five stakeholders have not previously reviewed the Financial Procedure Rules document.

Appraisals (Reasonable Assurance) – Issued in October 2021

This audit aimed to review the effectiveness of the appraisal process.

We found that most staff received an appraisal and there were reasonable explanations provided for the exceptions. Staff felt the annual meeting was held in the right atmosphere to be conducive to discussion and sufficient time was allocated to the meeting. Staff also felt that having one meeting to look back at the previous year and then set the next year's objectives was the right approach.

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However, we found that the appraisal process is not as effective as it could be with staff identifying that they have concerns with the current practices and also with the lack of electronic process enabling them to record items over the course of the year. HR provided evidence that training and support was offered to management and staff in 2019 and guidance is sent out with the annual reminder for the appraisal season. However, there was no further evidence supplied of more recent training. Staff and management interviewed expressed they were not completely sure what was expected from the appraisal meetings and our testing identified inconsistencies in practice.

Staff do not see the appraisal process as being an all year round event but more as a one off annual meeting. One to One meetings are not always held regularly and there was limited evidence of objectives being revisited across the year to enable staff to be supported or encouraged to exceed targets.

The current process is also not appropriate for operational staff as they are asked to complete the same document as office based staff. The majority do not have ready access to computers through their work and the complexity of the form does not facilitate completion for this cohort, particularly given the very low proportion of appraisers to appraisees.

We have summarised our actions and management responses in the table below:

Corporate Credit Cards (Limited Assurance) – Issued in October 2021

The purpose of this review was to assess the adequacy and effectiveness of the controls in place over corporate credit cards. In particular, to assess if credit cards were being issued in accordance with agreed procedures and used for their intended purpose.

We examined credit card activity for the period April 2020 to June 2021. During this period there were 1,249 credit card transactions with a total value of £231,079.

Strengths

- A credit card agreement is in place for each cardholder.
- Finance provide guidance to cardholders for when the card should and should not be used.
- There is separation of duties between requesting a credit card, approving the card and recording credit card activity.
- Credit card activity is appropriately presented in the Treasury report.

Areas for development

- Card sharing is common practice which increases risks of fraud and error.
- 14% of transactions reviewed did not have a supporting receipt or invoice.
- There is contradicting advice/instruction between the agreement and guidance regarding personal use of cards.
- The business need for the transaction is not self-evident from the credit card return template.
- We identified some purchases which should have been procured by other means due to their type and value.

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- Annual card expenditure on Amazon totalled £13,000 but there is no corporate steer on Amazon spend.
- Monitoring of low usage or dormant credit cards requires improvement to establish if there is still a need for these cards being in circulation.
- Requests for credit cards require greater explanation and justification to demonstrate there is a genuine need for the card.

Parking (PCNs) (Reasonable / Limited Assurance) – Issued in November 2021

The objective of the audit was to review the effectiveness of controls over Penalty Charge Notices, including appeals and cancellations, to ensure that the Council receives all income due whilst remaining fair to customers.

The Service has recently undergone a management restructure and managers have a set of desired actions to improve front line and back office processes, some of which are already implemented.

We found that processes are compliant with legislative requirements in key aspects and areas of good practice are noted below. However, there are no contracts in place for either the Enforcement Agents or the parking software, which represents an unacceptable risk for the Council. Consequently, we have split the assurance level to reflect the adequacy of the PCN processing whilst recognising the risks associated with third party suppliers.

Strengths

- Managers have a clear sense of purpose and vision for the service, including the actions necessary to achieve that purpose.
- Processes for issuing, enforcing and considering representations against Penalty Charge Notices are in line with all key aspects of legislation.
- Automated system controls are in place and working to ensure that the Council complies with statutory timescales for PCN enforcement.
- Charges applied are in line with legislation.
- Back office staff are appropriately qualified and experienced in role.
- For the sample of representations tested, the Council had performed considerably above minimum statutory requirements for timeliness of response.
- All cancellations processed in the last 2 years had been effected on the system by those with the authority to do so.
- All rejected representations that we reviewed were in line with current local guidance and the notice of rejection adequately explained to the customer why their appeal had not been accepted.
- The financial figures presented in the 2019/20 Annual Parking Report reconciled back to the underlying data in the Council's accounts.
- There is appropriate segregation of duties between receiving, recording and reconciling income from Penalty Charge Notices (although see Areas for Development below).

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Areas for Development

- There is no contract in place with the Council's Enforcement Agents, meaning that the Council is unable to effectively monitor and manage performance. We also understand that there is no contract in place for the parking system (Chipside) although the service is in the process of developing a procurement plan.
- Income records on Agresso, the Council's financial system, do not balance to those held on Chipside, meaning reconciliations do not fulfil a key function of identifying any fraud or error.
- Supervision and oversight of CEO quality of work is insufficiently robust.
- There is no consistent policy for the issue of advisory notices and data analysis highlighted instances of inconsistency and ineffectiveness in practice.
- There are no quality assurance checks on representation decisions to ensure consistency and alignment with service objectives and expectations.
- There is no lessons learned log to ensure that actions identified as a result of Traffic Penalty Tribunal (TPT) decisions have been actioned.
- Access to the parking system Chipside is not periodically reviewed and some users with current access permissions are no longer employed by the Council.
- The 2019/20 Parking Annual Report did not contain all information as required by the Statutory Guidance.

Safeguarding (Limited Assurance) – Issued in November 2021

The overall objective of the audit was to review the adequacy and effectiveness of the Council's arrangements to ensure and promote the safeguarding of vulnerable children and adults who interact with the Council.

There are several areas of good practice within the Council's safeguarding arrangements such as awareness and a cross-organisational group. However, there are significant gaps in training and contractual arrangements which, in our view, leave key risks insufficiently mitigated.

Key strengths

- There is a policy in place which aligns to many key statutory requirements
- Awareness is regularly promoted via newsletters which contain a variety of relevant information
- All bar one of the Designated Safeguarding Officers have received recent training relevant to their role
- The Safeguarding Group contains a good cross section of membership from across the organisation and those interviewed felt the group worked well, with good engagement from its members
- The Council has been instrumental in securing funding and agreement for a County-wide referrals system which is due to be rolled out shortly

Areas for development

- At the time of fieldwork, only 13% of staff had received the standard Safeguarding training

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- The Council does not have sufficient mechanisms to embed Safeguarding within contracts for third party providers
- Roles and responsibilities are not clearly defined in the policy or in job descriptions
- The policy has not been approved by Strategic Management Team or Members
- Processes for referrals and allegations require further clarification
- Arrangements for oversight and scrutiny require strengthening

S106 Agreements (Reasonable Assurance) – Issued in December 2021

The objective of this review was to assess the effectiveness of controls over the management of S106 agreements and to confirm income due from the agreements is received on a timely basis. Furthermore, to assess the controls for ensuring S106 income is spent in accordance with the terms and conditions of the agreement.

We also assessed the arrangements for the migration of S106 records to the new Exacom system, which took place between February 2020 and April 2020.

Strengths

- The Exacom system accurately reflects the key information relevant for each S106.
- Exacom is well structured with screens that are easy to follow and understand.
- Electronic copies of the original S106 agreements are held on Exacom.
- Roles and responsibilities are clearly defined for setting up S106 agreements, enforcement of S106 clauses and authorisation of the spending of S106 funds.
- S106 activity is reported annually to Cabinet and to Central Office as part of the Infrastructure Funding Statement.
- The S106 expenditure / funding amounts examined during testing were reconciled to the Agresso Financial system.

Areas for Development

- There was limited evidence on file to support the justification and authorisation for spending of S106 funds.
- Evidence that development work had commenced was on file for only six of the 15 S106 agreements examined.
- Management did not have evidence on file to confirm they had verified the migration of S106 agreements onto the Exacom system was fully complete and to the required standard.
- S106 activity is reported to senior management annually. More frequent reporting may identify adverse trends and patterns at an earlier stage.

Legal Service Processes (Case Management) - (Limited Assurance) – Issued in June 2022

The purpose of this review was to assess the adequacy and effectiveness of the case management process. To ensure case files were fully recorded with relevant information, enabling legal service to provide a high quality service to its clients.

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Although the service continues to provide legal support to the Councils teams, there is a lack of a standardised approach to case management within the team. Legal services have a paid for system (IKEN) which is not being used to document, progress or monitor cases.

This lack of set procedures and use of IKEN has led to case files being set up either on IKEN, in a shared drive, or as physical hard copy files. Individuals have been proactive in introducing templates and monitoring spreadsheets. However, this has not been introduced across the team and is not in a consistent format across officers, with each developing their own methods. We also found individual monitoring spreadsheets were not regularly updated and as a result monitoring of workloads and progression of cases within legal services is ad hoc. Therefore, managers may not be able to provide sufficient oversight of workloads or progression and completion of cases.

Information Security – (Reasonable) Issued June 2022

The objective of the audit was to evaluate the adequacy and effectiveness of information security arrangements, including procedures for responding to data breaches whether they are deliberate or accidental. This review also considered the security of organisational information as well as personal information.

Strengths

- The Council has a detailed information security policy and data breach policy in place.
- Roles and responsibilities for reporting and investigating a data breach are clearly defined.
- A data breach register is maintained that records key information for each breach.
- Supporting evidence is retained on file to confirm actions are implemented to address any data breaches that have occurred.

Areas for Development

- Physical security controls within the offices outside working hours, such as locked drawers and cupboards, needs improvement to prevent unauthorised access to sensitive or personal documents.

Council Tax & Recovery – (Reasonable) Issued June 2022

The aim of the audit was to review the effectiveness of the controls over the processing and monitoring of Council tax applications and collection of income across both Councils.

Council Tax is administered effectively with changes to liability being accurately processed and implemented using the Academy system. Regular reconciliations and communication with other services in the Councils ensure that all properties are identified and removed when appropriate. We also found that discounts and exemptions are applied appropriately.

However, we did find that not all users have appropriate access levels for Academy, meaning a review is needed. We also consider that performance monitoring in relation to the Collection Agents could be improved to ensure value for money is being achieved.

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Annex B – Key Performance Indicators for Q4 Progress (January – March)

Finance: Associated performance indicators	Q4 (January - March)
<p>F1: Percentage of budgeted days taken to complete projects – <i>Target 100%</i> Reported on a cumulative basis</p> <p>Indicator measures any variance between the days agreed on the final brief vs. the actual time coded</p>	196%
<p>F2: Chargeable days – <i>Target 75%</i> Reported on a quarterly basis</p> <p>Indicator measures the actual chargeable activities against the assumptions made in the audit plan</p>	Average 71%
<p>F3: PSIAS conformance – <i>Target ‘Generally Conforms’ (IIA definition)</i> Reported annually</p> <p>Indicator measures effectiveness of the Quality Assurance & Improvement Programme (QAIP) to ensure compliance with professional Standards.</p>	To be reported at the end of 2021/22
Client satisfaction: Associated performance indicators	Q4 (January - March)
<p>C1: Respondents satisfied with the overall audit experience – <i>Target 90%</i> Reported on a project by project basis</p> <p>Indicator measures Client satisfaction with how we undertook the work, and takes into account our professionalism, approach and competence</p>	0/0 0% No questionnaires received in Q4
<p>C2: Respondents agreement with the audit actions – <i>Target 90%</i> Reported on a project by project basis</p> <p>Indicator measures Client agreement to the audit findings and resulting actions from our audit work</p>	4/4 100%

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Internal processes: Associated performance indicators	Q4 (January - March)
<p>I1: Percentage of draft audit briefs issued at least 10 working days before the start of fieldwork. - <i>Target 90%</i> Reported on a project by project basis Indicator measures the effectiveness of our project planning and communications with the client</p>	10/12 83%
<p>I2: Percentage of draft audit reports issued by the date given on the final audit brief - <i>Target 70%</i> Reported on a project by project basis Indicator measures the efficiency of our audit work, currency of our audit finding and effective engagement between Auditors and Clients</p>	0/5 0%
<p>I3: Time taken between issue of the DRAFT report and FINAL report – <i>Target 15 working days</i> Reported on a project by project basis Indicator measures the effectiveness of our process to finalise audit reports and issue the report in a timely manner</p>	1/1 100%
Learning & Development: Associated performance indicators	Q4 (January - March)
<p>L1: Audit actions fully implemented within agreed timescales – <i>Target 80%</i> Reported on a monthly basis Indicator measures the successful implementation of audit actions and the effectiveness of our follow-up process</p>	January – 12/16 = 75% February – 13/14 = 93% March – 1/2 = 50%
<p>L2: Training & development days - Reported annually Indicator measures our investment and time spent on training and development against the assumptions made in the audit plan</p>	62.12 Days (annual budget of 29 days)

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Annex C – Customer Satisfaction Questionnaires

1 - Did you feel involved in the planning and scoping of the audit?

Not at all	Not really	No opinion	Yes	Definitely	Number of Responses	Positive Responses
0	0	0	2	11	13	13

2 - Did you feel that the audit covered the right areas?

Not at all	Not really	No opinion	Yes	Definitely	Number of Responses	Positive Responses
0	0	0	3	10	13	13

3 - We kept you informed and updated throughout the audit

Yes	Could have been better	No	No opinion	Number of Responses	Positive Responses
13	0	0	0	13	13

4 - We were sensitive to your availability and workload

Yes	Could have been better	No	No opinion	Number of Responses	Positive Responses
12	1	0	0	13	12

5 - Did we demonstrate sufficient knowledge of the audit area (service area)?

Yes	No	Number of Responses	Positive Responses
11	2	13	11

6 - Did we conduct the audit in a professional and courteous manner?

Yes	No	Number of Responses	Positive Responses
13	0	13	13

7 - Our audit report was.... (select those that reflect your views)

Professional	Clear / easy to read	Factually accurate	Informative / useful	Succinct	Engaging	Contemporary	Other
12	12	8	11	2	2	0	0

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8- Do you believe the agreed actions will make a difference?

N/A - no actions were raised	Absolutely, I believe they will	Yes, I think so	I'm not really sure	No	Number of Responses	Positive Responses
0	6	7	0	0	13	13

9 - How would you rate your overall audit experience?

I'd rather not say / no opinion	Never again please!	It was OK *	Positive & Helpful	Excellent	Number of Responses	Positive Responses
0	0	1	6	5	13	12

*Counted as 0.5 each as neither positive or negative

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Annex D – Quality Action Plan

Theme	Action	Target Date	Status Update
Reporting	Review the assurance levels for individual reports.	To be introduced for financial year 2021/22.	Complete
Reporting	Review the assurance levels for the Annual Opinion.	Graded opinion to be provided for 2020/21.	Complete
Reporting	Review report format to ensure that it is fit for purpose but “lean” – only containing elements that add value to the customer. Include guidance notes.	To be introduced for financial year 2021/22.	Complete but continue to monitor - Report format has been reviewed, including guidance notes, and rolled out to team in March 2021 team meeting. If report timeliness and initial quality does not improve following additional training, may need to consider amending further by streamlining again and removing detailed findings section - this will require stakeholder consultation.
Reporting	Deliver report writing training in team meeting session.	Jul-21	Complete
Reporting	Deliver root cause analysis training in team meeting session.	Aug-21	Complete
Reporting	Review action priority levels.	April 2022	Not yet started. Change in Audit Manager has delayed this review.

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Theme	Action	Target Date	Status Update
Reporting	Review the Annual Opinion report template and contents to ensure that IA reports to committee are more strategic and focused on outcomes / key themes and issues.	Jul-21	Complete
Co-ordination of Assurance	Develop assurance maps for both organisations a) Discuss other forms of assurance as part of 2021/22 Audit Planning b) Add assurance maps to both Plans for 2021/22.	Complete by March 2022.	In progress - Outline complete but change in Audit Manager has delayed work in this area and so will commence during 2022/23.
Co-ordination of Assurance	Develop relationships with EA 1) Set up regular liaison meetings (every 4 months?).	For 2021/22 financial year with new EA personnel.	Not yet commenced. Change of Audit Manager has delayed this action.
Planning	Develop more risk-based method for 2021/22 periodic planning.	For 2021/22 financial year.	Change of Audit Manager delayed this process but a full review of the audit planning process will be undertaken during 2022/23.
Planning	Maintain under review the approach to periodic planning - annually or quarterly / six monthly.	Review again for 2022/23.	Complete, changes to periodic planning proposed as part of the Audit Plan 2022/23 paper.
Planning	Develop Audit Strategy for the partnership.	Sep-21	Due to departure of Audit Manager, this will not be complete until new Audit Manager in post and embedded.
Planning	Undertake Culture / Ethics / IT Governance Audits.	March 2022 (for completion of 2021/22 audits).	IT Governance audits on both Plans for 2021/22. Ethical Governance is due to be completed during 2022/23.

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Theme	Action	Target Date	Status Update
Planning	Develop mechanism and allocate responsibilities to team members to keep knowledge of key parts of the sector up to date, share updates with team as a whole.	Oct-21	Focus at present is on core audit work, not yet discussed with the team.
Data Analysis	Provide Excel training to the team.	Dec-20	Complete - basic data analysis provided over 2 sessions in house and further 1 day external course. Need to review further options once skills matrix complete.
Data Analysis	Arrange demonstration of data analysis software.	Dec-20	Complete
Data Analysis	Add data analysis to team objectives.	Dec-20	Complete
Data Analysis	Add to planning checklist to enforce that it is considered as part of every audit and that non-use is justified – done.	Dec-20	Complete
Data Analysis	‘Continual’ assurance using analysis of data will be trialled as part of the 2021/22 Plans.	Complete by March 2022.	Audits on Plans, individual audits not yet commenced.
Data Analysis	Draft data analysis strategy will be prepared by September 2021 (including identification of potential costs) and shared with the s151 officers for agreement of any additional funds required, specifically for training or software.	Sep-21	Not yet commenced - difficult at present due to staff changes and as other audit skills need to be fully developed first.
Performance Management	Review suite of KPIs to ensure they measure what we need to know and want to improve.	Needs to be in place for 2021/22.	Complete
Performance Management	Review calculation of CSQ measure.	Needs to be in place for 2021/22.	Complete

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Theme	Action	Target Date	Status Update
Performance Management	Quality of work including specific standards, competencies, deliverables and performance measures to be set out in a new suite of objectives for the auditors.	Dec-20	Complete
Quality and timeliness of audit work (also links to Performance Management above)	All team members to undertake skills gap analysis against the IIA competency framework.	May-21	Complete
Quality and timeliness of audit work (also links to Performance Management above)	Training plan for 2021/22 to be developed (reliant on completion of the above action).	Jul-21	Complete
Quality and timeliness of audit work (also links to Performance Management above)	Develop a Customer Charter that sets out clear expectations for audit staff and clients. Include expectation that customers will be given 2 weeks to comment on draft report.	To be in place for April 2021.	Complete, ongoing need to remind staff of the commitments in the Charter and to ensure they are communicating with clients. Charter was reviewed in team meeting 24 November.
Quality and timeliness of audit work (also links to Performance Management above)	All staff to continue to complete self-assessments at the end of individual audits to identify actions for improvement going forwards.	For 2020/21 audits onwards.	In progress and ongoing.
Quality and timeliness of audit work (also links to Performance Management above)	Training on project planning audits to be delivered as part of team meeting.	May-21	Complete - delivered over two sessions - April and May 2021.

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Theme	Action	Target Date	Status Update
Quality and timeliness of audit work (also links to Performance Management above)	Weekly 121s and action plans.	November 2020 onwards.	In progress and ongoing.
Quality and timeliness of audit work (also links to Performance Management above)	Identical audits across both sites to be allocated to same team member. Some 'task based' teams will be deployed for bigger audits in 2021/22 - Ethical Governance and Culture, will use agile techniques such as daily catch ups and specific task based timings. 'Site based' approach will be considered where practical.	Complete by March 2022.	In progress. Audit allocations are complete and where possible, identical audits have been allocated to same staff member.
Quality and timeliness of audit work (also links to Performance Management above)	Review and update the Audit Manual.	Sep-21	Complete
IA Charters	Review Audit Charters for both organisations.	Audit Committee / Board March 2022.	Complete
Data Retention	Review and update the information asset register / data retention schedule.	May-21	Complete
Remote Working	Complete Lessons Learned review of the past year as part of team meeting session.	Apr-21	Complete

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Theme	Action	Target Date	Status Update
Follow Ups	Review the follow up process and consider whether quarterly would be more efficient than monthly.	Apr-21	Follow up process to be reviewed in August 2022 to look for efficiencies with further improvements to be considered as part of new software procurement for implementation in 2023/24.

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Annex E - Definitions of Assurance ratings:

OPINION	DEFINITIONS
<p>Substantial Assurance</p>	<p>A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.</p>
<p>Reasonable Assurance</p>	<p>There is a generally sound system of governance, risk management and control in place.</p> <p>Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.</p>
<p>Limited Assurance</p>	<p>Significant gaps, weaknesses or non-compliance were identified.</p> <p>Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.</p>
<p>No Assurance</p>	<p>Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified.</p> <p>The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.</p>