

Internal Audit Update Report

24 January 2023



Introduction

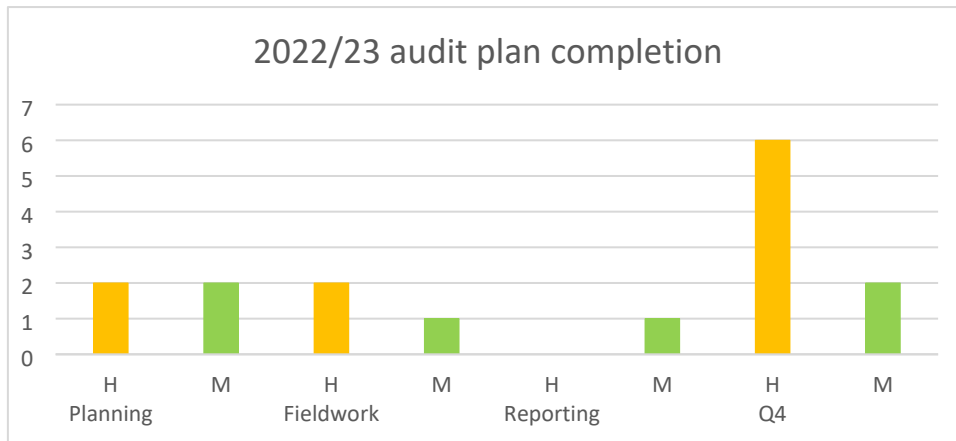
1. Internal Audit is an independent and objective assurance and consulting function. The shared team undertake reviews over the course of the year that are designed to evaluate and improve the Council's internal control, governance and risk management processes. Each individual review contributes towards the Chief Audit Executive's overall opinion on systems of risk management, governance and control provided at the end of the year.
2. This report provides Members with an update on internal audit activity, and, most importantly, its outcomes, against the Plan that was agreed by Members of this Committee in September 2022.
3. It also seeks to enable the Committee to discharge its responsibility to provide oversight of the quality and effectiveness of the Internal Audit Partnership. The Key Performance Indicators for Quarter 2 are provided in **Annex A**.

Internal Audit Progress Update

4. Since the last Internal Audit Update report, we have completed the following audits:

Audit Title	Current Status	Assurance
IT Governance	Complete	Reasonable
Temporary Accommodation	Complete	Reasonable
Companies - Quercus	Complete	Reasonable
Staff Wellbeing	Complete	Reasonable

5. We still have three vacancies in the team from a total of 7 as well as some long term sickness. However, we are currently undertaking a recruitment exercise for a new Auditor, a Trainee Auditor and an Audit Support Officer. Applications close on 15 January and interviews are due to take place shortly after.
6. A procurement exercise to contract out 9 audits between both Sevenoaks District Council and Dartford Borough Council is also underway and so I am confident we will be able to complete sufficient work to support the Chief Audit Executive opinion in July.
7. I have reviewed the 2022/23 audit plan and summarise our progress in the chart below. The issues raised above have meant that our focus in the first part of this audit year has unfortunately needed to be on completing 2021/22 work which explains our slow progress towards 2022/23 work. As part of the chart below, you will see when we intend to complete the remainder of the plan.



Internal Audit Outcomes

- Since the last update report in September, we have completed a further 4 audits. I provide the summaries of the completed audits below along with their associated assurance ratings (definitions found at **Annex B**):

IT Governance – Issued October 2022

Reasonable

The objective of this audit was to provide an evaluation of, and an opinion on, the adequacy and effectiveness of the system of internal controls that are in place to manage and mitigate risks associated with IT governance. The audit was part of the 2021/22 approved Internal Audit Plan for Sevenoaks Borough Council (Council).

We conclude based on our audit work that the controls in place provide a **Reasonable** assurance on the Council's IT governance arrangements.

The following areas for improvement were noted:

- An IT Security policy is in place, though it has not been reviewed since 2017 and is available to staff on the intranet and before they log on to the network.
- There are no further policies covering topics such as change management or third party management.
- Projects and initiatives linked to strategic change and/or other sources are not governed, documented and tracked.
- Vulnerability scanning does not take place to detect security issues in between the annual penetration tests that occur. As vulnerabilities are frequently discovered in existing software, there is a risk that hackers could exploit them in between such testing and thus vulnerabilities are present and create a “window of opportunity”.
- A Digital Strategy linked to the Customer and Workforce strategies was published in July 2021, but initiatives/projects arising from it are not defined. Furthermore it does not analyse the existing IT services or define any gap between current state and future vision to support the key actions that it includes.

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

Priority Ranking	Number of audit actions	Actions Agreed	Risks accepted
High	0	N/A	N/A
Medium	5	4	1
Low	0	N/A	N/A
Advisory	0	N/A	N/A
Total	5	4	1

Temporary Accommodation – Issued November 2022

Reasonable

The objective of the audit was to review the adequacy and effectiveness of the controls in place to ensure that the Council is complying with the Homelessness Reduction Act 2017 in relation to the provision of temporary accommodation. Based on our findings there is a Reasonable assurance that the controls are operating effectively.

We found households are being placed in temporary accommodation as required and are being supported to submit Housing Benefit applications as appropriate. We found 7/10 applicants sample tested had a Personal Housing Plan (PHP) either prior to being placed in temporary accommodation, or within 36 days after being placed. There are management checks in place to ensure PHPs are monitored and households are supported, however, there are some gaps when families are supported by other teams within the Council and improvements can be made to enhance cross-team working.

The landlord support scheme is on par with neighbouring Local Authorities and the service is exploring options to ensure other avenues of temporary accommodation are available. The service has introduced a dedicated Landlord Liaison Officer post to enable good working relationships with both landlords and agents.

Cabinet approved the Temporary Accommodation Placement Policy in April 2020 which included a schedule enabling the Council to charge a means-tested fee for temporary accommodation which could realise £36,000 income. However, the service is yet to set this up, though is currently exploring options to implement the process for collecting these fees.

Detailed below is a summary of our actions and management response:

Priority Ranking	Number of audit actions	Actions agreed
Critical	0	N/A
High	0	N/A
Medium	2	2
Low	0	N/A
Advisory	0	N/A
Total	2	2

Staff Wellbeing – Issued November 2022

Reasonable

The purpose of this review was to assess the adequacy of arrangements in place for staff welfare and wellbeing.

The Human Resources team provide a proactive approach to staff wellbeing. Particularly with:

- Regular communication to staff about the various resources the Council provide in regard to wellbeing
- Monitoring the use of staff benefits, to ensure staff are aware of the benefits they can receive
- Updating training programs, to ensure their relevance
- Creating the Consultative Group in January 2022, to ensure staff engagement with council decisions
- Through the COVID lockdowns, and after, continued to provide support, information, and training, in person and online

However, the Mental Health Strategy should be updated to provide more specific, measurable actions, which will help to ensure the Council takes a consistent approach to wellbeing.

Priority Ranking	Number of audit actions	Actions agreed
Medium	1	1
Advisory	1	N/A
Total	2	1

Companies - Quercus – Issued December 2022

Reasonable

The objective of the audit was to review the relationship between the Council and its subsidiary companies and the effectiveness of governance arrangements to oversee company activities.

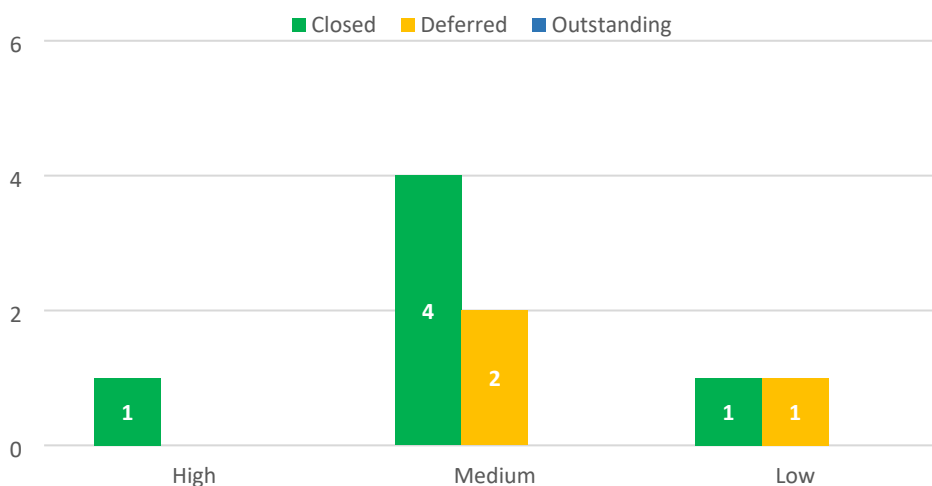
The governance arrangements and overall framework in place to oversee the activities of the company are generally sound. We found the agreements in place regulating the relationship between the Council and its companies are fit for purpose and the remit of the Trading Board and Guarantor Board are clearly set out within their terms of reference. The Council has regular oversight through quarterly meetings and the Annual General Meeting (AGM) is essentially effective.

However, our review of the arrangements in practice found that they are not always clear, which creates the potential for conflicts of interest. It was not clear in what capacity officers were reporting to the Council, and we found agreements had been signed by officers on behalf of the Council that are also directors of the companies. This could leave the Council open to challenge over the duty owed to the company and the interests of the Council.

Priority Ranking	Number of audit actions	Actions agreed	Risks accepted by management
Medium	2	2	0
Low	3	1.5	1.5
Advisory	1	1	0
Total	6	4.5	1.5

Follow Up

9. Internal Audit follows up all Critical, High, Medium and Low priority findings as they fall due. The below table shows the results of our follow up process for actions due in Quarter 2 this financial year. All deferrals have been agreed by the Chief Officer – Finance and Trading or the actions have made significant progress and we are expecting them to be fully implemented shortly.



Internal Audit Performance

10. Audit Committee has an important role to play in overseeing and ensuring the quality and effectiveness of Internal Audit, in order to assure themselves that Internal Audit makes a robust contribution to governance and that reliance can be placed on its conclusions. This oversight is facilitated through the Quality Assurance and Improvement Programme, which includes an action plan and performance indicators. The Quality Assurance and Improvement Plan was last presented in July 2022 and requires revision based upon the skills and knowledge of the team once the three vacancies have been filled. For this reason, we will be reporting a new plan in July 2023 and thereafter will provide periodic updates on progress.
11. **Annex A** contains the results of our Key Performance Indicators (KPIs) for Quarter 2 (July - September). Our KPIs indicate a drop in performance which is to be expected given the staffing issues described above. The main area for action remains the timeliness of audit delivery; the KPI shows that no audit reports are issued by the date given on the audit brief. I believe we now understand the root cause of this issue and have put actions in place to address it meaning that there should be an increase in performance reported in January.

Conclusion

12. Progression through the 2022/23 audit plan has been slow to get started as a result of the staff vacancies and sickness. However, we have recruitment underway and have other plans for resourcing a number of audits in the last quarter which should mean we are able to deliver sufficient coverage to support the Chief Audit Executive opinion in July 2023.
13. We would like to thank Officers, Managers and Members for their ongoing support and co-operation to enable us to deliver our work.

Jennifer Warrillow

Audit Manager

Annex A – Key Performance Indicators for Q2 (July - September 2022)

Finance: Associated performance indicators	Q2 (July - September)
F1: Percentage of budgeted days taken to complete projects – <i>Target 100%</i> Reported on a cumulative basis Indicator measures any variance between the days agreed on the final brief vs. the actual time coded	168%
F2: Chargeable days – <i>Target 75%</i> Reported on a quarterly basis Indicator measures the actual chargeable activities against the assumptions made in the audit plan	Average 69%
F3: PSIAS conformance – <i>Target ‘Generally Conforms’ (IIA definition)</i> Reported annually Indicator measures effectiveness of the Quality Assurance & Improvement Programme (QAIP) to ensure compliance with professional Standards.	To be reported at the end of 2022/23
Client satisfaction: Associated performance indicators	Q2 (July - September)
C1: Respondents satisfied with the overall audit experience – <i>Target 90%</i> Reported on a project by project basis Indicator measures Client satisfaction with how we undertook the work, and takes into account our professionalism, approach and competence	3/6 ¹ 70%
C2: Respondents agreement with the audit actions – <i>Target 90%</i> Reported on a project by project basis Indicator measures Client agreement to the audit findings and resulting actions from our audit work	21/21 100%

¹ 3 satisfaction questionnaires returned from 6 issued with 70% positivity overall

Internal processes: Associated performance indicators	Q2 (July - September)
<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</p> <p>Indicator measures the effectiveness of our project planning and communications with the client</p>	1/2 50%
<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</p> <p>Indicator measures the efficiency of our audit work, currency of our audit finding and effective engagement between Auditors and Clients</p>	0/8 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</p> <p>Indicator measures the effectiveness of our process to finalise audit reports and issue the report in a timely manner</p>	3/7 43%
Learning & Development: Associated performance indicators	Q2 (July - September)
<p>L1: Audit actions fully implemented within agreed timescales – <i>Target 80%</i> Reported on a monthly basis</p> <p>Indicator measures the successful implementation of audit actions and the effectiveness of our follow-up process</p>	11/21 52%
<p>L2: Training & development days - Reported annually</p> <p>Indicator measures our investment and time spent on training and development against the assumptions made in the audit plan</p>	18.78 Days (annual budget of 29 days)

Annex B - 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>