

Internal Audit Update Report

28 March 2023

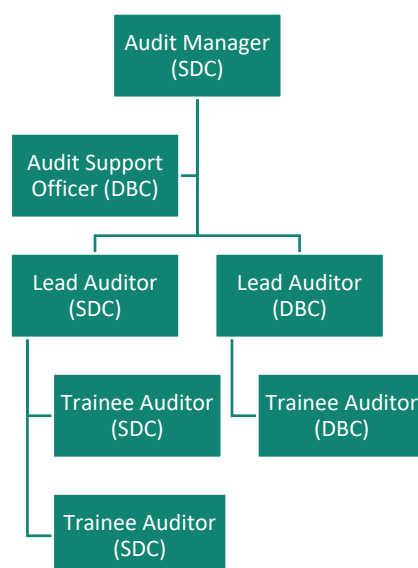


Introduction

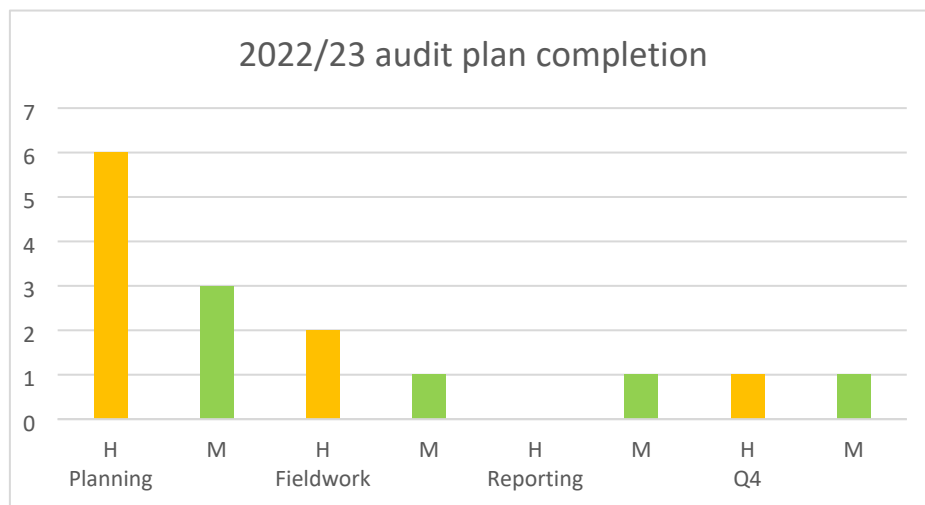
1. Internal Audit is an independent and objective assurance and consulting function. The shared team undertake reviews over the course of the year that are designed to evaluate and improve the Council's internal control, governance and risk management processes. Each individual review contributes towards 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 March 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 3 are provided in **Annex A**.

Internal Audit Progress Update

4. Since the last Internal Audit Update report 7 weeks ago, we have not completed any new audits. Though have made progress through several audits with all bar 2 at least in planning stage.
5. We still have three vacancies in the team from a total of 7. However, since I last reported, the member of the team on long term sick leave has now returned to work and we have had a successful recruitment exercise. We have offered to all three posts and had those offers accepted. We are working towards early April start dates for each of these posts. These recruitments have involved slight restructure, changing our two Auditor posts to Trainee Auditors with our new structure shown below:

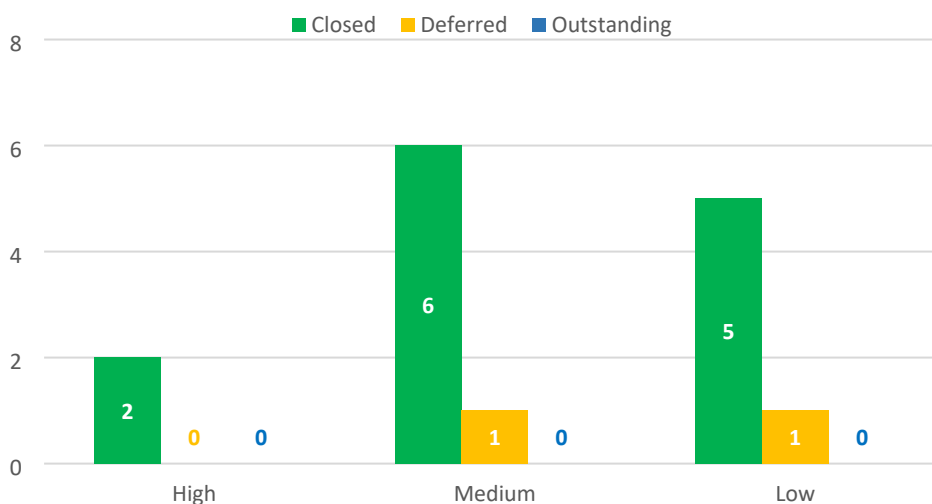


6. We have secured a contract with South West Audit Partnership to deliver 4 audits for Sevenoaks District Council during April and May this year as well as a Temporary Auditor to support us in delivering an additional 3 audits, so I am confident we will be able to complete sufficient work to support the Chief Audit Executive opinion in July 2023.
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. The chart below shows how many audits are at each stage of the process, broken down by priority.



Follow Up

8. 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 3 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

9. **Annex A** contains the results of our Key Performance Indicators (KPIs) for Quarter 3 (October - December). 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. With increased workloads as a result of the vacancies, this is understandable and should improve once we have a full complement of staff.

Conclusion

10. Progression through the 2022/23 audit plan has been slow to get started as a result of the staff vacancies and sickness. However, with our new recruits as well as other arrangements for increasing the delivery of audits in the last quarter, we should be able to deliver sufficient coverage to support the Chief Audit Executive opinion in July 2023.
11. 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 Q3 (October to December 2022)

Finance: Associated performance indicators	Q3 (October - December)
<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>	160%
<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 65%
<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 2022/23
Client satisfaction: Associated performance indicators	Q2 (July - September)
<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 No satisfaction questionnaires received in quarter 3
<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>	18.5/21 = 88%

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>	0/0 0%
<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>	0/2 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>	3/6 50%
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>	11/14 = 79%
<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>	25.7 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>