Internal Audit Annual Report

2011/12

SEVENOAKS DISTRICT COUNCIL
ANNUAL INTERNAL AUDIT REPORT 2011/12

Contents

Background

1.   This report deals with the outcome of the work undertaken by the Audit and Risk and Anti-Fraud Team for the period 2011/12. The report also contains the overall Assurance Opinion of the Internal Audit Manager regarding the effectiveness of the systems of internal controls within the Council for the period 2011/12; and a summary of the reviews carried out, including outturn performance indicators for the period.

Members may note that this is the second annual report following the shared services agreement with Dartford Borough Council.

2.   The Accounts and Audit Regulations 2011, require local Councils to comply with proper practices regarding their arrangements for internal audit and internal control. The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom (2006) details guidance regarding proper practice in relation to internal audit. This report is therefore prepared in compliance with the CIPFA Code of Practice (CoP).

Introduction

3   This report sets out the following details relating to the team's service plan objectives for 2011/12:

- Provides an overall assurance opinion on the adequacy and effectiveness of the organisations control environment for 2011/12
- Summarises the outcome of the team's work during 2011/12 with respect to:
  - The annual audit plan for 2011/12
  - Risk Management
  - Annual Governance Statement
- Assesses Internal Audit performance against a range of performance measures
- Summarises the result of 2011/12 audit reviews. (Annex 1)
- Summaries of outcome of the findings and recommendations of reports issued since the last meeting of the committee are attached in Annex 2

4.   **Basis of the opinion on the Council's Internal Control Environment**

The Internal Audit Manager's opinion on the Council's system of internal control environment is based on the work of the Audit and Efficiency team during 2011/12, details of which can be found in Annex 1 of this report.

4.1.   **Overall Assurance Opinion**

Based on the audit work undertaken throughout the year, responses to our recommendations and our fraud or irregularity investigations, my opinion is that the management of both financial and operational risks within Sevenoaks District Council is satisfactory.

4.2.   The assurance is based on the premise that the system of internal control is designed to manage risk to a reasonable level rather than eliminate risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance regarding the effectiveness of such controls.

Internal Audit

5.   The key responsibility of the team is to provide an in-house internal audit service on behalf of the Council.

6.   Internal Audit is defined by the CIPFA CoP as; "an assurance function that provides an independent and objective opinion to the organisation on the control environment (risk management, internal control and governance) by evaluating its effectiveness in achieving the organisation's objectives.   It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources".

7.   The audit plan for 2011/12 contained 25 reviews for 2011/12. During the year the plan was revised to reflect available resources and to take account of risk and materiality in delivering the assurance requirements for 2011/12. Three reviews were deferred which have been included in the annual audit plan for 2012/13. The remaining reviews have all been completed. A summary of the results is attached as the Appendix to this report.

8.   The key aspects of our internal control responsibilities are aimed at achieving the following:

•   to ensure adherence to Council policies and directives in order to achieve the organisation's objectives

•   to safeguard assets

•   to secure the relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of records and

•   to ensure compliance with statutory requirements.

9.   An additional responsibility is that the Council's external auditors place reliance on our audit reviews in order to minimise the work they undertake regarding systems testing.   This reduces the Council's total audit costs and keeps duplication between external and internal audit work to a minimum.   In order to meet the external auditor's requirements, we aim to test the key controls operating in all major financial system each year

10.   Annex 1 shows a summary of the findings and opinions on individual reviews conducted during the year.   Given that some of the audit work was carried out over a year ago, where appropriate an updated opinion is given to reflect changes over the period and the position as at 28 May 2012.

11.   There were no significant issues arising from the work done with regard to the audit plan. We received a good response to our recommendations to improve control across the organisation. Departments implemented 26 (51%)

(40/494.% in 2010/11) of our recommendations immediately following the audit, with action in progress or planned to implement the remainder within a reasonable timescale.

Prepare the Internal Audit Plan for 2012/13

12. The draft audit plan for 2012/13 was completed in March 2012 and agreed by Performance & Governance Committee on 13 March 2012. The plan is risk based, and reflects the Council's risk profile. At the time risk registers were being prepared. Thus the plan would be revised as necessary to reflect changes in the operational risk profiles of the Council. Any revisions will be taken to the next Performance and Governance Committee for approval.

Risk Management

13. The team currently co-ordinates the Council's strategic risk register, and updated it during the year to reflect changes and improvements in its presentation. The officers' risk management group has continued to co-ordinate the Council's risk management framework and to facilitate the dissemination of good practice. The risk management framework has been refreshed and training workshops have been agreed to be delivered to key risk owners over the next few weeks.

Annual Governance Statement (AGS)

14. Regulation 4 of the Accounts and Audit Regulations 2011 requires the Council to carry out an annual review of its system of internal control; governance arrangements and to produce an annual governance statement. The team co-ordinated the information gathering process which fed into the production of the AGS and offered advice and information to Management in order to facilitate the effective completion of the process. A report on the Annual Governance Statement is included as part of the agenda for this meeting.

Other Activities

15. A summary of the non-core activities undertaken by the team is as follows:

   - Liaise with the Council's external auditors and inspectors regarding matters pertaining to internal audit, risk management and procurement
   - Kent Audit Group (KAG) – The Audit, Risk and Anti-Fraud Manager is a Member of KAG and participated in the Kent Audit Group activities during the year.
   - Attended regular finance managers' meetings and quarterly Corporate Resources Senior Managers Group meetings

Audit Approach

16.   The following highlights our approach in carrying out our audit responsibilities during 2011/12:

Systems Based Reviews

17.   When carrying out an audit review, we identify the financial and operational controls in place within the system to manage potential risks, and then evaluate and test the controls to ensure that they are operating as planned. This allows us to test only a sample of transactions and still draw conclusions about how well procedures are working in the Council. The types of controls we expect to be in place are:

- up-to-date procedure notes, so that staff are aware of the procedures they should be following
- separation of duties, so that staff act as checks on each other's actions
- reconciliations between financial records and other records held, to confirm the accuracy of the financial records
- access to records is limited to those who require it
- effective review of exception reports and other management information
- effective supervision, so that any problems are promptly identified and addressed.

Contract Audit

18.   As well as maintaining the Contracts Register, we advise on tendering procedures and compliance with legislation and regulations. We follow the progress of the contract throughout its life and confirm the final accounts have been checked to ensure these are in accordance with the contract and any variation orders. In accordance with guidance from CIPFA, we do not audit final accounts, as we place reliance on the technical staff responsible for managing and monitoring the contracts.

Fraud and Corruption

19.   When a loss or potential fraud is brought to our attention or discovered during an audit we undertake an investigation in order to determine whether the loss was as a result of an error or deliberate action. Where appropriate, we make recommendations to improve controls within the system affected by the loss or allegation. During the year 2011/12 there were no reported cases of irregularity.

20.   The Audit Commission provides us with 'fraud warnings' throughout the year. Where appropriate, we investigate to ensure that fraud found at other organisations is not taking place at Sevenoaks District Council. We also liaise with the National Fraud Initiative (NFI) regarding exchange of information to improve fraud monitoring as part of the risk management process. During the year we carried out investigations into data matches passed to us by the NFI. There were no significant findings from the matches investigated.

Following up Previous Year's Audits

21.   Follow-up on previous audit recommendations and agreed actions is necessary to enable internal audit to assess the effectiveness of the audit recommendations implemented by management to address identified weaknesses in internal controls. When we carry out an audit, we follow up on any previous audit recommendations as part of our review. Where areas are reviewed annually this means that recommendations are usually followed up the year after they are made. However, where the audit opinion is unsatisfactory, follow-up would be carried out within 3 to 6 months of the review.

Internal Audit Section Performance

22.   Internal Audit's performance over the past year is analysed over a number of factors in order to facilitate continuous monitoring of inputs, outputs and quality, and to maintain high standards. Outturn data for performance measures are highlighted below (see paragraphs 30 -36).

Quality Measures

23.   *External Audit assessment* – The Audit Commission became the new external auditors continued as the Council's external auditors in 2011/12. During the year we   worked closely with the District Auditor and his staff to meet the assurance requirements. We also agreed a communications protocol with the Audit Commission which informed and facilitated co-operation and liaison between internal and external audit.

24.   The reliance placed on our work by the external auditors reduces both the duplication of audit effort and the total cost to the Council of work done by the external auditors. We will continue to work with the external auditors in 2012 to ensure an integrated audit approach.

25.   *Audit satisfaction questionnaires* – At the completion of each audit, all recipients of our reports are asked to comment on their satisfaction with the audit process, by way of a survey questionnaire. The survey results are summarised in the following table.

26.   In 2011/12 a new customer satisfaction survey was introduced. The questionnaire is sent out with all final audit reports and give the manager audited an opportunity to comment on the professionalism regarding the way the work was conducted and the relevance and value of the findings and recommendations made. The results of the questionnaire are set out in the table below.

Responses to Questionnaires –

	Question	Yes	%	No	%
1	I was given adequate notification and opportunity to contribute and comment prior to the Audit Brief being issued	15	100%		
2	Appropriate staff were interviewed	15	100%		
3	Audit objectives covered all the relevant issues	15	100%		
4	I am confident with the accuracy of the audit findings	15	100%		
5a	I was given adequate opportunity to discuss audit findings and recommendations during the feedback	14	93%	1	7%
5b	and my views were adequately reflected in the final report	14	93%	1	7%
6a	The final audit report was timely	15	100%		
6b	and clear and understandable	15	100%		
7a	The audit recommendations in the final report were relevant,	15	100%		
7b	practical,	15	100%		
7c	realistic	15	100%		
8	This audit has added value and/or assurance of adequacy (or not) of internal controls	15	100%		
9	Did this audit identify any unknown issues	2	14%	13	86%

Implementation of Recommendations

27.   Following our audit all report recipients are asked to complete a progress sheet showing whether they agree with the recommendations made and how they plan to implement them. The results are summarised as follows:

Analysis of progress sheets

Recommendations	2011/12		2010/11	
	number	%	number	%
accepted	51	100	39	100
Rejected	0	0	0	0
recommendation implemented	25	51	12	31
implementation in progress				
implementation planned	26	39	26	67
no action recorded			1	3

28. In total, we made 51 recommendations in 2011/12. Some reports did not receive a recommendation, where the controls were found to be sufficiently strong and where it was felt that additional strengthening may not be cost effective (see Appendix A - Annex 1)

29. The above shows that departments are taking action on 100% of our recommendations.

Input Resources

30. *Staffing* – The team has the full complement of staff agreed in the shared services agreement between Sevenoaks and Dartford Councils.

31. *Sickness levels* – The team has maintained total sickness level of 27.35 days in 2011/12, averaging less than 8 days (9 days in 2010/11). However 70% of sickness related to long term sickness. This had been reported to Members previously and is now no longer an issue.

32. *Training* – Training is important to equip staff with the skills they need to provide quality and effective services, especially in the wake of shared services partnership. Over the past year, team members participated in the training covering the following areas:

- Tenancy fraud
- IT security
- Use of Agency Staff
- Agresso, Cedar Simon & TASK systems training
- Ivy soft (In-house on-line training on a range of subjects)
- Professional briefings and workshops run by the Institute of Internal Auditors
- Windows 7 and MS Office 10
- Data Protection, Freedom of Information and Environmental Information Regulations
- Benefit fraud hotline
- Procurement contracts
- Ken Audit Group conference
- IRM Conference

- Future of Local Government Audit conference
- ALARM Conference
- Chief Auditor's Day
- National Anti-Fraud Network Conference.

33.   The section also participated in the following County Wide group meetings where best practice is discussed and disseminated:

- Kent Audit Group meetings – Heads of Audit

Output Measures

Completion of the audit programme:

34.   All reviews within the revised internal audit plan for 2011/12 were completed. The original plan consisted of 25 reviews. However, for operational reasons the plan was revised in January 2011 and this committee approved the revised plan which deferred three reviews to be taken forward into the audit plan for 2012/. The reviews taken forward are, (Risk Management, Procurement and IT Implementation and Network Security Reviews).

Performance measures

35.   In 2011/12, we were measured against the following PIs for Internal Audit based on the CIPFA guidance. The following shows our actual against our target performance for 2010/11.

	Measure	*Target*	*Actual 2011/12*	*Actual 2010/11*
1	*Percentage of internal audit time spent on direct activity*	*80% of available time.*	*79.18%*	*78%*
2	*Efficiency of the audit service*	*95% of draft reports issued within 15 working days of completion of the audit fieldwork.*	*65%*	*100%*
3	*Efficiency of the audit service*	*95% of audits achieved in allocated days (+10%)*	*100%*	*90%*
4	*Client satisfaction with audits carried out*	*92% client satisfaction as indicated by the responses to the post audit*	*99%*	*100%*

		questionnaires.		

36. Generally the team met or exceeded its performance targets with the exception of item 2 above. This item measures the speed of completing the final report following the completion of field work. Delays occurred during the year due to the dynamics of auditors working at two sites which are some distances apart. This created some difficulties in arranging appointments with managers to complete the feedback meeting, prior to issuing the final reports. However, we have factored this learning into our approach going forward in 2012/13 to ensure that the target would be met this year.

Appendix A - Annex 1

Audit title	Opinion
Main Accounting System	Good
Budgetary Control	Good
Cash & Bank Reconciliations	Satisfactory
Treasury Management	Satisfactory
Payroll	Satisfactory
Car Parking Income	Adequate
Contract Management Arrangements	Satisfactory
Cash Collection – Council Offices	Satisfactory
Licensing	Satisfactory
Impact of Budget Constraints on Services	Good
Information Governance/Document Control, FoI, DPA	Satisfactory
Data Quality/Accuracy	Satisfactory
Register of Interest & Hospitality	Satisfactory
Debtors	Good
Council Tax and NNDR	Good
Council Tax & Housing Benefits	Satisfactory
Purchasing & Creditors	Satisfactory
Emergency Planning/BCP	Good
Dunbrik	Good
External Funding	Good
Annual Governance Statement	N/A
Value For Money	Good
Overall Opinion	**Satisfactory**

Cash & Bank Reconciliations 2011-12   **Issued: 29 February 2012**

Opinion: Satisfactory

The purpose of this review was to provide assurance regarding the effectiveness of the arrangements in place for the administration of the Council's cash and bank reconciliations system. To this effect, the following risks and controls were examined;

1) Risk that the Council may not comply with relevant legislation, organisational policy and good practice.

2) Risk that appropriate records are not kept to support the reconciliation process;

3) Risk that reconciliations between the Council's bank and financial systems may not be accurate, complete, up to date or reviewed by a senior officer;

4) Risk that long standing reconciling items may not be followed up on a timely basis and may be more difficult to resolve;

5) Risk of the Council not having an accurate view of its cash flow or financial position;

6) Fraud and/or corruption may occur.

7) Risk of failure to take opportunities to demonstrate efficiency and for VFM to be maximised.

8) Risk that annual risk assessments are not undertaken.

Audit testing results indicated that the controls were fully met in five of the eight risks examined whilst three were partially met (risks 1 to 3)

The audit opinion was "Satisfactory", indicating that controls are in place to ensure the achievement of service objectives, good corporate governance and to protect the Council against foreseeable risks. Compliance with the risk management process is considered to be good and no significant or material errors or omissions were found.

Five recommendations were agreed with Management to address the areas where controls were partially met.

- A timeframe by which bank reconciliations are completed following month end closedown should be included in the individual work instructions for both Agresso and Task. These instructions should be complied with.

- The existing procedures for the Agresso bank reconciliations should be periodically reviewed to ensure the procedures reflect changes in working practices and IT development.

- The bank reconciliation summary sheet should include the job title of the officer preparing and reviewing the bank reconciliations.

- The bank reconciliations should be completed within agreed timescales specified in the procedure notes. When timescales cannot be met the reasons should be documented.

- The references to closed obsolete accounts detailed on the Agresso bank reconciliation summary sheet should be removed.

Members will be advised of the progress in implementing these recommendations in due course.

Impact of Budgetary Constraints 2011/12   **Issued: 2 March 2012**

Opinion: Good

The purpose of the review was to provide assurance on the arrangements in place where there have been operational changes or staff reductions due to budget cuts or other reasons. The key objective was to examine the effectiveness of service delivery and resilience in meeting service objectives, together with other issues, such as knowledge management and succession planning

To this effect, the following key risks and associated internal controls were examined:

1) Risk that the Council may not comply with relevant legislation, policies, or good practice

2) Risk that duties and responsibilities covered by deleted posts may not be maintained

3) Risk that resources may not be maximised

4) Risk that relevant evidence requirements to meet regulatory compliance may not be maintained

5) Risk that fraud or corruption may go undetected

6) Opportunities to demonstrate efficiency or value for money may not be maximised

7) Risk assessments may not be adequately undertaken and risks not adequately managed

Audit testing results indicated that controls were fully met in six of the aspects examined, whilst one was partially met (risk 2)

The audit opinion was 'good'. This meant that controls are in place to ensure the achievement of service objectives, good corporate governance and to protect the Council against foreseeable risks. Compliance with the risk management process is considered to be good and no significant or material errors or omissions were found.

One recommendation was agreed with Management to address the area where controls was partially met.

- The Professional Services Manager should ensure that revised job descriptions are made available. The job descriptions should detail any new duties including the contracts work.

Members will be advised of the progress in implementing this recommendation in due course.

Main Accounting System 2011/12   **Issued 29 March 2012**

Opinion: Good

The purpose of this review was to provide assurance regarding the effectiveness of the arrangements in place to ensure accuracy, authorisation and authenticity of accounting entries on the main accounting system. To this effect, the following key risks and associated internal controls were examined:

1) Risk that the Council may not comply with relevant legislation, policies, or good practice

2) Risk that relevant records of transactions may not be current, accurate or complete

3) Risk that transactions may not be allocated to the correct cost centres or accounts

4) Risk that transactions may not be supported or evidenced by a complete audit trail

5) Risk that fraud or corruption may go undetected

6) Opportunities to demonstrate efficiency or value for money may not be maximised

7) Risk assessments may not be adequately undertaken and risks not adequately managed

Audit testing results indicated that controls were fully met in all seven of the aspects examined.

The audit opinion was 'good'. This meant that controls are in place to ensure the achievement of service objectives, good corporate governance and to protect the Council against foreseeable risks. Compliance with the risk management process is considered to be good and no significant or material errors or omissions were found..

No new recommendations were identified or agreed with Management in relation to this review. However, the review did identify that one previous recommendation had not been implemented. This will be addressed at the next corporate review of the Constitution.

This recommendation was therefore reiterated and agreed with Management:

•   The Financial Procedure Rules should be updated to reflect the organisation's statutory obligation under the 2010-11 [and subsequent thereafter] Code of Practice on Local Authority Accounting in the United Kingdom.

Members would be advised of the progress in implementing this recommendation in due course.

Information Governance 2011/12   **Issued 29 March 2012**

Opinion: Satisfactory

The purpose of the review was to provide assurance over the Council's arrangements for dealing with the management and availability of information, including personal data. To this effect, the following key risks and associated internal controls were examined:

1) Risk that the Council may not comply with relevant legislation, policies, or good practice

2) Risk that the arrangements for corporate information governance may not be clear to all staff or easily accessible

3) Risk that retention of information may not be as effective, efficient or economic as possible

4) Risk that the arrangements for processing Data Protection and Freedom of Information requests may not be effective, efficient or in compliance with legislation

5) Risk that the application of exemptions to the Data Protection and Freedom of Information Acts may not be appropriate or in compliance with legislation

6) Risk that the Council may not have an effective complaints and appeals procedure in regard to Data Protection and Freedom of Information

7) Risk that fraud or corruption may go undetected

8) Risk of failure to maximise opportunities to demonstrate efficiency or VFM

9) Risk assessments may not be adequately undertaken and risks not adequately managed

Audit testing indicated that, for six of the nine risks examined, controls were fully met. Two controls were partially met and one was not met (risks 1, 2 and 9 respectively).

The audit opinion is "Good". This means that controls exist to enable the achievement of service objectives, obtain good corporate governance and mitigate against significant foreseeable risks. However, occasional instances of failure to comply with the control process were identified and opportunities still exist to mitigate further against potential risks.

Three recommendations were agreed with Management to address areas where controls were either partially or not met. In addition, two good practice recommendations were agreed with management in order to enhance areas where controls were met. These relate to risks 4 and 6.

- Agreed corporate procedures regarding Freedom of Information should be made available on the Council's intranet. The current hyperlinks to the Department for Constitutional Affairs, within the Council's Freedom of Information webpage, should be updated to the correct Ministry of Justice website.

- The Records Retention Policy should have defined ownership to ensure regular review. It should also contain provisions for monitoring compliance across the Council.

- Where an EIR, FOIA or DPA request email is received within any active (i.e. no out-of-office reply) or generic Council inbox on a working day prior to the end of normal office hours, it should be logged as received on that working day, regardless of when the request is physically read.

- Management should consider reducing the target response time for FOIA and DPA complaints to 20 working days in order to bring the complaints policy into alignment with ICO good practice guidance. The Freedom of Information Complaints and Appeals Policy available on the Council's external website should be revised to contain correct, up-to-date contact details for registering a complaint.

- An operational risk register should be completed for Democratic Services to reflect the service plan for 2012/13.

Members would be advised of the progress in implementing these recommendations in due course.

Debtors 2011/12   **Issued: 17 April 2012**

Opinion: Good

The purpose of the review was to provide assurance to management regarding the promptness with which debtor accounts are identified and accurately processed for payment including, where appropriate, the taking of recovery action. To this effect, the following key risks and controls were examined;

1) Risk that the Council may not comply with relevant legislation, organisational policy, regulatory requirements and good practice.

2) Risk that invoices may not be prepared promptly, or for the correct amount or accounted for correctly.

3) Risk that recovery procedures do not ensure that appropriate action is taken to pursue debtors.

4) Risk that the aged debtor summary is not reconciled to the general ledger.

5) Risk that separation of duties is not maintained between the invoicing function and cash collection.

6) Risk that fraud and corruption may occur.

7) Opportunities to demonstrate efficiency or VFM may not be maximised.

Audit testing results indicated that controls were fully met in all seven of the aspects examined.

The audit opinion was 'good'. This meant that controls are in place to ensure the achievement of service objectives, good corporate governance and to protect the Council against foreseeable risks. Compliance with the risk management process is considered to be good and no significant or material errors or omissions were found.

No recommendations were considered necessary following this review, as it was felt that additional controls would not offer value for money.

Review of Council Tax and NDR 2011/12   **Issued: 25 April 2012**

Opinion: Good

The purpose of the review was to provide assurance on the effectiveness of the Council Tax and NDR service, following the implementation of the new shared services arrangements between Sevenoaks District Council and Dartford Borough Council in December 2010. To this effect, the following key risks and associated internal controls were examined:

1) The Council may not comply with relevant legislation, organisational policy and good practice;

2) The service may not deliver its service objectives;

3) The system for recording liability may not be operating correctly;

4) The system for collecting income including recovery arrangements may not be effective;

5) Single person (and other discounts and exemptions) may be invalid, not supported by valid applications or not properly authorised;

6) The accuracy of data transfer onto the computer system may not be reliable

7) Fraud and corruption may occur;

8) Opportunities to demonstrate efficiency or VFM may not be maximised;

9) Risk assessments may not be adequately undertaken and risks not adequately managed

Audit testing indicated that, for seven of the nine risks examined, controls were fully met, whilst one was partially met and the other not met (risks 3 and 9 respectively)

The audit opinion was 'good'. This meant that controls are in place to ensure the achievement of service objectives, good corporate governance and to protect the Council against foreseeable risks. Compliance with the risk management process is considered to be good and no significant or material errors or omissions were found.

Two recommendations were agreed with Management to address the areas where controls were either partially or not met. .

- Internal links should be investigated and utilised. (For example requests to DBC for new bins are passed on). All areas should then be documented and where possible strengthened.

  Contact with the Valuation Office should be maintained.

- An operational risk register should be produced for Council Tax and NDR for the year 2012/13, based on the requirements of the new Framework and linked to Service Plan objectives once the new framework is in place.

  The Audit, Risk and Anti-fraud Manager should be contacted for guidance if required.

Members will be advised of the progress in implementing these recommendations in due course.

Review of Council Tax & Housing Benefit 2011/12   **Issued: 8 May 2012**

Opinion: Satisfactory

The purpose of the review was to provide assurance regarding the effectiveness of the new shared services arrangements in delivering the Council's Benefits service. Key aspects of the review focussed on the evaluation of the controls in place to ensure that benefit claims were correctly assessed, properly evidenced by an audit trail, paid to claimants or their landlords in accordance with the requirements, and accurately recorded within the Council's accounts. To this effect, the following key risks and associated internal controls were examined:

1) Risk that the Council may not comply with relevant legislation, policies, or good practice

2) Risk that assessments may not be correct, timely or subject to quality check

3) Risk that there may not be an adequate audit trail available to evidence the history of a claim

4) Risk that overpayments may not be recovered

5) Risk that procedures and IT functionality may not be sufficiently aligned to obtain the full benefits of shared working

6) Risk that payments may not be accurate or timely

7) Risk that the Council's Financial Accounts may not accurately record payments made

8) Risk that customer service standards may not be maintained

9) Risk that the Council's electronic records may not be secure, or the data recoverable in the event of a system failure

10) Risk that fraud or corruption may go undetected

11) Opportunities to demonstrate efficiency or value for money may not be maximised

12) Risk assessments may not be adequately undertaken and risks not adequately managed.

Audit testing results indicated that controls were fully met in eight of the aspects examined, whilst three were partially met and one was not met (risks 2, 4, 9 and 12 respectively).

The audit opinion was "satisfactory". This meant that controls exist to enable the achievement of service objectives, obtain good corporate governance and mitigate against significant foreseeable risks. However, occasional instances of failure to comply with the control process were identified, and opportunities still exist to mitigate further against potential risks.

Four recommendations were agreed with management to address the areas where controls were not fully met.

- Deadlines for the return of information should always be double checked in order to prevent slippage

- A schedule of overpayments to be written off for Dartford BC should be produced by the Overpayments Officer and approved by the appropriate Senior Manager as soon as possible. Following this, a schedule of overpayments to be written off should be produced by the Overpayments Officer regularly for each council and presented to the appropriate Senior Manager for approval.

- Previous users of Academy who have now left the Council should have their access to the system removed. The system should then be regularly reviewed, at least once per quarter, to ensure that only appropriate officers are able to access and update the system.

- An operational risk register should be produced for the Benefits service for the year 2012/13, based on the requirements of the new Framework and linked to Service Plan objectives once the new framework is in place. The Audit, Risk and Anti-fraud Manager should be contacted for guidance if required.

Members would be advised of the progress in implementing these recommendations in due course.

Review of Purchasing & Creditors 2011/12   **Issued: 11 May 2012**

Opinion: Satisfactory

The purpose of the review was to provide assurance on the arrangements in place for the purchasing and receipt of goods and services and to determine whether the system is operating in accordance with financial regulations. To this effect, the following key risks were examined;

1) Risk that the Council may not comply with relevant legislation, financial regulations, organisational policy and good practice.

2) Risk that payments may be made for goods/services either not received, not of the required quality or for the benefit of the Council.

3) Risk of insufficient documentation to support the purchase of goods and services and for the receipting of goods and services.

4) Risk of invoices not being processed and paid for in accordance with payment terms.

5) Risk that fraud and corruption may occur if purchase and payments transactions are not transparent.

6) Risk of purchases and payments being made that do not provide value for money to the Council.

7) Failure to undertake an annual risk assessment of the purchasing and creditor payment function.

Audit testing results indicated that controls were fully met in five of the risks examined, whilst two were partially met (risks 1 and 2).

The audit opinion is 'satisfactory'. This means that controls exist to enable the achievement of service objectives, obtain good corporate governance and mitigate against significant foreseeable risks. However occasional instances of failure to comply with the control process were identified and opportunities still exist to mitigate further against potential risks.

Two recommendations were agreed with Management to address the areas where controls were partially met.

- Review the financial regulations for procurement, purchasing and creditors to ensure they meet the requirements of the council. Finance management should inform all managers of any changes or if there are no changes, remind them regarding the requirement on financial regulations that purchase orders should be raised for the purchase of goods and services and the circumstances where this requirement may be waived. Where a purchase order has not been raised there should be a clear documented explanation for why this has occurred.

- The creditor work instructions should be updated to include the process for setting up/amending creditor bank details and the process for updating the creditor database.

Members will be advised of the progress in implementing this recommendation in due course.

Review of Emergency Planning and BCP 2011/12   **Issued: 8 May 2012**

Opinion: Good/Adequate

The purpose of this review was to provide assurance regarding the effectiveness of the systems in place to administer Emergency Planning and Business Continuity within the Authority. It was also to evaluate the arrangements in place to ensure that that the Council will continue to operate effectively over the period of the London Olympic Games.

To this effect, the following key risks and controls were examined;

1) Risk that the Council may not comply with relevant legislation, policies or good practice

2) Risk that Emergency and Business Continuity Plans may not be current, authority wide or valid

3) Risk that there may be a failure in the delivery of critical services

4) Risk that there could be insufficient availability of staff to ensure continued service delivery, especially during the Olympics.

5) Risk that access to resources, goods and services could be restricted or withdrawn

6) Risk that transport links to and through areas could be restricted or compromised

7) Risk that fraud and corruption may be undetected

8) Opportunities to achieve or demonstrate efficiency or value for money may not be maximised

9) Risk assessments may not be undertaken and risks not adequately managed

Audit testing results indicate that for the London Olympic Games, controls were fully met in eight of the nine aspects examined, whilst one was partially met. With regard to Emergency Planning and Business Continuity, controls were fully met in five of the nine aspects examined, whilst three were partially met and one was not met (risks. 2, 3, 5, 6 and 9).

In relation to the London Olympic Games, the audit opinion was Good. This meant that controls are in place to ensure the achievement of objectives, good corporate governance and to protect the Council against foreseeable risks. However, controls in place in relation to the Emergency Planning and Business Continuity were considered to be Adequate. This meant that controls are in place and to varying degrees, are complied with but there are gaps in the process, which leave the service exposed to risks.

Ten recommendations were agreed with Management to address the area where controls were partially met.

- The Major Emergency Plan should be reviewed by the Emergency Planning Manager and then approved by Management Team and the Performance and Governance Committee. This review should ensure that it considers any staff, location or role changes which have taken place within the Council since the last review.

- The Action Plan, identified through the Business Continuity Management methodology course peer evaluation, should be addressed by the Business Continuity Officer. Once completed, outcomes to all the areas of concern and action points should be reported to the Emergency Planning Manager and Head of Service.

- Once the Peer Review Action Plan is completed, the Business Continuity Plan should be reviewed and updated with outcomes from Action Plan. This should include the removal of cross referencing and direct access to Contacts and other relevant information.

- Appendix 2 of the Major Emergency Plan should be reviewed and updated to ensure that contact details are accurate and individuals are aware of responsibilities allocated to them for different scenarios or circumstances.

- The revised Business Continuity Plan should be tested to ensure that it is fit for purpose. Outcomes of the test should be reported to Management Team and any lessons learnt should be addressed and disseminated to Key Officers within the plan.

- Common functional and specific emergency response plans should be reviewed, updated where appropriate and dated by the Service Managers. They should all follow the same format and where appropriate, should be made available on the SDC Website and on SiMON.

- Once all documents are updated, they should be uploaded onto the appropriate Simon web page in order that staff can access the most recent version.

- Section 5.8 of the Business Continuity Plan should be reviewed. Service Specific plans should be produced by Service Managers to identify how they will manage their critical services.

- Heads of Service should ensure that Service Managers make arrangements with key and essential suppliers to maintain the continued delivery of goods or services during the Olympic period.

- An operational risk register should be produced for Emergency Planning for the year 2012/13, based on the requirements of the new Framework and linked to Service Plan objectives once the new framework is in place.

Members will be advised of the progress in implementing this recommendation in due course.

Review of Dunbrik Depot 2011/12   **Issued: 18 May 2012**

Opinion: Good

The purpose of the review was to provide assurance regarding the authenticity, accuracy and completeness of entries into the TASK accounting system, including the reliability of reports produced by the system. To this effect, the following key risks and associated internal controls were examined:

1) Risk that the service may not comply with statutory requirements, regulations and best practice

2) Risk that financial systems may not comply with the organisation's financial regulations, policies and procedures

3) Risk that transactions may not be supported by an adequate audit trail

4) Risk that relevant records, including financial data, may not be current accurate or complete

5) Risk that transactions may not be calculated/valued and allocated to the appropriate transaction code

6) Risk that information and data may not protected from loss, damage or unauthorised disclosure

7) Risk that income due may not be accurately received or correctly accounted for

8) Risk that the Council's final accounts may be mis-stated

9) Risk that fraud and corruption may be undetected

10) Opportunities to achieve or demonstrate efficiency or value for money may not be maximised

11) Risk assessments may not be undertaken and risks not adequately managed

Audit testing results indicated that controls were fully met in all eleven of the aspects examined.

The audit opinion is 'good'. This meant that controls are in place to ensure the achievement of service objectives, good corporate governance and to protect the Council against foreseeable risks. Compliance with the risk management process is considered to be good and no significant or material errors or omissions were found.

No recommendations were considered necessary as it was considered that any additional controls will not offer the Council value for money.

Review of External Funding 2011/12   **Issued: 25 May 2012**

Opinion: Good

The purpose of this review is to provide an assurance regarding the effectiveness of the system established for the administration of external funding. To this effect, an assessment of the process within the Community Development Service for identifying, maximising and delivering external funding projects was carried out. The following key risks and associated internal controls were examined:

1) Adequate processes or resources may not be in place for identifying all potential

    funding sources. For example, the existence of a register of all potential funding

    sources and access to information regarding new funding sources

2) Fraud or corruption may go undetected

3) Opportunities to demonstrate efficiency or value for money may not be

    maximised

4) Risk assessments may not be adequately undertaken and risks not adequately

    managed

Audit testing indicated that, for three of the four risks examined, controls were fully met. The remaining risk (item 4) resulted in an evaluation of partially met. The overall audit opinion was "good", indicating that controls are in place to ensure the achievement of service objectives, good corporate governance and to protect the Council against foreseeable risks. Compliance with the risk management process is considered to be good and no significant or material errors or omissions were found.

The following recommendation was agreed with relevant management to address the issues identified:

- An operational risk register should be produced for Community Development for the year 2012/13, based on the requirements of the new Framework and linked to Service Plan objectives once the new framework is in place.

  The Audit, Risk and Anti-fraud Manager should be contacted for guidance if required.

Members would be advised of the progress in implementing this recommendation in due course.

Appendix A - **Annex 3**

AUDIT OPINIONS - Definitions

Good   *Controls are in place to ensure the achievement of service objectives, good corporate governance and to protect the Council against significant foreseeable risks. Compliance with the risk management process is considered to be good and no significant or material errors or omissions were found.*

Satisfactory   *Controls exist to enable the achievement of service objectives, obtain good corporate governance, and protect against significant foreseeable risks. However, occasional instances of failure to comply with the control process were identified and opportunities still exist to mitigate further against potential risks.*

Adequate   *Controls are in place and to varying degrees are complied with but there are gaps in the control process, which weaken the system and leave the Council exposed to some minor risks. There is therefore, a need to introduce some additional controls and improve compliance with existing controls to reduce the risk to the Council.*

Unsatisfactory   *Controls are considered insufficient with the absence of at least one critical control mechanism. There is also a need to improve compliance with existing controls, and errors and omissions have been detected. Failure to improve controls leaves the Council exposed to significant risk, which could lead to major financial loss, embarrassment, or failure to achieve key service objectives.*

Unacceptable   *Controls are generally weak or non-existent, leaving the system open to abuse or error. A high number of key risks remain unidentified and therefore, unmanaged.*