

DARTFORD & SEVENOAKS AUDIT PARTNERSHIP

Internal Audit Progress Report

March 2019

DARTFORD
BOROUGH COUNCIL

Introduction

All local authorities must make proper provision for internal audit in line with the [Local Audit and Accountability Act 2014](#) and the [Accounts and Audit Regulations 2015](#) (regulation 5). The latter requires authorities to:

“...undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

The Regulations state that services must follow the [Public Sector Internal Audit Standards](#) - a consolidated approach to internal auditing standards across the whole of public sector. They are an expansion of international standards by HM Government, adding elements specific to the UK public Sector. The ‘Standards’ form part of the wider mandatory elements of the International Professional Practices Framework (IPPF) which is applicable to all UK Local Authorities:



These ‘Standards’ mandate the mission of internal audit: ***to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.*** We achieve this by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance for the Council.

The Standards require that the Chief Audit Executive (the Audit Manager fulfils this role for the Council) issues an annual opinion. The Opinion considers **internal control, corporate governance and risk management**. It is a key part of the overall assurance, Members and Officers of the Council draw on when evaluating governance.

This report updates Members on progress and findings as we complete the Audit Plan approved by the Audit Board in [April 2018](#), in addition to providing insights from the wider governance roles that we fulfil.

Internal Control

Internal control is how the Council ensures achievement of its objectives. In particular, internal control achieves and displays effectiveness and efficiency, reliable financial reporting and compliance with law, rules and policies. It incorporates both financial and non-financial aspects.

We gather evidence to support this part of the Opinion principally through completing the reviews set out in our **audit plan**. As we deliver this work we assess and conclude on the overall level of assurance offered by the controls in accordance with the agreed definitions (see appendix I)

Audit Plan Progress

The Audit Board approved our Audit Plan 2018/19 in April 2018. The plan set out a summary of the audit projects to be delivered, along with a resource plan showing the total number of days allocated to the plan.

We began work on the plan in May 2018, following completion of the remaining 2017/18 audit work.

We use a time recording system called Teammate to log all time spent on the different audit related tasks. This system enables us to capture time spent delivering different activities and individual audit projects.

The table below shows how we have utilised audit days up to February 2019:

Category	2018/19 Plan Days	Outturn to December 2018	Outturn to February 2019	Days Remaining
2018/19 Assurance Projects	256	158 (+40 between Oct-Dec)	204 (+46 between Jan – Feb)	52
Contingency and Consultancy Reported as: <i>General administration/Committee reporting/service development/Audit Planning/risk management/joint working</i>	156	123 (+40 between Oct - Dec)	144 (+21 between Jan – Feb)	12
Totals (18/19 Work Only)	412	281	348	64

Based on the figures above, we have utilised just over 85% of the planned days towards the 2018/19 audit plan.

When bearing in mind the progress against the plan and remaining projects yet to be completed (detailed in the tables below), we are satisfied that we have the necessary days available to deliver all of the remaining projects on the plan.

Audit Work

The table below shows delivery of the audit plan up to the time of publishing this report (Mid-March 2019).

Audit projects completed

Dartford Audit Plan 2018/19				
No	Title	Budget	Date Issued	Conclusion
2018/19 Audit Work Completed so far				
1	DBC13 – Fly-Tipping	10	August 18	Substantial
2	DBC15-SDC11 – Environmental Health Food Safety SHARED	10*	November 18	Substantial
3	DBC06 - Procurement	10	November 18	Substantial
4	DBC11 – Parking Enforcement	15	November 18	Full
5	DBC12 – Disabled Facilities Grants	10	December 18	Full
6	DBC3-18/19 Members Allowances & Expenses	10	December 18	Substantial
7	DBC2-18/19 Licensing - Administration	15	February 19	Substantial
8	DBC4-SDC5 -18/19 Council Tax Systems Mapping - SHARED	20*	February 19	Full
9	DBC10-18/19 – Accounts Payable Systems Mapping	10	March 19	Full

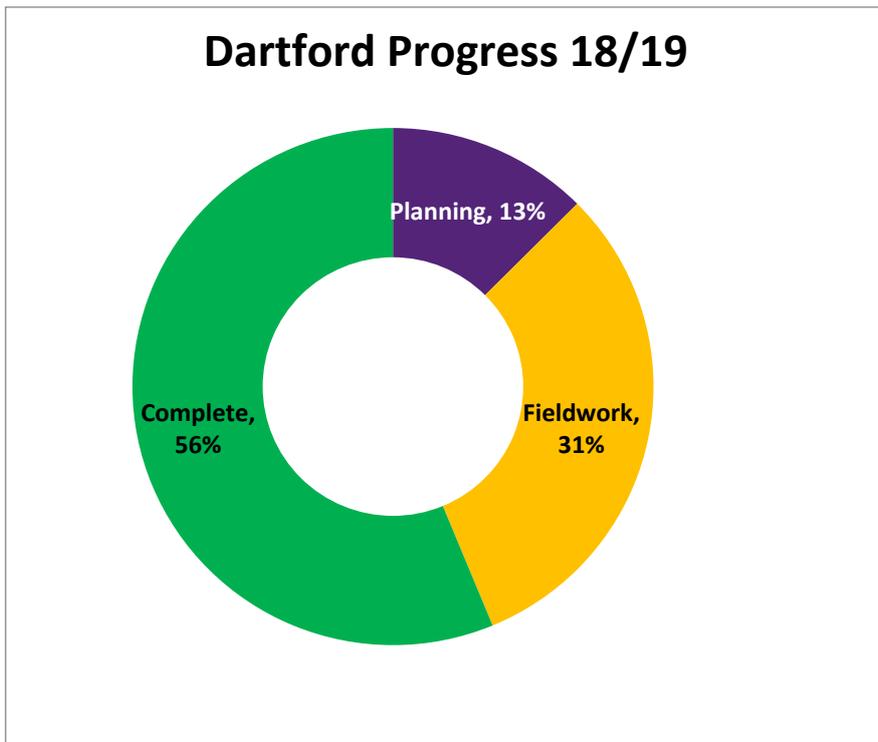
*Days shared with Sevenoaks

Audit projects awaiting completion

Dartford Audit Plan 2018/19				
No	Title	Budget	Expected	Progress
10	DBC14-18/19 Building Control	10	March	Fieldwork
11	DBC5-SDC6 -18/19 Business Rates Systems Mapping - SHARED	10*	March	Fieldwork
12	DBC07-18/19 Health & Safety	10	March	Fieldwork
13	DBC9-18/19 Payroll	15	March	Fieldwork
14	DBC16-18/19 GDPR	15	April	Planning
15	DBC17-18/19 Fleet Vehicle Management	10	March	Fieldwork
16	DBC01-18/19 Homelessness Reduction Act	15	April	Planning
17	DBC08-18/19 Business Continuity – follow-up	5		REMOVED

*Days shared with Sevenoaks

The chart below shows a summary of the audit plan based on current progress (with fieldwork including any work not yet reported as final):



- Planning
- Fieldwork
- Complete

Stage	Projects
Not yet started	0
Planning	2
Fieldwork	5
Complete	9
Progress	100%

Audit Work Summaries

We include below executive summaries of the reports issued in final since our last update report in January 2018.

Licensing - Administration – Issued in February 2019

The purpose of the audit review was to provide independent assurance over the effectiveness of the controls in place to administer licences, including applications, processing, issuing and fee income. The categories of licences examined during this review were premises licences and personal licences. These licences are required by law for the sale of alcohol in entertainment or business establishments. We did not look at taxi licences as part of this review, as this will be looked at in a separate audit in the future.

It is our opinion, based on the results of our work, that there is **Substantial** assurance in place to ensure achievement of service objectives and management of key risks. This means there is generally a sound framework of control in place designed to meet the Council's service objectives. However; there are isolated weaknesses in design of controls or inconsistent application of controls which put the achievement of a limited number of objectives at risk. In this case, missing licence records following migration from the Licenceflo to Uniform system.

We raised 2 actions in this review, both designed to support the service in updating licensing records on the Licenceflo system. We issued these actions with the following priority ratings:

Priority Ranking	Number of actions
Very High	0
High	0
Medium	2
Low	0
Total	2

Shared – Council Tax Systems Mapping – Issued in February 2019

We conclude based on our audit work that the controls in place over the Council Tax system provide **FULL** assurance.

Dartford (DBC) and Sevenoaks (SDC) collect in the region of £150m of Council Tax (CT) each year. The vast majority of the funds collected are distributed onwards to the precepting bodies, including Kent County Council and Kent Police and Crime Commissioner and Kent & Medway Fire & Rescue Service

This review provides independent assurance over the adequacy of controls for the Council Tax process. We mapped the system from billing through to recovery and identified the key controls and risks. Our testing of the key controls confirms that the system is effective in **design** and **operation**. We identified no errors in our key controls testing.

Accounts Payable – Issued in March 2019

We conclude based on our audit work that there are **FULL** controls in operation within the Accounts Payable system.

Accounts Payable (Creditors) is administered through Cedar eFinancials and eProcurement, and provides for the ordering, approval and payment for goods and services received by the Council. It is a fundamental financial system processing a total of 11,022 transactions (2017/18), with a cumulative value in excess of £44.4 million paid (for the same period).

This review provides independent assurance over the adequacy of controls for the Accounts Payable process. Our testing confirms that the system is effective in **design** and **operation**. We identified no errors in our key controls testing.

We have raised 2 actions resulting from our work, firstly for risk based checks to be conducted on high value payments, and secondly, for the service to review and update the actions on the risk register. The priority ratings for these actions are set out below:

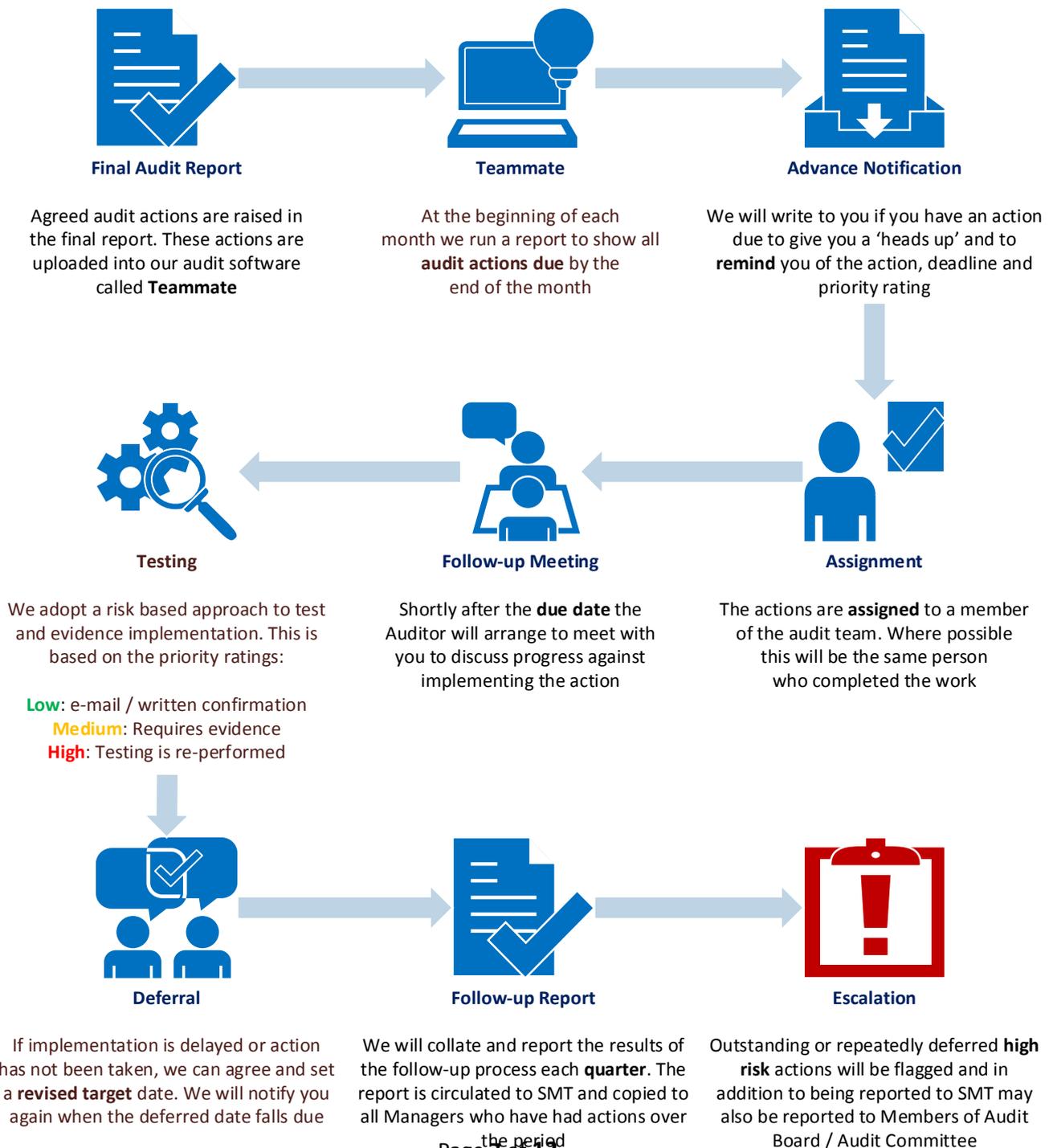
Priority Ranking	Number of recommendations
Critical	0
High	0
Medium	0
Low	2
Advisory	0
Total	2

DARTFORD & SEVENOAKS AUDIT PARTNERSHIP

Follow-up of Audit Actions

The mission of internal audit is to **enhance and protect organisational value by providing risk-based and objective assurance, advice and insight**. We achieve this by undertaking audit reviews which document, review and test the systems, processes and controls in place. Our findings sometimes identify instances where controls are not operating as effectively as they could, and so we seek to address these areas by raising **audit actions**.

Through discussion and feedback during the audit process, agreed actions are published in the audit report and we agree **target dates** in which to implement the agreed actions. This summary sets out the process we adopt to follow-up on the progress of implementing audit actions and also shows how the results are communicated to Management and Members. The process below shows the **'typical'** path, but in reality we are able to adapt on a case by case basis to reflect the circumstances of each service.



**The follow-up exercise will be undertaken each month to ensure that actions are not left untracked. Is it therefore important that the dates you set for implementation are realistic and reasonable as it is that date that will trigger this process. We will report the outcomes quarterly to give an overall view of progress across the Council.*

Audit actions

We raise actions from our work to assist management in addressing control failings, or to suggest service improvements. In accordance with our new follow-up process (outlined above) all audit actions are tracked and followed up when they fall due. The table below summarises the current actions and progress against implementation:

Project	Report Issue Date & Rating	Recs Agreed	Delayed	Agreed Deferrals	Not due	Closed	Completed	Full Completion date
Human Resources 2015/16	31/5/16 Satisfactory/Satisfactory	2	0	0	0	1	1	March 2019
Markets Income 2016/17	3/4/17 Substantial Assurance	1	0	0	1 (Medium)	0	0	-
Homelessness Prevention Grants 2017/18	6/10/17 Substantial Assurance	3	0	0	1 (Medium)	0	2	-
Safeguarding Vulnerable Adults 2017/18	2/2/18 Substantial Assurance	3	0	0	0	0	3	February 2019
Dartford Museum 2017/18	12/3/18 Substantial Assurance	2	0	0	0	1	1	March 2019
Fly-Tipping 2018/19	August 2018 Substantial Assurance	5	0	0	1 (Low)	0	4	-
Procurement 2018//19	November 2018 Substantial Assurance	2	0	1	1 (Low)	0	0	-
Parking Enforcement 2018/19	November 2018 Full Assurance	2	0	0	1 (Low)	0	1	-
Food Safety 2018/19	December 2018 Substantial Assurance	3	0	0	0	0	3	March 2019
Members Allowances & Expenses 2018/19	December 2018 Substantial Assurance	1	0	0	1 (Medium)	0	0	-
Licensing: Administration & Fees 2018/19	February 2019 Substantial Assurance	2	0	0	2 (2 x Medium)	0	0	
Accounts Payable 2018/19	March 2019 Full Assurance	2	0	0	2 (2 x Low)	0	0	
TOTAL		28	0	1	10	2	15	

Based on the results of our current follow-up work, there are **11** actions that are ‘live’ and which we are monitoring. We will report progress on the implementation of these actions as they fall due.

Closed actions

We have been tracking progress of two particular actions over the last year or two. These actions relate to broader pieces of work, and so following careful consideration of the progress made to date, we have agreed with the service to close the actions. Both audit areas will feature in future audit plans, but specifically, we will undertake further HR policy work in 2019/20:

Human Resources – Policies

HIGH

Action 1: Although all the relevant HR policies are available to officers they need to be reviewed, to ensure that they incorporate latest guidance, or statutory requirements and to ensure fitness for purpose. A timescale and priority list should be agreed with senior management to ensure that the review process commence promptly to ensure that the most urgent and important policies are reviewed without further delay.

Response – Human Resources Manager (March 2018)

Response 1: Policies have been reviewed and updated and are in draft format. Currently each policy is going through the approval process in stages. These will be rolled out as and when agreed by 31 January 2019 along with associated documentation and a new employee handbook.

10 policies out of 33 have now been updated and authorised. A further 8 are currently being reviewed following Managing Director comments ready for approval. The remaining policies will be updated during 2019/20.

Museum

MEDIUM

Action 1: Ensure that a complete and accurate record is maintained of all Museum assets owned by the Museum. Also that this record is subject to periodic management review, to confirm its completeness and accuracy.

Response – Policy & Corporate Support Manager (March 2019)

Response 1: We have transferred all card records (15,000) on line. We are continuing to catalogue those items which are in the accession register but have not yet been catalogued, a process likely to take at least 15 years.

Agreed deferred actions

Following review of current progress we have agreed to defer 1 MEDIUM priority recommendation until later in the year. Further detail is outlined below:

Procurement	MEDIUM
Action 1: Finalise the procurement agreement with Tonbridge & Malling Council	
Response – Financial Services Manager (March 2019)	
Response 1: We are currently in discussions with our insurers and Tonbridge and Malling Council to clarify whether indemnity insurance is required through the agreement. It is likely that this will be resolved in the next month, at which point we will be able to finalise the agreement by April 2019 .	

Governance

Corporate governance is the rules, practices and processes that direct and control the Council. We gain evidence of the effectiveness of the Council's governance through completion of our governance related audits on the audit plan (such as GDPR), but also through 'other' activities. These include:

- **Risk Management:** Our audit work takes into account strategic and operational risk management, and our testing considers the effectiveness of the controls in place to manage those risks to acceptable levels. We also have a co-ordination role with regards to the risk management strategy, and will provide support, guidance and training across the Council to help improve our risk management arrangements. **We will be working with Senior Management Team in early 2019/20 to refresh the Council's Risk Management Strategy.**
- **Counter Fraud:** We consider the risk of fraud in all of our regular audit projects, and our audit universe includes relevant policies and procedures aimed at preventing, detecting or tackling fraud (such as Officer Declarations, Gifts and Hospitality, and Expenses). We will be considering more proactive efforts as part of the 2019/20 audit plan.
- **Whistleblowing (speaking-up):** The Policy was reviewed, updated and approved by Audit Board in **January 2017**. The Audit Manager is a named officer in the policy, along with Senior Officers and the Chair of Audit Board. We will report feedback on whistleblowing matters to Members as part of the Annual Audit Opinion. To date, we have not received any official disclosures through the policy.
- **Ad-hoc advice & Consultancy:** Internal Audit resource may sometimes be more usefully focussed towards providing advice and consultancy rather than assurance. We undertake these activities (such as advice, guidance and training) to add value, provide greater insight and improve governance, risk management and control processes. As such, we include contingency days into the audit plan which can be called upon to deliver special projects.

Our involvement enables us to provide greater insight into the governance of the Council. As these roles develop, our audit plan will be reactive to the demand on audit time and resource. This could include more or less involvement depending on the appetite of management.

Service update

In the January Partnership Board meeting, the Board agreed to extend the secondment with Mid Kent Audit, to provide Audit Management (Chief Audit Executive) from **01/04/2019** to **31/03/2020**.

Building on our previous service update, below sets out the key objectives over the period, along with an indicator of progress to date. The references link to the External Quality Assessment recommendations (which were reported to Audit Board in **July 2018**):

Action Area	Description	Progress	EQA
Audit Strategy & Operating Models	Draft the Internal Audit Strategy and delivery model options for the longer term operation of the service	75%	EQA 1.1
Audit Charter	Update the Internal Audit Charter to be compliant with the PSIAS, and to better reflect the level of service for each Authority. Charters to also set out the roles of CAE, Audit Board and set out the safeguards to independence	100%	EQA 1.0, 1.2
Internal Audit Process	Undertake an exercise to refresh the audit process to ensure compliance with PSIAS and harmonised where appropriate across both Authorities with the aid of Teammate to provide efficiency and consistent working practices	100%	EQA 3.2, 3.5, 4.1, 4.2, 4.6
Brand & Presentation	Update and refresh key audit documents (audit briefs, reports, follow-ups, and management team / audit board reports) to include recognised good practice and to meet the needs of each Partner	100%	EQA 4.2
Communication & Engagement	Create a suite of supporting literature for auditees and the Council to raise awareness of the service and wider profession (providing clarity / education of the internal audit service, process, FAQ's and consultancy & additional services)	90%	EQA 4.1, 4.2, 5.4
Risk Management	Provide updated risk management strategies for each Partner, including recognised good practice updates, and improved risk reporting to Management Teams and Members	40%	

Members will continue to receive regular updates on how the above actions are being progressed, and will be a key part of the process for approving any future plans and strategies for the service.

Appendix I

Definitions of Assurance ratings:

OPINION	DEFINITIONS
<p>Full Assurance</p> <p>(no High or Medium priority actions)</p>	<p>A sound framework of control is in place that meets Council or service objectives. All expected controls tested are in place and are operating effectively.</p> <p>A review with this level of assurance will generally have no actions, or very few LOW priority actions. Agreed actions will be followed up as they fall due.</p>
<p>Substantial Assurance</p> <p>(no High priority actions)</p>	<p>There is generally a sound framework of control in place that meets Council or service objectives. However, there are isolated weaknesses in design of controls, or inconsistent application of controls, which puts the achievement of a limited number of objectives at risk.</p> <p>A review of this level of assurance may raise a number of MEDIUM priority actions. Agreed actions will be followed up as they fall due.</p>
<p>Limited Assurance</p>	<p>There are weaknesses within the framework of control or evidence of non-compliance with Council procedures or good practice, which puts the achievement of the Council's or service objectives in many of the areas reviewed at risk.</p> <p>A review with this level of assurance will raise one or more HIGH priority actions. Actions with a high priority should be acted on as soon as practical and will be followed up as soon as they fall due.</p>
<p>No Assurance</p>	<p>Key controls are absent from the framework of control. There are fundamental weaknesses identified with both the design and operation of the system under review. As a result, it is unlikely that Council or service objectives will be achieved.</p> <p>A review of this level may include a number of HIGH or CRITICAL priority actions. Actions of a critical level will be reported as soon as they are identified and escalated to the relevant Senior Manager. Actions to address the findings will be followed up as soon as they fall due.</p>

Audit Findings Priority Ratings

Priority	Definition
<p style="text-align: center;">Critical</p>	<p>Control weakness that could have a significant impact upon not only the system, function or process objectives, but also the achievement of the organisation’s objectives in relation to:</p> <ul style="list-style-type: none"> • the efficient and effective use of resources • the safeguarding of assets • the preparation of reliable financial and operational information • compliance with laws and regulations
<p style="text-align: center;">High</p>	<p>Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall organizational objectives.</p>
<p style="text-align: center;">Medium</p>	<p>Control weakness that has a low impact on the achievement of the key system, function or process objectives; or This weakness has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.</p>
<p style="text-align: center;">Low</p>	<p>Control weakness that does not impact upon the achievement of key system, function or process objectives; however implementation of the recommendation would improve overall control.</p>
<p style="text-align: center;">Advisory</p>	<p>Observations and areas for consideration, these findings are drawn from our shared experience of working across the Council and more widely with partners. These findings require no formal response and will not be followed up.</p>