

Internal Audit Update Report

July 2019

DARTFORD
BOROUGH COUNCIL

Introduction

Internal Audit is an independent and objective assurance function. For Dartford, the internal audit function is provided through the Audit Partnership with Sevenoaks District Council. The shared team, undertake assurance and consultancy work over the course of the year, designed to evaluate and improve the Council's internal control, governance and risk management processes.

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 internal audit services must follow the [Public Sector Internal Audit Standards](#). These standards are a consolidated approach to internal auditing across the whole of public sector, and they part of the wider mandatory elements of the International Professional Practices Framework (IPPF) which is applicable to all UK Local Authorities:



The Standards set out a shared mission for all internal audit functions: ***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.

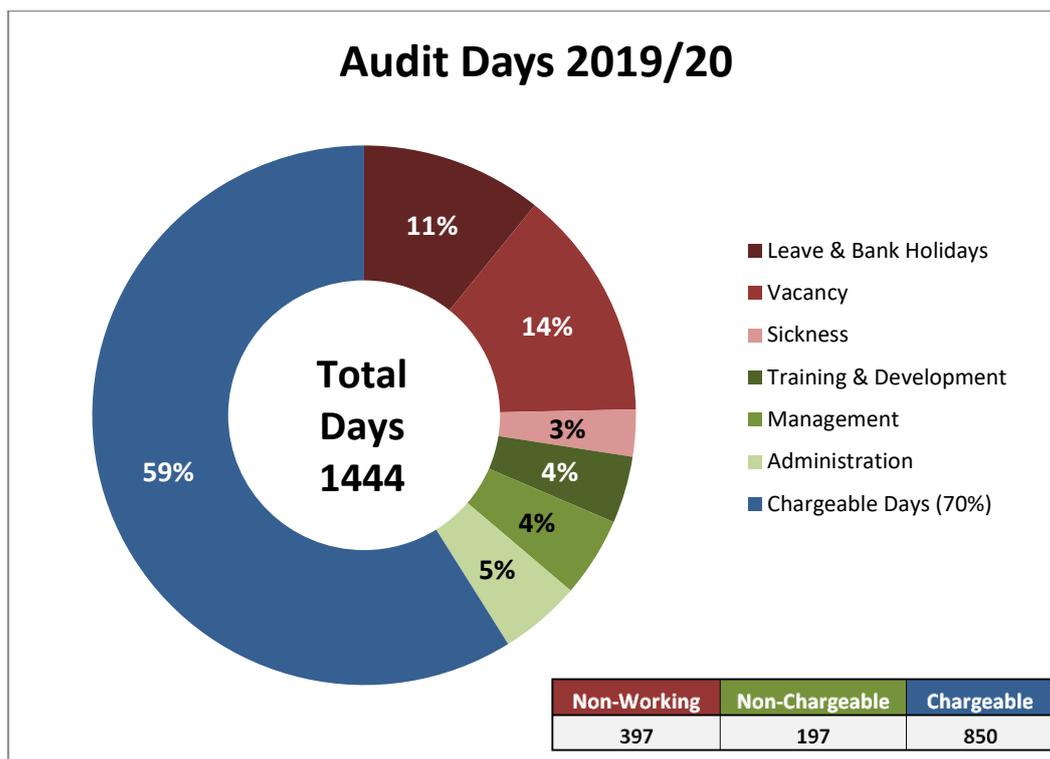
This report provides Members with an update on Internal Audit activity, in addition, to setting out current progress as we complete our 2019/20 Audit Plan approved by the Audit Board in [March 2019](#).

As this is the first update for 2019/20, we have taken the opportunity to set out details about how we undertake our audit work, including how we plan, report and follow-up our findings.

Audit Plan 19/20

The Audit Partnership is governed by the principle that resources are split 50/50 across both Partners. Therefore, to calculate the total amount of resources available to each Partner, we take the total available days for the year, and subtract various categories of non-working and non-audit time. The remaining total is split 50/50 to give us a total number of days for the Audit Plan.

The illustration below shows how we calculated the total number of audit days available for 2019/20:



The total chargeable days (850) are split 50/50 for **Dartford** and **Sevenoaks** creating a plan for Dartford of **425** days. We ensure flexibility in how these days are deployed by allocating days to different activities, most of which are planned, but with some available for reactive ad-hoc 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 time spent conducting individual audit projects. As a result, we can track and report, in 'real-time', how we are using our audit days and if we are on course to deliver the plan.

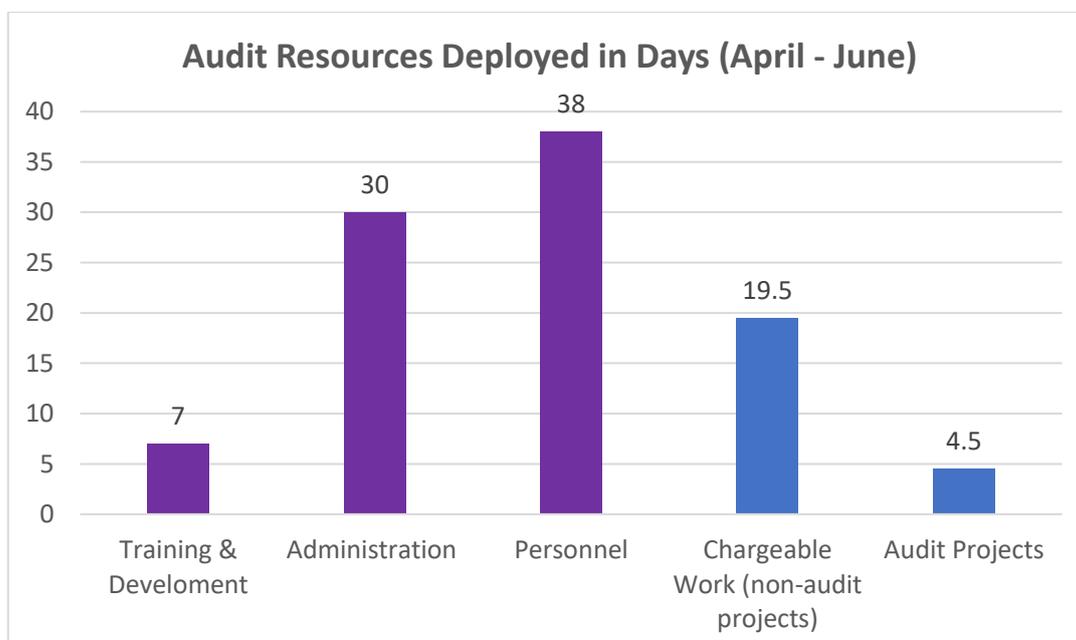
At the Board meeting in March 2019, Members agreed for us to roll forward (into May/June) a handful of 2018/19 projects. These were carried over into this year as we spent much of 2018/19 with vacancies, and undergoing a significant amount of internal change and improvement. As a result, our work on the 2019/20 audit plan, has only just commenced (June).

The table below shows the total allocation of **425** audit days for Dartford, and shows how many days we have allocated so far this year:

Activity	Dartford		
	Total Days 19/20	Outturn to June 19	2018/19 Work
Risk Management	10	1	
Counter Fraud	5	-	
Member Support/Training/Meetings	10	1	
Follow-Up	15	1	
Audit Planning	10	2.5	
Advisory & Consultancy	50	13.5	
Audit Project Days	325	4.5	46
Total Days	425	24	46

Audit days between April – June have mainly be spent completing and closing down the 2018/19 work. Progress on our 2019/20 projects has been slightly delayed, however, with almost all of the 18/19 work now substantially finished, we are confident that we will be able to make up the delay over the course of the year. Members will continue to see progress as part of our regular reporting to Audit Board.

As outlined above, the Audit Partnership resources are made up of more than just our 850 chargeable days. In order to provide some additional context into time deployed so far for 2019/20 the graph below shows our non-chargeable totals up to June:



The high number of days allocated to ‘personnel’ is linked to the work ongoing with our restructure (covered later in this report).

Audit Scheduling 2019/20

The schedule below sets out our planned work for the 6 months of the year. The schedule also shows the 3 projects being finalised from the 2018/19 audit plan. We will continue to report progress against the schedule to Members as part of our regular reporting, including our conclusions, and the details of any findings that was make following issue of the final report.

Site	Title	Q	Quarter 1												Quarter 2												
			Apr 2019					May 2019				June 2019			July 2019					August 2019				Sept 2019			
			01	08	15	22	29	06	13	20	27	03	10	17	24	01	08	15	22	29	05	12	19	26	02	09	16
Dartford	Building Control (2018/19)	Q1																									
Dartford	Fleet Vehicle Management (2018/19)	Q1																									
Shared	Homelessness Reduction Act (2018/19)	Q1																									
Dartford	Income System (AIM)	Q1 - Q3																									
Dartford	Dartford Town Centre - Transport & Public Realm Project	Q1 - Q4																									
Dartford	Feeder Systems & Journals	Q2																									
Dartford	Housing Rent Accounting (Systems)	Q2																									
Dartford	Corporate Complaints	Q2																									
Shared Service	Animal Welfare - Control	Q2																									
Dartford	Garage Management	Q2																									
Dartford	Contract Management	Q2 - Q3																									
Dartford	Disciplinary & Grievance Policy	Q2 - Q3																									
Dartford	Managing Attendance	Q2 - Q3																									
Dartford	Corporate Governance Code	Q2 - Q4																									
Dartford	Dartford Town Against Crime (DTAC)	Q3																									
Shared Service	Local Air Quality Management	Q3																									
Dartford	Housing Allocations Policy	Q3																									
Dartford	Agile Working Policy	Q3																									
Shared Service	Housing Benefits (Systems Mapping)	Q3																									
Shared Service	Application of Discretionary Powers	Q3																									
Dartford	Accounts Receivable (Debtors)	Q3 - Q4																									
Dartford	Corporate Project Governance	Q3 - Q4																									
Dartford	Development Management - Enforcement	Q3 - Q4																									
Dartford	New Build Capital Programme	Q4																									
Dartford	Strategic Asset Management	Q4																									
Dartford	Community Safety Partnership	Q4																									
Dartford	Legal Services - Case Management	Q4																									
Dartford	Risk Management Framework	TBC																									
Dartford	Fraud Risk Assessment	TBC																									
Dartford	Governance Policy Work	TBC																									
Dartford	Staff Appraisals	TBC																									
Dartford	Employee Induction	TBC																									

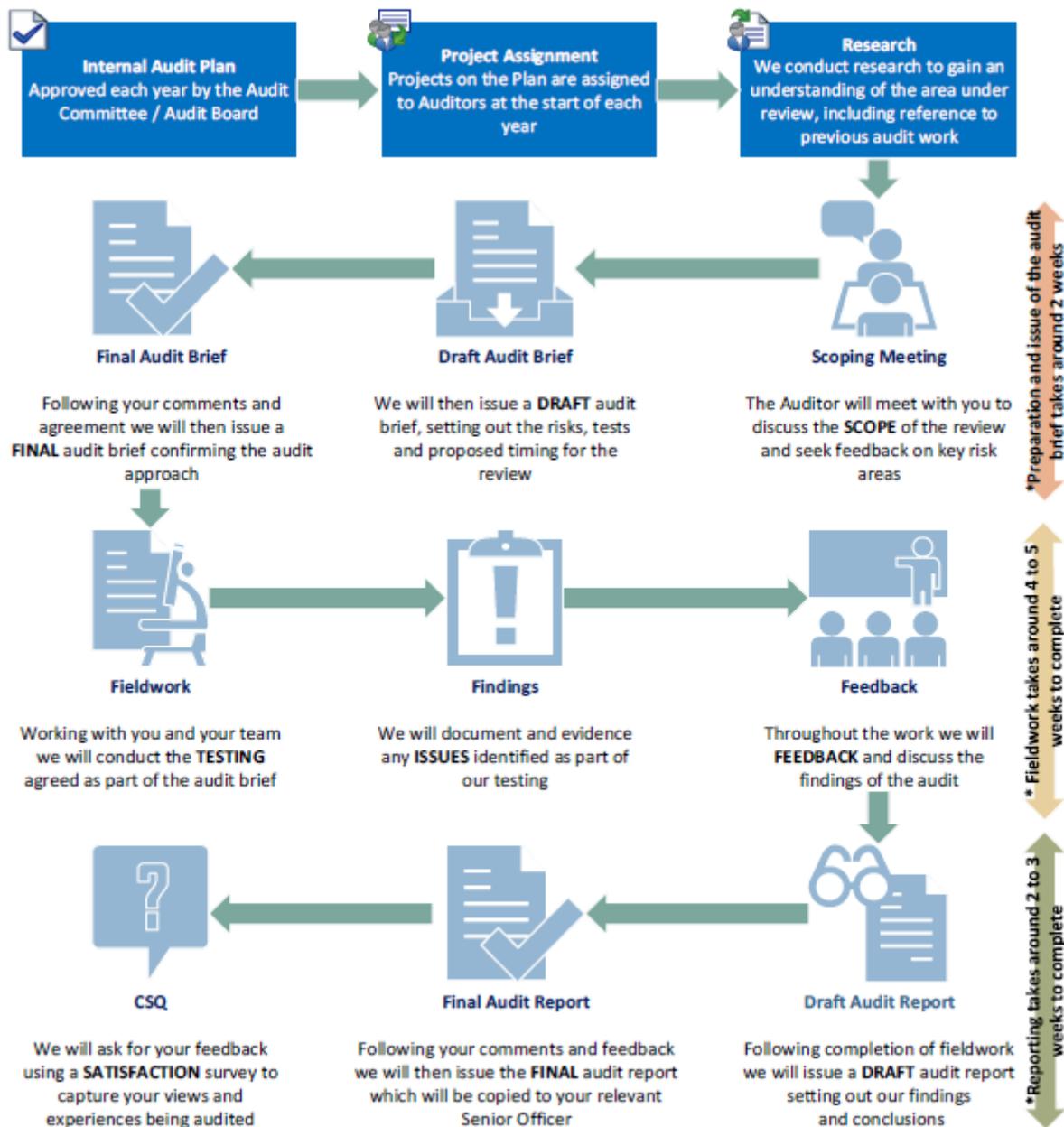
KEY

	2018/19 Work		Planning		Scheduled
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Audit Process

The purpose of an Internal Audit is to provide independent and objective assurance over the effectiveness of the Council’s controls, risks and governance. We achieve this by documenting, reviewing and testing the systems, processes and controls in place for each area under review.

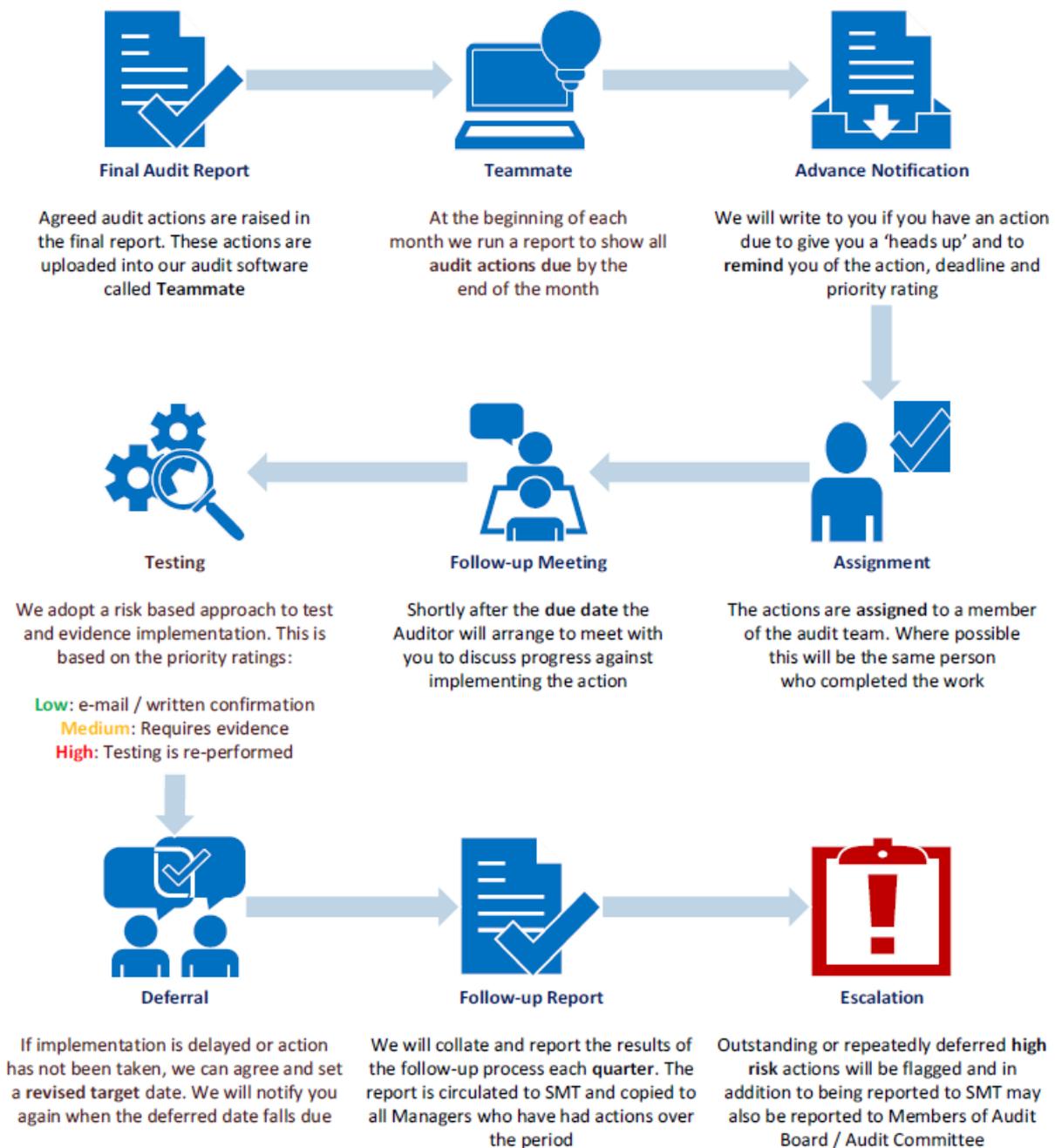
The summary below shows our Internal Audit process, which takes into account the requirements of the **Public Sector Internal Audit Standards**, and creates a consistent approach for our work across the Partnership.



**Timings are indicative, but generally we will aim to complete our work within 10 weeks of the brief being issued, adjusting for circumstances (such as Officer leave). This is only possible with your co-operation and availability during the audit process.*

Audit Findings

Upon completion of our work, if we identify any issues, we will raise **actions** to assist management in addressing control failings, or to suggest service improvements. Action taken as a result of our audit work is extremely important to capture and track and it is a measurable way for us to measure and quantify the value added by the audit process. The illustration below summarises the follow-up process that adopt, up to and including escalation to Members via the Audit Board:



**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

Based on the results of our current follow-up work, there are **12** actions that are 'live' and which we are actively tracking and monitoring. We will report progress on the implementation of these actions as they fall due.

The table below sets out the follow-up activity over the last quarter (April – Jun) and shows in more detail actions that are closed, not due yet, and completed:

Project	Report Issue Date & Rating	Recs Agreed	Delayed	Agreed Deferrals	Not due	Closed	Completed	Full Completion date
Markets Income 2016/17	3/4/17 Substantial Assurance	1	0	1 (Medium)	0	0	0	-
Homelessness Prevention Grants 2017/18	6/10/17 Substantial Assurance	3	0	0	0	1 (Medium)	2	April 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 (Medium)	0	1 (Low)	0	-
Parking Enforcement 2018/19	November 2018 Full Assurance	2	0	0	0	0	2	May 2019
Food Safety 2018/19	December 2018 Substantial Assurance	3	0	0	1 (Medium)	0	2	-
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	0	0	2	March 2019
GDPR 2018/19	June 2019 Substantial Assurance	5	0	0	5 (4 Medium, 1 Low)	0	0	-
TOTAL		26	0	2	10	2	12	

Closed actions

We have been tracking progress of one long standing action from 2017. This action relates to a scheme that has since been changed, and has required the development of Council policy. Following careful consideration of the progress made to date, we have agreed with the service to close the action. However, a new audit review of the area will be included in a future audit plan to enable us to provide greater detail and assurance of any changes following implementation of the new Policy:

Homelessness Prevention Grants (October 2017)

MEDIUM

Action 1:

Consideration should be given to preparing a policy for dealing with Homelessness Prevention Payments including;

- The introduction of a cap on the upper level of a payment;
- Questions regarding the clients ability to pay and how much the Council would seek to recover
- The write off process (where applicable) and the document retention policy

Response – Housing Options and Private Sector Manager (May 2019)

Response 1:

The Homelessness Prevention Fund policy has been drafted and we are in the process of trying to resolve all of the old cases. We are hoping the policy will go to Cabinet in September 2019.

Agreed deferred actions

Following review of current progress we have agreed to defer 2 MEDIUM priority recommendations until later in the year. Further detail is outlined below:

Markets Income

MEDIUM

Action 1: Management should monitor and encourage progress towards a higher percentage of traders paying by standing order and potentially by direct debit.

Response – Communications, Marketing & Commercial Manager (June 2019)

Response 1: The MACCS (the Market software) was upgraded in June 2019 to allow for electronic payments to be received. The hardware needed (Android tablets) to enable electronic payments have been purchased and are ready. We are just in the process of activating the WorldPay account, and then we can go live. We are hopeful this will be in place in **August 2019** after the Dartford Festival.

Procurement (November 2018)

MEDIUM

Action 2: Finalise the procurement agreement with Tonbridge & Malling Council

Response – Financial Services Manager (June 2019)

Response 2:

The agreement is ready to be signed, but we are waiting for a response from our insurers for the required level of Public Liability insurance. Once this has been received, the agreement can be signed. It is likely that this will be by the end of **July 2019**. A copy of the signed agreement will be sent to evidence completion once it is received.

Service update

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

We are now approaching the stage most of the work to address the outstanding External Quality Assessment recommendations (which were reported to Audit Board in **July 2018**) have been completed. A self-assessment against the full Standards will be conducted over the summer and the outcomes reported to Audit Board in October 2019. The table below sets out the progress to date against the objectives set in the secondment agreement:

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	80%	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%	

Over the summer it will also be time to revise and set new objectives for the rest of the year. These will start to focus more strategically around setting the ambition and vision for the service, as well as continuing to improve on quality and service delivery.

The Audit Partnership restructure

We have kept Members up to date with the progression of our service objectives following appointment of the Interim Audit Manager (Chief Audit Executive) in August 2018. As set out above, the main focus over 2018/19 was to develop the service, improve quality, and address the outstanding actions from the 2017 External Quality Assessment follow-up.

A key element of this work included a review and restructure of the Audit Partnership, designed to create a sustainable, high quality, and a fully compliant Internal Audit service for the long term. In March 2019 we provided a summary of the work to be undertaken and a timeline for key milestones in the process.

These key milestones (updated to reflect the current position) are set out below:

- **April May 2019:** Following a period of consultation, the new service structure is agreed
- **May June 2019:** Assessments are undertaken to align skills, knowledge and competencies with the roles and responsibilities in the new structure
- **June 2019:** Vacancies are advertised
- **July 2019:** Appointments are offered, and depending on notice periods, recruitment exercises are closed
- **August 2019 onwards:** New structure is live and induction and embedding work commences
- **September 2019 onwards:** Work begins to set the longer term strategy for the Partnership
- **December 2019 to March 2020:** Audit planning exercise undertaken to draft a 3-5 year assurance plan, showing coverage of the audit universe and alignment to strategic objectives

We will continue to keep Members updated with progress, especially once appointments have been made, as part of our usual quarterly update reports.

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
Critical	<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
High	<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>
Medium	<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>
Low	<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>
Advisory	<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>