

# **Internal Audit Plan**

## **2020/21**

**Dartford**

**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](#) – which are mandated across the whole of the 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.

The 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.

In order to ensure that we work in accordance with the Standards and deliver on our mission we have an ***Internal Audit Charter***. The Charter sets out our purpose, authority and responsibility as an internal audit service for Dartford Borough Council.

The Standards also set out the requirements over the audit plan. Specifically standard 2010:

## **2010 Planning**

The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals.

### *Interpretation:*

To develop the risk-based plan, the chief audit executive consults with senior management and the board and obtains an understanding of the organisation’s strategies, key business objectives, associated risks and risk management processes. The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organisation’s business, risks, operations, programmes, systems, and controls.

In accordance with that requirement, this report sets out the internal audit plan, it provides Members with a summary of the steps taken to develop, identify, assess and formulate the Audit Plan for 2020/21 and beyond, in addition to providing details of the audit activities and allocation of resources for the year.

## Risk Based Planning

The Standards require that we apply a risk-based approach to our audit plan. In compiling the Plan therefore, we need to be aware of and consider the risks directly facing the Council, in addition to the wider sector and economic risks. We then need to apply our own risk assessment that includes the internal audit judgement, and the Council's own assessment.

We undertook a full risk based planning exercise this year between September 2019 and March 2020 to identify the main auditable areas across the Council. The illustration below sets out this process:



We applied a risk assessment to each of the audit areas identified. This assessment takes into consideration the following criteria:

- **History:** Audit work undertaken in previous years and the overall conclusions
- **Frequency:** The length of time since we last conducted work in the area
- **Finance:** The level of materiality to the Council budget
- **Regulatory:** The legal, statutory or regulatory framework for the area
- **Priorities:** Links with the Council strategy and corporate plan
- **Inclusion:** Whether it is an area of regular audit attention
- **Change / Environment:** The stability of the operating environment

Members will note however that this detailed planning process was undertaken prior to the Covid-19 pandemic which has significantly altered the risk landscape for all local government authorities. The pandemic also impacted the resources available to Internal Audit as some in-house staff were redeployed and contractors were furloughed. As a result, the first draft Internal Audit Plan was reviewed and updated in June 2020 in consultation with Senior Management.

## Global and Sector Risk

In drawing together the audit plan, we also need to consider global and sector risks. This includes updates provided by relevant professional bodies, such as CIPFA. We also consult with our internal audit colleagues through groups such as the London and Kent Audit Groups and through the review of published audit plans from other Councils in the South East.

These sources give us further insight into the key issues facing local government and how other audit teams are responding to them. We have also considered the **Risk in Focus** publication from the Institute of Internal Auditors. The table below sets out the main risks identified through this research:

| Hot Topics   | Audit Partnership Response  |
|--|---|
| <b>IT Governance</b>                                   | We have included an audit of Cyber Security on the 2020/21 audit plan   |
| <b>Post-GDPR Data Protection</b>                       | We undertook a review of GDPR in 2018-19  |
| <b>Sustainability: Environment &amp; Social Ethics</b> | We have included audit work on the <b>Local Air Quality Management</b> plans for 2020/21  |
| <b>Bribery &amp; Corruption Compliance</b>             | Our work in 2020/21 will aim to strengthen governance arrangements. In particular the <b>Counter Fraud Risk Assessment</b> and counter fraud policies                             |
| <b>Communication: Brand and Reputation</b>             | Our audit work will include consideration of reputational risks where applicable  |
| <b>Workplace Culture</b>                               | We are completing a review against the Corporate Governance Code in 2019/20 which will include workplace culture  |
| <b>Risk Management &amp; Governance</b>                | Our work in 2020/21 will aim to strengthen governance arrangements. In particular the <b>Corporate Project Governance</b> assessment and input into the risk management framework |
| <b>COVID-19</b>  | Our audit work during 2020/21 will assist the Council in its response to COVID-19.  |

Given the scale of the exercise and the number of audit areas resulting from the consultations and risk assessment exercise, we have drawn together the 2020/21 audit plan based on risk / priority areas. However, our audit planning process is continuous and as we work through the year the risk assessments will be enhanced and updated, which could lead to in-year revisions to the audit plan.

## Resources

The Partnership consists of 5.8 FTE, plus 0.5 admin support. To calculate the total amount of resources available we take the total available days and subtract non-working and non-audit time. This enables us to ensure that we factor in the ongoing support and development of the service, in addition to the administrative demands of the role. We have also factored into our projection, the redeployment of audit resources during the pandemic and an allowance for the vacant Lead Auditor post. The table below provides a summary of the total available days for 2020/21:

| Activity                             | Dartford   |            | Sevenoaks  |            |
|--------------------------------------|------------|------------|------------|------------|
|                                      | 19/20      | 20/21      | 19/20      | 20/21      |
| Risk Management                      | 10         | 10         | 10         | 10         |
| Counter Fraud                        | 5          | 5          | 5          | 5          |
| Member Support / Training / Meetings | 10         | 10         | 10         | 10         |
| Follow-Up                            | 15         | 15         | 15         | 15         |
| Audit Planning                       | 10         | 10         | 10         | 10         |
| Advisory & Consultancy               | 50         | 100        | 74         | 100        |
| External Quality Assessment          | 0          | 10         | 0          | 10         |
| <b>Total non-audit</b>               | <b>100</b> | <b>160</b> | <b>124</b> | <b>160</b> |
| <b>Available for audits/projects</b> |            |            |            |            |
|                                      | <b>325</b> | <b>215</b> | <b>301</b> | <b>215</b> |
| <b>Total Days</b>                    |            |            |            |            |
|                                      | <b>425</b> | <b>375</b> | <b>425</b> | <b>375</b> |

Due to the impact of COVID-19 and the redeployment of audit resources during the pandemic, the Partnership has access to 750 chargeable audit days for 2020/21. These days are split 50/50 for **Sevenoaks** and **Dartford**. We are able to ensure flexibility in how those days are deployed depending on the demand from each partner. The table above shows the allocation of the **375** audit days for Dartford.

Audit Standards require us to assess whether the resources available are sufficient to fulfil the audit needs of the Council each year. In order to make this judgement, we consider:

- **Whether we had sufficient resource to complete our prior year plan**
  - The 2019/20 audit plan has not been fully achieved, as reported separately as part of our Annual Opinion. This was partially due to a team restructure and partially due to the impact of the pandemic with permanent staff redeployed and contractors furloughed. Where 2019/20 audits remain relevant but have not been completed, they have been carried forward into 2020/21.
- **Whether the size and complexity of the organisation has changed over the last year**
  - There has been no change in the size or complexity of the organisation over the last year. However, the Council has experienced significant changes to service delivery since January 2020, as result of COVID-19. In order to counter this, our resource calculation for 2020/21 includes a larger audit budget for 'advisory & consultancy', which we will use to further assist the Council's response to the pandemic including ongoing post-payment checks on business grants.
- **Whether the organisation's appetite for risk has changed**
  - The Council continues to pursue its corporate priorities, and commitment to deliver key strategic projects.
- **If there have been any significant changes to the control environment, taking into account audit opinions and responses to audit findings**
  - All of our assurance opinions in 2019/20 have been 'Substantial' or higher.
- **Whether there have been significant changes to professional standards**
  - There have been no significant updates to the Public Sector Internal Audit Standards.

Based on the criteria above, we believe we have sufficient resources to deliver the 2020/21 plan however we recognise that, especially in the current climate, there will be a need to continually review the assumptions we have made, the available resources and the Council's priorities.

As a result, we have prioritised the Internal Audit Plan to create a Plan A and a Plan B. Plan A consists of the core areas for completion; Plan B consists of additional areas that will be completed if resources allow.

# Audit Plan 2020/21

The outcomes of our audit projects are concluded in one of two ways, those that lead us to issue an assurance rating and those that do not. Members will be familiar with our assurance ratings, and we have kept them the same for 2020/21. We recognise that Internal Audit resources may be used to provide a supporting role on developing projects, or through providing advice and insight. In these circumstances, an assurance rating is not provided. However, we do issue reports for this type of work and will continue to provide summaries in our reporting to Members.

The table below sets out our audit plan for 2020/21. The audit plan is split up into two main parts – ‘Plan A’ and ‘Plan B’. Audit Plan A will be the main focus of our audit resources during 2020/21 as these cover the highest priority and risk scoring audits. Plan B audits are additions to the core plan and will be completed if audits are removed or delayed from Plan A.

We have categorised our work into 4 types of assurance:

- **Finance:** Those areas that present a material impact on the Council budget
- **Governance:** Areas that sit in the corporate centre, such as laws and regulations
- **Risk-Based:** Operationally focussed work that looks at how effective controls are at managing key service risks
- **Consultancy:** Client requested project work to provide support and added value to a service area

The plan also includes a short description of the objective of the work. The scope and individual budget for each project will be confirmed and agreed at the planning stage. The work will be undertaken in accordance with our agreed audit process, and our quality assurance and improvement programme. Our performance will also be measured using our agreed performance indicators.

## AUDIT PLAN A:

|   | Service Area                 | Audit Title                                      | Scope   | Project Type | Assurance Rated? |
|---|------------------------------|--|---|--------------|------------------|
| 1 | Information Technology (ICT) | Cyber Security                                   | Cyber Security – excluding patch management   | Compliance   | ✓                |
| 2 | Estate Management            | Rent Collection / Rent Arrears (Current Tenants) | To assess the adequacy of controls over the receipt and banking of rent income.<br>To consider the position over current tenant arrears following the impact of Universal Credit.       | Finance      | ✓                |
| 3 | Waste Services               | Waste Contract Collection                        | To review processes for the termination of the old contract and establish whether issues have been resolved.<br>To review and assess the adequacy of contract oversight (new contract). | Risk-based   | ✓                |
| 4 | Waste Services               | Street Cleansing                                 | To review and assess the adequacy of contract oversight (fly-tipping).<br>To consider the arrangements over fly-tipping prevention activities.  | Risk-based   | ✓                |
| 5 | Housing Maintenance          | Reactive Repairs                                 | To assess the adequacy of controls over reactive repairs (reporting, allocating and completing reactive repairs, including post-work inspections).                                      | Risk-based   | ✓                |
| 6 | Housing                      | New Build Capital Programme                      | To review the effectiveness of controls over the monitoring of spend and delivery of the programme.   | Finance      | ✓                |
| 7 | Financial Services           | Budget Setting                                   | To review the effectiveness of controls over the budget setting process.  | Finance      | ✓                |
| 8 | Financial Services           | Feeder Systems and Journals                      | Full systems based audit to map the system, identify key controls and risks, and test effectiveness of controls.  | Finance      | ✓                |
| 9 | Strategic Director           | Fraud Risk Review                                | Assessment against Fighting Fraud and Corruption Locally checklist.   | Governance   | x                |

|    |  |                                    |   |            |   |
|----|--|------------------------------------|---|------------|---|
|    | (Internal Services)                    |                                    |   |            |   |
| 10 | Development Management                 | Planning: Administration and Fees  | To assess the effectiveness of controls over the receipt and validation of planning applications.<br>To determine whether all fees due from planning applications are received and fully accounted for. | Risk-based | ✓ |
| 11 | Housing Solutions                      | Housing Allocations Policy         | To review compliance with the Housing Allocations Policy.   | Risk-based | ✓ |
| 12 | Project Delivery                       | Corporate Project Governance       | Project governance health check for corporate projects.   | Governance | x |
| 13 | Development Management                 | Planning Enforcement               | To review the process for creating, documenting and executing planning control notices.   | Risk-based | ✓ |
| 14 | Environmental Health Partnership       | Air Quality Management             | To document and review the processes and controls in place to collect, monitor and report air quality data.   | Risk-based | ✓ |
| 15 | Financial Management                   | Contract Management                | To establish how the Council ensure that contracting managers are effectively managing contracts.   | Risk-based | ✓ |
| 16 | Enforcement and Regulatory             | Dartford Town Against Crime (DTAC) | To review operation of the service and rollout of Community Protection Warnings.  | Risk-based | ✓ |
| 17 | Information Technology                 | Service Desk (IT Support)          | To document and review the controls in place for managing service desk enquiries (including reporting, allocating, completing and closing requests).  | Risk-based | ✓ |
| 18 | Customer Services                      | Facilities Management              | To establish and evaluate the controls over building security.<br>To review arrangements over the Council's internal CCTV system.   | Risk-based | ✓ |
| 19 | Strategic Director (Internal Services) | Counter Fraud Policy Work          | To review and update the Whistleblowing and Anti-Fraud and Corruption Policies.   | Governance | x |

|    |           |                            |   |             |   |
|----|-----------|----------------------------|---|-------------|---|
| 20 | Corporate | Covid 19 – Lessons Learned | To review the Council's arrangements in response to COVID-19. This will include expenditure and changes to expected income. | Consultancy | x |
| 21 | Corporate | Covid 19 – Recovery        | To review the Council's recovery plans.   | Consultancy | x |

## AUDIT PLAN B:

|    | Service Area                         | Audit Title                               | Scope  | Project Type | Assurance Rated? |
|----|--------------------------------------|---|--|--------------|------------------|
| 21 | Revenues & Benefits                  | Revenues & Benefits Shared Service Review | Evaluation of service performance, against the Revenues & Benefits partnership agreement / restructure business case   | Risk-based   | ✓                |
| 22 | HR Policy                            | Recruitment                               | To review and assess the effectiveness of the Council's recruitment processes in accordance with regulations.  | Risk-based   | ✓                |
| 23 | Revenues and Benefits shared service | Housing Benefit                           | Systems mapping of Housing Benefits process / system.  | Finance      | ✓                |
| 24 | Housing Solutions                    | Homelessness Prevention                   | To establish whether the Council's homelessness prevention activities provide value for money.   | Consultancy  | x                |
| 25 | Enforcement and Regulatory           | Emergency Planning                        | To verify whether the Council is satisfying its statutory obligations for emergency planning.  | Risk-based   | ✓                |
| 26 | Enforcement and Regulatory           | Environmental Enforcement                 | To review and assess the adequacy of contract oversight (since expansion of the contract).<br><br>To establish and evaluate the controls over enforcement processes (legal proceedings). | Risk-based   | ✓                |
| 27 | Human Resources                      | Employee Induction                        | To review the Council's induction process.   | Advisory     | x                |
| 28 | Policy and Performance               | Project Management Framework              | To review a sample of projects undertaken across the Council to identify consistencies against best practice.  | Governance   | x                |
| 29 | Customer Services                    | CRM System                                | To document and evaluate the effectiveness of controls over the CRM System to log and maintain customer requests.  | Risk-based   | ✓                |

|    |                     |  |  |             |   |
|----|---------------------|--|--|-------------|---|
| 30 | Events and Leisure  | Markets                                  | To assess the effectiveness of controls over the receipt and banking of market traders income.                                     |             | ✓ |
| 31 | Revenues & Benefits | KCC Funding Agreement – Fraud & Error    | <ul style="list-style-type: none"> <li>Compliance with the KCC’s funding agreement</li> </ul>                                      | Risk-based  | ✓ |
| 32 | Internal Services   | Shared Services - Value for Money Review | <ul style="list-style-type: none"> <li>To determine whether DBC is getting optimum value for money from shared services</li> </ul> | Consultancy | X |

