Internal Audit Update Report

October 2020

Introduction

1) Internal Audit is an independent and objective assurance and consulting function. The shared team undertake reviews over the course of the year that are designed to evaluate and improve the Council's internal control, governance and risk management processes.

2) This report provides Members with an update on internal audit activity, and, crucially, its outcomes, against the Plan that was agreed by Members of this Board in July 2020.

3) It also seeks to enable the Board to discharge its responsibility to provide oversight of the Internal Audit Partnership through performance information and an update on the forthcoming External Quality Assessment (EQA).

Internal Audit Progress Update

4) Members will recall that due to the Coronavirus pandemic, both the completion of the 2019/20 Plan and the start of the 2020/21 Plan were delayed. The 2020/21 Internal Audit Plan was approved by Members in July 2020; at the same meeting the Annual report for 2019/20 was presented but at that stage, some audits for the previous financial year had not yet been finalised.

Internal Audit Plan 2019/20

5) Since the Annual Report, we have completed the 2019/20 Plan and have issued the remaining three audit reports (Animal Welfare, Garage Management and HR Policy Compliance). All three of these audits received 'Substantial' assurance (summaries are provided in **Annex B**) and therefore they do not have any detrimental impact on my conclusion in the 2019/20 Annual Report that overall systems of control are sound.

Internal Audit Plan 2020/21

6) Members will recall that the 2020/21 Internal Audit Plan was divided into two; Plan A contains the audits that are priorities for completion and Plan B contains additional audits that will be completed if resources allow.

7) An overall summary of Internal Audit progress against both Plans as at 28 September 2020 is shown below in **Annex A**. We have made steady progress against Plan A with three pieces of work fully completed and a further four in fieldwork. Nonetheless, it will be important to maintain momentum and work as efficiently as possible in the remaining months of the year in order to complete the Plan. This is a key focus of the Internal Audit Management Team.

Amends to the 2020/21 Plan

8) Within the Audit Plan report presented in July, I did note that the Audit Plan may have to be continually revised throughout the year as needs and risks would be likely to change. To date, we have made one amendment to the Internal Audit Plan. For expediency (to enable us to progress the work in a timely manner), this has already been discussed with the Chair outside of the Audit Board meeting. The amendment is an additional advisory piece of work to review whether outcomes, outputs and productivity across the Council have been impacted by the change to home-based (rather than office-

based) working arrangements. In my view, this is a key piece of work to ensure that the Council is able to offer high standards of service to its residents and the budget for the work is available from the existing pot of advisory days. Members are asked to retrospectively approve this amendment to the Plan.

Internal Audit Outcomes

9) The table below shows all final audit reports issued and the outcomes since the last report to Audit Board in July 2020. Summaries of these audits can be found in **Annex B**. Definitions of our assurance ratings are provided in **Annex E.**

Audit Year	Audit	Assurance Level
2019/20	HR Policy Compliance	Substantial
2019/20	Garage Management	Substantial
2019/20	Animal Welfare	Substantial
2020/21	Cyber Security	Limited
2020/21	Housing Allocations	Substantial
2020/21	Counter Fraud Policy Review	NA

10) In addition to the substantive pieces of work as set out above, Internal Audit has also provided advice and consultancy services on an ad hoc basis. To date, this work has been largely Covid-related; we have completed post-payment assurance checks on 35 Business Support Grants (across Dartford and Sevenoaks) and we have provided advice on processes relating to distribution of additional grant funds.

11) Four of the five assurance pieces of work received 'Substantial' assurance which is a strong set of results. For these four audits, we found that for the majority of areas reviewed, robust controls were in place for the core process which we found to be working effectively in practice. Where we identified areas for improvement, these were generally for controls at the end of a process, relating to approvals, follow ups and appeals. These controls are of course important for managers to assure themselves that any exceptions are identified and rectified.

12) We have issued one 'Limited' assurance audit report relating to Cyber Security. This is the first time that an audit of cyber security has been undertaken. Clearly, this is a critical area for any organisation and therefore is inherently high risk. The audit report contained one high priority recommendation which related to testing of Disaster Recovery Plans alongside some medium priority recommendations. Members can be assured that senior managers have responded positively to the audit findings and that a strong action plan is in place which is due to be implemented by December 2020. Internal Audit will follow up these actions until they are closed.

13) Internal Audit did not identify any high risk findings from the ad hoc advisory work that require Members' attention.

Follow Up

14) Internal Audit follows up all Critical, High, Medium and Low priority findings as they fall due. **Annex C** shows the results of our follow up process to date this financial year. There are currently no Critical or High priority issues that are due and outstanding. We have agreed to defer three actions this quarter but these are all 'Low' priority actions and therefore we do not consider non-implementation to represent a significant risk.

15) We have however closed one non-implemented Medium priority action as 'risk accepted'. This is the action raised in our 2018/19 Food Safety audit to reduce the backlog of new food premises inspections. Progress had been made prior to March, but due to the impact of the pandemic (including inability to undertake face to face inspections and large numbers of new food businesses registering), the service accepts that it will need to operate with a backlog for some time yet.

Internal Audit Performance

16) Audit Board have an important role to play in monitoring the performance of Internal Audit, in order to assure themselves that Internal Audit makes an effective contribution to governance and that reliance can be placed on its conclusions.

Key Performance Indicators

17) To facilitate performance monitoring, a suite of Key Performance Indicators (KPIs) exist and the results for August 2020 (the most recent available at the time of writing) are shown at **Annex D**. Our key challenge at the moment is delivering audits to budget (as well as time and quality) which we are addressing through analysis to understand where and why budget over-runs occur and therefore how we may reduce these.

18) Currently, no figure for compliance with PSIAS is shown. This is because I am currently working through a full self-assessment in preparation for the External Quality Assessment (EQA).

External Quality Assessment (EQA)

19) The External Quality Assessment (EQA) is an important mechanism for Members to receive assurance on the effectiveness of Internal Audit. At the July Audit Board, Members were advised of the plan to procure an EQA in the form of a validated self-assessment in the current financial year. Since that time, under the sponsorship of the s151 Officers at DBC and SDC, we have requested, received and evaluated quotes and we have appointed the Institute of Internal Auditors (the IIA) to undertake this work. The review is provisionally booked for January 2021.

20) The Institute of Internal Auditors are the standard setters for the profession and are therefore very well qualified to undertake this work. The Lead Reviewer, John Chesshire, is a Chartered Fellow of the IIA and has over 20 years' internal audit, governance and risk management experience. Quality Assurance will be undertaken by Liz Sandwith, the IIA's Chief Professional Practices Advisor.

21) John Chesshire undertakes a lot of training for the IIA and as such, in 2013 and 2015, I attended training courses as part of my own professional qualification that he delivered. John was also my nominated tutor for one module of my (distance learning) qualification. I do not believe that this

constitutes a conflict of interest but nonetheless wished to bring this to Members' attention in the interests of transparency.

Conclusion

22) The outcomes of Internal Audit work have been largely positive and where findings have highlighted potential weaknesses, officers have put plans in place to address.

23) Clearly, these are volatile times for Councils up and down the country and it will therefore be important over the coming months that risks are continually acknowledged and assessed and that Internal Audit is able to respond in a dynamic way to the situation as it evolves.

24) We would like to thank Officers, Managers and Members for their ongoing support and co-operation to enable us to deliver our work, particularly in the light of the ongoing pandemic.

Annex A – Internal Audit Plan 2020/21

Plan A	Audit Title	Type	Current Status
1	Cyber Security	Compliance	Complete
2	Rent Collection / Rent Arrears (Current Tenants)	Finance	Not yet started
3	Waste Collection Contract	Risk Based	Not yet started
4	Street Cleansing	Risk Based	Not yet started
5	Reactive Repairs	Risk Based	Not yet started
6	New Build Capital Programme	Finance	Not yet started
7	Budget Setting	Finance	Planning – draft brief issued
8	Feeder Systems & Journals	Finance	Fieldwork
9	Fraud Risk Review	Governance	Planning
10	Planning: Administration & Fees	Risk Based	Not yet started
11	Housing Benefits	Finance	Not yet started
12	Housing Allocations Policy	Risk Based	Complete
13	Corporate Project Governance	Governance	Not yet started
14	Planning Enforcement	Risk Based	Fieldwork
15	Local Air Quality Management	Risk Based	Planning – draft brief issued
16	Contract Management	Risk Based	Planning
17	Dartford Town Against Crime	Risk Based	Fieldwork
18	Service Desk (IT Support)	Risk Based	Not yet started
19	Facilities Management	Risk Based	Not yet started
20	Counter Fraud Policy Work	Governance	Complete – subject to Audit Board approval
21	Covid-19: Lessons Learned	Consultancy	Not yet started
22	Covid-19: Recovery	Consultancy	Not yet started
23	*(Plan Addition) – Home Working Review*	*Consultancy*	*Fieldwork*
Plan B	**Audit Title**	**Type**	**Current Status**
1	Revenues and Benefits Shared Service Performance	Finance	Not yet started
2	Recruitment Process	Risk Based	Not yet started
3	Homelessness Prevention	Consultancy	Not yet started
4	Emergency Planning	Risk Based	Not yet started
5	Environmental Enforcement	Risk Based	Not yet started
6	Employee Induction	Advisory	Not yet started
7	Project Management Framework	Governance	Not yet started
8	CRM System	Risk Based	Not yet started
9	Markets	Risk Based	Not yet started
10	Shared Service Value for Money Review	Consultancy	Not yet started
11	KCC Funding Agreement – Fraud & Error	Risk Based	Not yet started

Annex B - Summaries of Audit Reports issued

HR Policy Compliance 2019/20 (Substantial Assurance) – Issued in August 2020

This audit review examined the arrangements in place for review, updating and compliance with the following Human Resources policies:

 Disciplinary Policy and *Grievance Policy*

We confirmed that both policies were prepared by the HR Manager who is an experienced HR professional and holds the Chartered Institute of Personnel Development (CIPD) qualification.

The Advisory Conciliation and Arbitration Services (ACAS) provides guidance for preparing HR policies on grievance policies and disciplinary policies. Fieldwork confirmed the ACAS guidance had been incorporated into the policies.

Audit testing of specific grievance and disciplinary cases confirmed these cases had been conducted in accordance with the Council's HR policies.

There are arrangements in place for the draft policies to be commented upon by the Council's two Strategic Directors and by the Head of Legal Services. There was e-mail correspondence on file which confirmed both the policies had been seen by the Strategic Director (Internal Services) and the HR Manager gave verbal assurance that all of SMT had reviewed both policies. However, there was no evidence to confirm that the Strategic Director (External Services) and the Managing Director had reviewed either policy or that the Head of Legal Services had reviewed the Grievance policy. Internal approval routes required clarification.

It was also noted that there was a significant delay between the draft policies being prepared and the policies being finalised. The draft Grievance and Disciplinary policies were presented to the Managing Director in January 2019. The Disciplinary Policy was not finalised until June 2019. The Grievance Policy was finalised in October 2019. The HR Manager provided explanations for why the delays took place and Audit accept the reasons were one off unavoidable situations.

A summary of actions raised is given below:

Priority Ranking	Number of audit actions	Audit Actions Agreed	Risks accepted by management
Critical	0	NA	NA
High	0	NA	NA
Medium	1	1	0
Low	0	NA	NA
Advisory	0	NA	NA
Total	**1**	**1**	**0**

Garage Management 2019/20 (Substantial Assurance) – Issued in August 2020

We conclude based on our audit work that the controls in place over garage management provide **SUBSTANTIAL** assurance.

The Council owns 1,301 garages, and in 2019-20, approximately £811,714 was collected in rental income. Garage rent agreements require monthly payment by direct debit only, therefore a collection rate of 99.5% was achieved by 31 March 2019.

We found the management of garages operates across three departments: Customer Services, Housing Finance, and Housing Maintenance. Effective communication and information sharing exists between departments, although our testing identified opportunities to enhance existing arrangements.

There is no planned maintenance programme in place for the garages and all repairs are reactive. Annual repair expenditure on the garages during 2019-20 was approximately £88,409. We found effective arrangements in place to notify Housing Maintenance of a repair and our testing confirmed Housing independently check the quality of work undertaken by the contractor before payment is authorised.

At the time of our fieldwork, occupancy rates for the Council's garages was approximately 80%, meaning 270 garages were void. This includes garages that are beyond repair (22) and those due to be demolished (12). We calculated additional rental income in the region of £150,000 could be generated annually if the current void garages were rented out. We understand a significant capital investment in the garage stock would be required to increase public demand for these garages. We have however recommended that the Council reviews its overall strategy to manage these assets.

Overall, the arrangements for the management of the garage stock are robust, and no significant control weaknesses were identified through our work.

A summary of our findings and the actions raised in the review are set out below:

Priority Ranking	Number of audit actions	Recommendation Agreed	Risk accepted by management
Medium	2	2	0
Low	1	1	0
Advisory	2	2	0
Total	**5**	**5**	**0**

Animal Welfare 2019/20 (Substantial Assurance) – Issued in September 2020

We conclude based on our audit work that the controls in place over the management and maintenance of Animal Licensing provide **SUBSTANTIAL** assurance.

In October 2018 the Government introduced a new licensing regime to control the following licensable activities:

- Selling animals as pets
- Providing or arranging for the provision of boarding for cats or dogs
- Hiring out horses
- Breeding dogs
- Keeping or training animals for exhibition

Since October 2019 the Environmental Health Partnership has taken over responsibility for issuing all animal licences. There are currently 70 licenced establishments which require monitoring, inspecting and renewing.

Our review found there is an experienced team consisting of inspectors and support officers who are responsible for Animal Welfare. Officer roles are clearly defined between support and operational.

We found processes in place to deal with new licence applications, inspections and renewals. Records detailing existing licence holders are managed on Uniform and Idox, and monitored using spreadsheets.

Inspections are carried out in a timely manner by experienced, qualified officers, with adequate documentation to support applications. However, we identified improvements to enhance existing controls over the monitoring and follow up of improvement notices.

There is a system in place for recording and managing complaints. We noted that a number of concerns have been raised by members of the public (nationally as well as locally) regarding the illegal breeding and selling of animals. This is an area where the service takes proactive action to identify establishments operating without a licence, resource permitting.

A summary of the actions raised in the review are set out below:

Priority Ranking	Number of audit actions	Actions agreed	Risk accepted by management
Medium	2	2	0
Low	1	1	0
Advisory	0	0	0
Total	**3**	**3**	**0**

Cyber Security 2020/21 (Limited Assurance) – Issued in September 2020

We conclude based on our audit work that the controls in place to manage and mitigate risks associated with Cyber Security provide **Limited** assurance.

Our review confirmed that:

- The firewall at the boundary of the network had the latest version of software running;
- Default usernames had been removed and default passwords on the boundary firewall had been changed to strong passwords;
- Inspection of the latest IT Health Check confirmed that the network configuration reflected the common rule set of security requirements;
- The vulnerabilities identified in the latest IT Health Check had been tracked, managed and resolved; and
- Anti-malware solution was installed on devices (workstations and servers) with regular scans.

However, we identified that:

- Dartford Council has not tested any disaster recovery scenario in the last three years.
- Dartford Council rely on one single firewall. This puts the corporate network at risk of a single point of failure.
- There was a lack of prior documentation (e.g. Backup, Change Management, User Access Management and Disaster Recovery plan) and that this documentation was created during this audit.
- The change management process was not formalised and no formal approval stage at any step of the process was evident.
- No restoration testing of the backups had been performed, which would confirm the integrity of the backup and recovery processes.

A summary of the actions raised in the review are set out below:

Priority Ranking	Number of audit actions	Actions agreed	Risk accepted by management
High	1	1	0
Medium	3	3	0
Low	3	3	0
Total	**7**	**7**	**0**

Housing Allocations 2020/21 (Substantial Assurance) – Issued in September 2020

We conclude based on our audit work that the controls in place to comply with the Housing Allocations Policy provide SUBSTANTIAL assurance.

Our review found the arrangements in place to develop the Council's Housing Allocations Policy in accordance with legislation are sound. The Policy provides the framework by which applicants are prioritised for housing and our testing confirmed applications are appropriately assessed. The process to set up auto-bidding is adequate, and although our testing found that notes are not consistently applied in practice, the service has already taken action to address this.

We found shortlists are ranked by band and priority date which are automatically managed by the system. Our testing confirmed the shortlists operate accurately in practice and that applicants are verified at the time of offer.

A summary of the actions raised in the review are set out below:

Priority Ranking	Number of audit actions	Actions agreed	Risk accepted by management
Low	1	1	0
Advisory	2	2	0
Total	3	3	0

Counter Fraud Policy Review – Subject to Member Approval

The Counter Fraud and Corruption Strategy and the Whistleblowing Policy have been substantively reviewed by Internal Audit and are submitted for Members' approval as a separate agenda item.

Annex C -Audit actions

We raise recommendations to assist management in addressing control failings, or to suggest service improvements following the results of our testing. In accordance with our follow-up process all audit actions are tracked and followed up when they fall due. The table below shows the current actions, and progress against implementation:

Project	Service Manager	Report Issue Date & Rating	Agreed actions in Final Report	Actions due in Q1 & Q2	Not yet due	Closed in Q1 & Q2	Agreed Deferrals this Qtr.	Total actions complete to date	Total actions outstanding[1]
Markets Income 2016/17	Lewis Kirnon	April 2017 **Substantial**	1	1 (M)	0	1 (M)	0	1	0
Environmental Health (Food Safety) 2018/19	Annie Sargent	December 2018 **Substantial**	3	1 (M)	0	1 (M)	0	2	0
Members' Expenses 2018/19	Tim Sams	December 2018 **Substantial**	1	1 (M)	0	1 (M)	0	1	0
Post GDPR Review 2018/19	Marie Kelly-Stone / IT Services	June 2019 **Substantial**	5	0	1 (M)	0	0	4	1
Building Control 2018/19	Mark Stoneham	October 2019 **Substantial**	2	1 (L)	1 (M)	0	1 (L)	0	2
Corporate Complaints 2019/20	Marie Kelly-Stone	March 2020 **Substantial**	3	0	1 (M)	0	0	2	1
Accounts Receivable 2019/20	Tim Sams	April 2020 **Full**	3	2 (L)	1 (L)	0	2 (L)	0	3

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[1] Projects with 0 actions outstanding will be removed from future reports and be closed

*Actions due for implementation at the end of September, which is after the report deadline. A verbal update will be provided at the meeting.

Community Safety 2019/20	Mark Salisbury	July 2020 **Full**	1	0	1 (L)	0	0	0	1
HR Policy Compliance (Grievance & Disciplinary) 2019/20	Philippa Curtis	August 2020 **Substantial**	1	1 (M)*	0	0	0	0	1
Garage Management 2019/20	Paul Koster	August 2020 **Substantial**	3	1 (M), 1 (L)*	1 (M)	0	0	0	3
Animal Welfare (shared review) 2019/20	Annie Sargent	September 2020 **Substantial**	3	0	2 (M), 1 (L)	0	0	0	3
Cyber Security 2019/20	Sarah Martin	September 2020 **Limited**	7	0	1 (H), 3(M), 3 (L)	0	0	0	7
Housing Allocations 2020/21	Toni Carter	September 2020 **Substantial**	1	1 (L)	0	1 (L)	0	1	0
		TOTAL	**34**	**10**	**16**	**4**	**3**	**11**	**22**

Agreed Deferrals

This table shows the **three** audit actions that have been deferred. Officers have been asked to provide an update on progress, and the reason for the deferral:

Project	Action (including priority)	Original agreed date	Revised date	Reason for deferral	No. of times deferred
Building Control 2018/19	Reconciliation between Uniform and Cedar (**Low**)	30/3/20	31/08/20 31/10/20	This work has been started but on further investigation, a new SQL report needs to be built – this has been requested from IT.	**2**
Accounts Receivable 2019/20	Review and refresh the guidance available to officers on the intranet (**Low**)	30/9/20	31/3/21	The action has been deferred until a new Finance Assistant (Debt Recovery) has been recruited.	1
Accounts Receivable 2019/20	Liaise with relevant service areas for timely set up of new debtors (**Low**)	31/7/20 30/9/20	30/11/20	This action has started but not completed with regard to all relevant departments.	2

Closed Action

Project	Action (including priority)	Original agreed date	Action closed	Times deferred
Environmental Health (Food Safety) 2018/19	Address the outstanding backlog of new premise food inspections. (**Medium**)	31/01/19, 01/04/19, 31/08/19, 31/04/20	22/9/20	**4**
Update on progress				
Audit Comments: Risk accepted by management, therefore this action is closed. **Manager Update:** Environmental Health were making progress on reducing the backlog but it was not possible to continue with inspections during lockdown plus, significant numbers of new businesses have started up in recent months, adding to the backlog. On top of this, Environmental Health have considerable extra work as a direct result of the pandemic. Whilst the public health emergency remains ongoing it is simply not possible to say when this can be effectively addressed. I think we have to take our lead from the Food Standards Agency and they have accepted that the pandemic has had significant impact on Environmental Health's ability to undertake inspections and on businesses ability to respond to inspections.				

Annex D – Key Performance Indicators for Q2 Progress (July and August)

Finance: Associated performance indicators	Q2 (Jul – Aug)	Internal processes: Associated performance indicators	Q2 (Jul – Aug)
F1: Projects Completed within budgeted days Indicator measures any variance between the days agreed on the final brief vs. the actual time coded on Teammate TEC	0/3 0%	**I1**: Time taken between issue of the DRAFT and FINAL Audit Brief Indicator measures the effectiveness of our project planning and time taken to prepare the work programme	10 days (average)
F2: Chargeable days (time) Indicator measures the actual chargeable activities against the assumptions made in the audit plan	Q2 Average 67%	**I2**: Time taken between the issue of the FEEDBACK and DRAFT report Indicator measures the currency of our audit finding and effective engagement between Auditors and Clients	15 days (average)
F3: PSIAS conformance Indicator measures effectiveness of the Quality Assurance & Improvement Programme (QIAP) to ensure compliance with professional Standards	TBC	**I3**: Time taken between issue of the DRAFT report and FINAL report Indicator measures the effectiveness of our process to finalise audit reports and issue the report in a timely manner	14.8 days (average)
Client satisfaction: Associated performance indicators	**Q2 (Jul – Aug)**	**Learning & Development: Associated performance indicators**	**Q2 (Jul – Aug)**
C1: Overall client satisfaction with the audit experience Indicator measures overall satisfaction levels, taking into account the audit approach, conduct, findings and competence of the auditor	4/4 100%	**L1**: Audit actions fully implemented within agreed timescales Indicator measures the successful implementation of audit actions and the effectiveness of our follow-up process	DBC 0/2 0% SDC 1/1 100%
C2: Respondents agreement with the audit actions Indicator measures Client agreement to the audit findings and resulting actions from our audit work	5/6 83%	**L2**: Training & development days Indicator measures our investment and time spent on training and development against the assumptions made in the audit plan	13.24 Days (of 58 days)

Annex E - Definitions of Assurance ratings:

OPINION	DEFINITIONS
Full Assurance (no High or Medium priority actions)	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. 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.
Substantial Assurance (no High priority actions)	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. 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.
Limited Assurance	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. 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.
No Assurance	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. 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.