

Internal Audit Plan

2021/22

30 March 2021

Sevenoaks District Council



Introduction

- 1) This paper presents the 2021-22 Internal Audit Plan (**Annex 1**) and suite of Key Performance Indicators (**Annex 3**) for Members' approval. It also sets out a new set of assurance levels and definitions (**Annex 2**) which Members are asked to note.

Internal Audit Plan 2021-22

- 2) Under the Public Sector Internal Audit Standards (PSIAS), the Chief Audit Executive is required to develop a risk-based plan of work in order to ensure both that Internal Audit resources are used to best effect and that a robust overall opinion on systems of risk management, governance and control can be delivered at the end of the year.
- 3) There has been much debate amongst Internal Audit professionals recently over whether an Annual Plan is still appropriate in light of the volatility of the external environment. As a result, some audit functions have moved to the production of a quarterly or six monthly Plan instead. Members may note that this was also one of the opportunities suggested by the External Quality Assessor (provided as a separate agenda item).
- 4) I have carefully considered this option but, given the current maturity of the Partnership and the other areas for development highlighted within the EQA report and our own self-assessment, I believe that for this financial year, it will be more appropriate to set out a framework for audit activity that covers the whole year. That does not mean however that the Plan as presented in this report is fixed; it will be important to continually review and revise the Plan as the year progresses to ensure that it reflects key risks and priorities. We are aware, for example, aside from any external events, that a new Corporate Strategy together with supporting strategies will be developed over the coming year and these may alter our view of Internal Audit priorities. Any changes will be brought back to a future meeting of this Committee for approval.
- 5) The main objectives of the Internal Audit Plan are to:
 - Provide sufficient breadth of coverage in order to enable an overarching opinion at the end of the year on the overall effectiveness of systems of governance, risk management and internal control
 - Be focused on key risks, and provide assurance on the Council's management of these
 - Ensure that the organisation is adequately equipped to face future challenges and achieve strategic priorities
 - Provide assurance on core systems and key controls
 - Provide advice and consultancy services based on management requests, usually in relation to new and developing systems and processes
- 6) In order to achieve these objectives, we have followed a detailed risk-based planning process. This has included review of corporate strategies and risk registers, meetings with all Service Managers, Chief Officers and the Chief Executive, discussions with others in the sector at professional forums and consideration of the wider environment. We have taken into account how the significant changes within the internal and external environments over the past year may have changed the risk profile of the Council. Across all sectors, risks such as information security, financial resilience and staff well-being, for example, have become more prominent and all feature within the proposed Plan.

7) It is important that Members can assure themselves when approving this Plan that there is sufficient coverage of key organisational risks. To facilitate this, the table below maps the current Corporate Risk Register against the proposed coverage.

Table 1 – Corporate Risk Register and Internal Audit Coverage

Corporate Risk Register	Current Risk Rating	Internal Audit Coverage
SR01 Finance	High	2021/22 – Ten Year Budget, Purchase Orders Continuous Assurance and Corporate Credit Cards
SR02 Property Investment Strategy	Medium	2021/22 – Property Investment Strategy
SR03 Asset management & maintenance	Medium	2021/22 – Asset Management & Corporate Landlord Liabilities
SR04 Knowledge, capacity & culture	Medium	2021/22 – Appraisals
SR05 Technology	Medium	2021/22 – Information Technology Governance and Assurance Mapping
SR06 Information & data management	Medium	2021/22 – Information Security
SR07 Legal compliance, governance & ethics	Low	2021/22 – Ethical Governance, Legal Services Processes, Fraud Risk Assessment and IT Governance
SR08 Capacity of community partners	Low	No coverage
SR09 Health & Safety (incl. Staff Wellbeing)	Medium	2020/21 - Health and Safety 2021/22 – Staff Wellbeing
SR10 Emergency planning & severe weather events	Medium	2021/22 – Emergency Planning
SR11 Safeguarding	Low	2021/22 – Safeguarding
SR12 Covid-19	Medium	2021/22 – Covid-19 Recovery, Covid-19 Grant Funding
SR13 Temporary Accommodation	Medium	2021/22 – Temporary Accommodation

Resources

- 8) In developing the Plan, I have to consider whether resources are sufficient to meet the Council’s needs.
- 9) I have calculated the total days available in 2021/22 for productive work to be currently 450 per Council. This takes into account all resource, minus allowances for administrative tasks, leave, training and sickness. The proposed breakdown of how these 450 days will be used for Sevenoaks is shown in Table 2 below:

Table 2 – Internal Audit resource

Activity	Total Projected Days
Risk Management	12
Counter Fraud	10
Member Support / Training / Meetings	12
Follow-Up	15
Annual Audit Planning	10
Advisory & Consultancy	65
Total non-audit	124
Available for audits/projects	326
Total Days	450

10) As for the 2020/21 financial year, I have divided the overarching Audit Plan into two; Plan ‘A’ audits are currently priorities for completion and Plan ‘B’ consists of additional audits that will be completed if resource and budget allows. I have calculated the total indicative days for all Plan ‘A’ audits to be 307, based on the projected budgeted days per audit. This is just inside the total available days with a small contingency.

11) In the majority of cases, the decision to place an audit on Plan ‘A’ or ‘B’ was based on our risk assessment. However there are some notable exceptions (for example Disaster Recovery and Workforce Strategy) which have been placed on Plan ‘B’ due to uncertainty over the timing for implementation of key changes. These audits will be re-prioritised later in the year if progress warrants this.

12) Priorities have been discussed with Strategic Management Team. Based on those discussions and the risk register analysis shown in Table 1, I believe that the planned coverage is currently sufficient to meet the needs of the Council.

Assurance Levels

13) For the forthcoming financial year, we will be adopting the new CIPFA recommended set of assurance levels and definitions which we will apply to audits in the 2021-22 Plan. We will also use these levels and definitions to provide a graded overall opinion as part of the Annual Report. This will ensure the assurance given as part of the Annual Opinion is more meaningful and defined. It will also be comparable across financial years. The new set of definitions is given in **Annex 2**.

Key Performance Indicators

14) Members of the Audit Committee have an important oversight role to play in ensuring the quality of the internal audit service. Key Performance Indicators (KPIs) are one mechanism, alongside internal and external assessments, that allow Members to review how well the service is performing.

15) I have reviewed the current Key Performance Indicators and made some changes for 2021/22 to make these measures more meaningful. The proposed KPIs are set out in **Annex 3**; Members are asked to approve these as the measurements of performance to be reported. The key changes are as follows:

- Indicator F1: Rather than report the number of audits completed to budget, we will report the percentage of budgeted days taken to complete projects on a cumulative basis. This will allow a more nuanced assessment of the materiality and impact of any budget over-runs.
- Indicator I1: Rather than report on the number of days between draft and final brief, which only measures how swiftly clients have commented on the brief, we will report whether the draft brief has been issued 10 working days prior to fieldwork. This will allow a more meaningful judgment of the effectiveness of project planning processes and engagement with the client.
- Indicator I2: Rather than report the average days between feedback and draft report, we will report the percentage of draft audit reports that have been issued on or before the date specified in the final brief. The length of time taken to complete audit fieldwork was highlighted as a key concern in the External Quality Assessment and this KPI will allow us to monitor improvements.
- Indicators now have targets attached so that we can assess the extent to which we are achieving desired standards and can put corrective measures in place where these are not being achieved.

Conclusion

16) This report and the accompanying annexes set out how Internal Audit resources will be deployed over the forthcoming year in order to provide assurance on the key organisational risks and priorities. Overall, the Plan is sufficiently balanced to cover strategic and operational areas across the Council as a whole. The new assurance definitions will bring the Partnership in line with best practice in this regard and will provide a suitable framework to assess how risks are being managed. The revised KPIs will also give Members more nuanced and robust assurances on the performance of Internal Audit.

17) Members are therefore asked to approve the Audit Plan and KPIs, and to note the new set of assurance definitions.

Annex 1 - Audit Plan 2021/22

AUDIT PLAN A:

Service Area	Audit Title	Type - Assurance or Consultancy	Indicative Outline Scope	Indicative Days
Authority Wide	Assurance Mapping	Consultancy	Map the available sources of assurance for one or two key risks to assess coverage and identify gaps and duplications.	10
Property / Finance	Property Investment Strategy	Assurance	Review of the strategy to ensure that it aligns with organisational risk appetite and that transactions made are in accordance with the strategy.	10
Authority Wide	Fraud Risk Assessment	Consultancy	In conjunction with the Counter Fraud team, undertake a fraud risk assessment for the organisation.	12
IT	IT Governance	Assurance	Assessment of IT Governance arrangements in the organisation including strategy, resource management, risk management and delivery of value.	12
Finance	Ten Year Budget	Assurance	A review of the robustness of the budget planning process, including any assumptions made and the viability of savings / income items (likely to include Direct Services income and print room).	12
Property	Corporate Landlord Liabilities	Assurance	Review of the adequacy and effectiveness of arrangements in place to ensure that the Council is compliant with its statutory responsibilities as Corporate Landlord. This is likely to include gas, fire safety, legionella and asbestos.	10
Finance / Authority-Wide	Purchase Orders Continuous Assurance	Assurance	Quarterly download of data and subsequent analysis to ascertain whether Purchase Orders are being raised prior to invoices received.	10

Service Area	Audit Title	Type - Assurance or Consultancy	Indicative Outline Scope	Indicative Days
Environmental Health & Building Control	New Service Review	Assurance	Following service restructures, a review to ensure resources are sufficient to meet objectives and that controls are adequate to ensure an effective service is still in place.	20
Direct Services	Emergency Planning	Assurance	Review of emergency planning arrangements including framework, skills and exercising to ensure that the Council can effectively discharge its duties under the Civil Contingencies Act.	12
Human Resources / Authority-Wide	Staff Wellbeing	Assurance	Adequacy and effectiveness of approaches to wellbeing. Effectiveness of actions to address issues identified through the Council's own review.	12
Human Resources / Authority-Wide	Appraisals	Assurance	Review to provide assurance on the effectiveness of the appraisal process including how objectives are set and monitored. We will also consider whether there is a correlation between objectives and service plans and, dependent on time, may also consider training and development.	12
Legal Services	Information Security	Assurance	Review of the adequacy and effectiveness of information security arrangements, including procedures for responding to data breaches. The review will consider the security of organisational information as well as personal information.	10
Health and Communities	Safeguarding	Assurance	Review of the adequacy of the safeguarding policy for adults and children including arrangements for training and communication of the policy to staff and contractors. The audit will also consider how effectively safeguarding concerns are dealt with in practice.	10

Service Area	Audit Title	Type - Assurance or Consultancy	Indicative Outline Scope	Indicative Days
Housing	Temporary Accommodation	Assurance	The audit will review the whole process as a walkthrough to ensure that controls are robust to manage demand. We will undertake some root cause analysis for why numbers are increasing and consider whether the front door is sufficiently robust and proactive.	12
Authority-Wide	Covid-19 Recovery	Assurance	A review of recovery planning and progress which will also consider impact on various sectors eg leisure and culture.	10
Planning	Community Infrastructure Levy follow up	Assurance	Follow up of actions raised in the 2019/20 review.	10
Quercus	Companies - Quercus	Assurance	Review of companies governance arrangements.	10
Health & Communities	Grants Process	Consultancy	To review the Grants process and ensure it is effective. Review of the monitoring process to ensure outcomes are being achieved.	8
Revenues and Benefits	Council Tax and Enforcement	Assurance	Review of current controls for processing council tax including single person discount and changes of circumstances. We will also look at recovery of monies and review the current approach to enforcement.	15
Property	Asset Management	Consultancy	Review of the current Asset register recording processes and how this is monitored and updated.	10
Finance	Covid-19 Grant Funding	Assurance	We will consider whether money has been spent appropriately, how decisions were made and any areas for development for future reference.	20
Authority-Wide	Ethical Governance	Assurance	The precise scope will be determined at planning stages but could include how we treat staff, suppliers and customers, or arrangements for staff and Member conduct, values and behaviours.	15

Service Area	Audit Title	Type - Assurance or Consultancy	Indicative Outline Scope	Indicative Days
Legal Services	Legal Service Processes (Case Management)	Assurance	Review of adequacy and effectiveness of case management processes.	12
Direct Services	Parking Processes – Residents’ Permits and PCN processing (including appeals and cancellations)	Assurance	Controls over processing of permits and penalty change notices, including appeals, considering whether controls are sufficient to manage risks.	15
Finance	Corporate Credit Cards	Assurance	Review of the control framework including purchase limits, appropriate use, transaction authorisation, receipts, and treatment of VAT.	10
Human Resources	Payroll	Assurance	We will undertake some assurance to avoid duplication and we will also consider process efficiencies.	8

AUDIT PLAN B:

Service Area	Audit Title	Type - Assurance or Consultancy	Indicative Outline Scope	Indicative Days
Revenues and Benefits	Council Tax Reduction Scheme	Assurance	Review of new bandings, to ensure they have been introduced in accordance with the approved scheme and correct CTRS has been awarded.	
Strategic Planning	Local Plan	Consultancy	We will review the project planning process, including whether it contains all relevant steps and costs to ensure that the Plan will be completed to time, budget and quality.	
Human Resources / All	Equality and Diversity	Assurance	We will consider both staff and external customers. The audit will review policies and culture, and how effectively policies are applied in practice.	

Service Area	Audit Title	Type - Assurance or Consultancy	Indicative Outline Scope	Indicative Days
Human Resources	Workforce Development / Talent Management / Succession Planning	Assurance	A review to provide assurance on how the organisation assesses what skills it needs for the future, manages talent, identifies key posts and undertakes succession planning.	
Human Resources	Workforce Strategy	Assurance	We will provide commentary on the draft strategy and then provide a view on how well it is working post-implementation.	
Human Resources	Training and Development	Assurance	Audit to consider how training needs are identified and prioritised, and whether desired outcomes are achieved.	
Health & Communities	Community Safety	Assurance	Review of Community Safety team following reorganisation to ensure it is still achieving its objectives.	
Licensing	Taxis	Assurance	To review the taxi licences application process and ensure due to regulations change that the regular DBS checks are being undertaken on a 6 monthly basis.	
Planning	Pre-Application advice	Assurance	Review of current process to ensure correct fees charged and reconciled . Also review of "marketing" information in the public arena to ensure it is clear and understood as to what the service covers.	
Transformation & Strategy	Print Studio	Consultancy	Review of the Print Studio's income and work levels to ensure it is still cost effective. Review of fees charge to ensure the council does not make a loss, controls over raising timely invoices and the reconciliation of income.	

Service Area	Audit Title	Type - Assurance or Consultancy	Indicative Outline Scope	Indicative Days
Property	Asset Management	Assurance	Establish whether the Council is aware of all vacant plots of land and properties. Ensure the council has or is developing a regeneration plan for each site/property to avoid having to sell off assets unnecessarily.	
Revenues and Benefits	Discretionary Powers	Assurance	To establish the Council's powers in relation to discretionary awards and how the Council has used this power. Review of case management and ensuring the correct approvals have been sought and given.	
IT	Disaster Recovery	Assurance	Adequacy and effectiveness of arrangements to ensure key functions can recover within acceptable timeframes in the event of a disaster.	
IT	My Account function	Assurance	Adequacy of controls to maintain security of My Account function.	
Democratic Services	Governance - Committee Process	Assurance	Adequacy and effectiveness of committee process to ensure decisions are made on the basis of the best available information.	
Authority-Wide	Procurement	Assurance	Compliance with legislation and contract standing orders.	
Direct Services	Safety Advisory Group	Assurance	To review the governance arrangements over the Safety Advisory Group and assess the controls over event management.	
Finance	Leases	Consultancy	Consultancy work to ensure organisation is prepared for implementation.	

Annex 2

Definitions of Assurance Levels

OPINION	DEFINITIONS
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Annex 3 – Key Performance Indicators for 2021/22

Finance: Associated Performance Indicators

Indicator	Explanation	Measurement	Target
F1: Percentage of budgeted days taken to complete audits	Indicator measures any variance between the days agreed on the final brief vs. the actual time coded.	Cumulative	100%
F2: Chargeable days	Indicator measures the actual chargeable activities against the assumptions made in the audit plan.	Quarterly	75%
F3: PSIAS conformance	Indicator measures effectiveness of the Quality Assurance & Improvement Programme (QAIP) to ensure compliance with professional Standards.	Annually	'Generally Conforms' (IIA definition)

Internal Processes: Associated Performance Indicators

Indicator	Explanation	Measurement	Target
I1: Percentage of draft audit briefs issued at least 10 working days before the start of fieldwork	Indicator measures the effectiveness of our project planning and communication with the client.	Project by project	90%
I2: Percentage of draft audit reports issued by the date given on the final audit brief	Indicator measures the efficiency of our audit work, currency of audit findings and effective engagement between auditors and clients.	Project by project	70%
I3: Time taken between issue of the draft and final audit report	Indicator measures the effectiveness of our process to finalise audit reports and issue the report in a timely manner.	Project by project	15 working days

Client satisfaction: Associated performance indicators

Indicator	Explanation	Measurement	Target
C1: Respondents satisfied with the overall audit experience	Indicator measures client satisfaction with how we undertook the work.	Project by project	90%
C2: Respondents agreement with the audit actions	Indicator measures client agreement to the audit findings and resultant actions.	Project by project	90%

Learning and Development: Associated performance indicators

Indicator	Explanation	Measurement	Target
L1: Audit actions fully implemented within agreed timescales	Indicator measures the successful implementation of audit actions and the effectiveness of our follow-up process	Quarterly	80%
L2: Training and development days	Indicator measures our investment and time spent on training and development against the assumptions made in the audit plan	Annually	TBC when Plan agreed

