

29 March 2022 at 7.00 pm

Council Chamber, Argyle Road, Sevenoaks

Published: 21.03.22



# Audit COMMITTEE

## Supplementary Agenda

	Pages	Contact
6. Statement of Accounts 2020/21	(Pages 1 - 32)	
7. Internal Audit Progress Report 2021/22	(Pages 33 - 52)	Elinor Jones
8. Internal Audit Plan 2022/23	(Pages 53 - 62)	Elinor Jones

If you wish to obtain further factual information on any of the agenda items listed above, please contact the named officer prior to the day of the meeting.

Should you need this agenda or any of the reports in a different format, or have any other queries concerning this agenda or the meeting please contact Democratic Services on 01732 227000 or [democratic.services@sevenoaks.gov.uk](mailto:democratic.services@sevenoaks.gov.uk).

This page is intentionally left blank

# The Audit Findings for Sevenoaks District Council

**Year ended 31 March 2021**

Sevenoaks District Council  
March 2022  
Page 1



# Contents



**Your key Grant Thornton team members are:**

## Paul Cuttle

Director

T 020 7728 2450

E paul.cuttle@uk.gt.com

## Trevor Greenlee

Audit Manager

T 01293 554 071

E trevor.greenlee@uk.gt.com

## Section

1. Headlines
2. Financial statements
3. Value for money arrangements
4. Independence and ethics

## Page

- 3
- 6
- 20
- 22

## Appendices

- A. Action plan
- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. Fees

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and the Audit Committee.

Name : Paul Cuttle  
For Grant Thornton UK LLP  
Date : March 2022

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Sevenoaks District Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2021 for those charged with governance.

## Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements, including the Annual Governance Statement (AGS) and the Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work has been completed remotely in the period July 2021–March 2022. Our findings are summarised at Section 2.

A draft set of accounts was published and provided to audit on 15 July 2021. This version was not the one which management had intended to publish, but an earlier version which contained errors due to a spreadsheet linkage issue. Because of staff leave management did not immediately realise the wrong version had been published, but a revised set of accounts was provided on 4 August 2021. Some initial audit work based on the first version of accounts had to be updated.

In a number of areas significant work has been required by management to address audit queries, review underlying issues and agree amendments. To help with the timing of audit review it was agreed management would provide an initial revised set of accounts incorporating changes other than those relating to the accounting treatment for the Burlington Mews properties, and then a further revised version incorporating the Burlington Mews changes. A further revised set of accounts including all amendments was received in March 2022.

Our work is now substantially complete. Our remaining work includes;

- obtaining responses to queries relating to the disclosure note on capital expenditure and capital financing and the presentation of related entries in the accounts;
- reviewing a final set of the financial statements to ensure that this includes all agreed amendments;
- finalisation of audit review and quality control procedures; and
- obtaining a management letter of representation.

We have raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year audit is at Appendix B. Audit adjustments are detailed in Appendix C.

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of the Council and the financial statements we have audited.

Subject to the completion of outstanding work we anticipate issuing an unmodified audit report.

### Summary of Key findings

#### Burlington Mews properties

We considered the accounting treatment of the "Burlington Mews" properties constructed as part of the redevelopment of the Buckhurst Lane car park in Sevenoaks. We concluded that, as these assets had been constructed with the intention of disposal, the construction costs were more appropriately disclosed as inventory rather than Property, Plant and Equipment (PPE) assets under construction. This also required changes to the accounting treatment when work was completed and the assets sold or reclassified as investment property. However, we concurred with management that under statutory provisions the costs could continue to be financed through capital resources. As the amounts involved were

# 1. Headlines

## Financial Statements

material we agreed with management that the accounts would be amended. This change in accounting treatment also gave rise to a prior period adjustment in the financial statements. The balance for inventory increased from £0.06m to £5.8m at 31.3.20, and from £0.06m to £3.3m at 31.3.21, with corresponding adjustments to PPE balances. An additional disclosure note (Note 5) has been included in the financial statements to explain the amendments.

### Material valuation uncertainty

The Council's external valuer has reported that for some retail and specific trading related assets/sectors such as car parks there continues to be an absence of relevant and sufficient market evidence on which to base judgements of value at 31 March 2021. Therefore for these assets the valuer has reported valuations on the basis of "material valuation uncertainty. The total value of Council assets subject to material valuation uncertainty is £21.4m, approximately 33% of the Council's asset base.

Where such disclosures are included within financial statements auditors consider the need to include an 'emphasis of matter' paragraph within their audit report. An emphasis of matter is not a qualification or modification of the auditor's report but is used to draw the reader's attention to a matter that has been appropriately presented or disclosed in the financial statements and which, in the auditor's judgement, is of such importance that it is fundamental to the users' understanding of the financial statements.

As a relatively small movement in the valuation of the relevant assets could have a material impact we have concluded our audit opinion on the Council's 2020/21 financial statements should include an Emphasis of Matter drawing attention to the material valuation uncertainty disclosed at Note 4.

### Accounting treatment of Covid grant

In the draft accounts £2.8m relating to Additional Restrictions Grant and Local Restrictions Support Grant had been treated as agency payments. As such both the income and the related expenditure had been omitted from the Comprehensive Income and Expenditure Statement (CIES). We agreed with management that for these transactions the Council was acting as a principal and therefore they should be included on the CIES.

£1.5m for General Covid 19 grant and £2.4m in grant received to compensate for lost income were included in the section "Net Cost of Services" on the CIES. These grants should have been included under "Taxation and Non-Specific Grant Income".

Amendments have now been made to the CIES and the relevant disclosure notes.

### Car Park revaluations

The fixed asset register had not been updated to incorporate revaluations for car park assets at 31 March 2021. As a result PPE balances in the financial statements were overstated by £1.9m. The accounts have now been amended.

### Other issues

A number of other amendments have been made to the primary statements and disclosure notes. Further details are given in Appendix C.

# 1. Headlines

## Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

Our VFM work is complete and we are in the process of finalising our Auditor's Annual Report. The National Audit Office's revised deadline for 2021/22 is that the Auditor's Annual Report is to be issued no more than three months after the date of the opinion on the financial statements.

We have not identified any significant weaknesses in the Council's arrangements.

## Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Auditor's Annual Report.

## Significant Matters

Other matters we wish to draw to your attention

Work by management has been required across a range of issues to support the entries in the financial statements. Throughout the audit management has worked with the audit team to resolve issues and agree amendments.

We did not encounter any other significant difficulties or identify any significant matters arising during our audit.

# 2. Financial Statements

## Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

## Audit approach

Our audit approach was based on a thorough understanding of the group's business and is risk based, and in particular included:

- An evaluation of the group internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

## Conclusion

We have substantially completed our audit of the financial statements. Subject to the completion of outstanding work we anticipate issuing an unmodified audit report.

### Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during the audit.



## 2. Financial Statements

### Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan of March 2021.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,100,000	1,000,000	This is approximately 2% of gross revenue expenditure.
Performance materiality	825,000	750,000	Calculated as 75% of headline materiality. This is a measure used in audit testing based upon our assessment of the likelihood of a material misstatement in the financial statements.
Trivial matters	55,000	50,000	This is 5% of materiality.



# 2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
<p><b>Management override of controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We therefore identified management override of control as an area of significant risk. The related areas of risk include management estimates, use of journals and any significant transactions outside the Council's normal course of business.</p>	<p>To address this risk we.</p> <ul style="list-style-type: none"> <li>evaluated the design effectiveness of management controls over journals;</li> <li>analysed the journals listing and determined the criteria for selecting high risk unusual journals;</li> <li>identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; and</li> <li>gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness.</li> </ul> <p>The Council identified a number of critical judgements at Note 4 in the draft accounts. We concluded that not all of these disclosures met the definition of critical judgements in applying the Council's accounting policies. We have agreed a number of amendments with management.</p> <p>Our audit work has not identified any other issues in respect of this risk.</p>
<p><b>Improper revenue recognition</b></p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council we have determined that the risk of fraud arising from revenue recognition can be rebutted because:</p> <ul style="list-style-type: none"> <li>there is little incentive to manipulate revenue recognition;</li> <li>opportunities to manipulate revenue recognition are limited ; and</li> <li>the culture and ethical frameworks of local authorities mean that all forms of fraud are seen as unacceptable.</li> </ul>

# 2. Financial Statements - Significant risks

## Risks identified in our Audit Plan

## Commentary

### Fraud in expenditure recognition

As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may be greater than the risk of fraud related to revenue recognition. There is a risk the Council may manipulate expenditure to budgets and set targets and we had regard to this when planning and performing our audit procedures.

Management could defer recognition of expenditure by under-accruing for expenses that have been incurred during the period but which were not paid until after the year-end or not record expenses accurately in order to improve the financial results.

To address this risk we;

- inspected transactions around the end of the financial year to assess whether they had been included in the correct accounting period;
- inspected a sample of accruals made at year end for expenditure not yet invoiced to assess whether the valuation of the accrual was consistent with the value billed after the year; and
- Applied an elevated risk assessment for post closedown journals as part of our journal testing procedures and considered if there was evidence of fraud in expenditure recognition.

Our audit work has not identified any issues in respect of this risk..

### Valuation of land and buildings

The Council revalues its land and buildings on a rolling five year cycle, with investment properties and some other asset classes revalued annually.

This valuation represents a significant estimate by management in the financial statements due to the values involved and the sensitivity of this estimate to changes in key assumptions.

We therefore identified the valuation of land and buildings as a significant risk

To address this risk we;

- evaluated management's processes and assumptions for the calculation of the estimate, including the instructions issued to the Council's external valuer and the scope of their work;
- evaluated the competence, capabilities and objectivity of the external valuer;
- challenged the information and assumptions used by the valuer;
- tested, on a sample basis, revaluations made during the year to ensure they had been input correctly into the Council's asset register; and
- evaluated how management concluded that the carrying value of assets not revalued was not materially misstated.

We identified a number of issues from our work on the valuation of land and buildings. These are reported at "Financial Statements – key judgements and estimates".

# 2. Financial Statements - Significant risks

## Risks identified in our Audit Plan

## Commentary

### Valuation of pension fund net liability

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the values involved and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation, and have identified valuation of the Council's pension fund net liability as a significant risk.

To address this risk we :

- updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated, and evaluated the design of the associated controls;
- evaluated the instructions issued by management to the actuary as management's expert, and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary;
- assessed the accuracy and completeness of the information provided by the Council to the actuary;
- tested the consistency of the pension fund disclosures in the financial statements with the actuary's report;
- confirmed the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and
- obtained assurances from the auditor of Kent Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Our audit work has not identified any issues in respect of this risk. Further information is reported at "Financial Statements – key judgements and estimates".

## 2. Financial Statements – Key findings arising from the group audit

### Work performed

We have

- updated our understanding of the capital and operational activity within the group
- assessed management's consolidation arrangements
- tested management's consolidation process to determine whether this has been prepared correctly, is appropriately presented in the Group accounts and that intercompany balances have been appropriately eliminated;
- performed testing over balances and transaction streams that are material to the Group as a whole; and
- reviewed the suitability and completeness of disclosures required with respect to the Group and single entity

### Group audit findings

Our audit work has not identified any issues in respect of the consolidation process and the disclosures in the financial statements.

# 2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

## Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Page 12</p> <p><b>Land and building valuations</b>  <b>PPE Land and Buildings: £27.9m</b>  <b>Surplus assets: £0.97m</b>  <b>Investment property: £31.7m (Group £44.4m)</b>  <b>Assets Held for Sale: £0.27m</b></p>	<p>Other land and buildings comprise specialised assets such as the leisure centres which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. Land and buildings which are not specialised in nature are required to be valued at existing use value (EUV) at year end.</p> <p>The Council has engaged external valuers (Wilks Head and Eve) to complete the valuation of properties as at 31 March 2021. Almost all Council land and building properties have been revalued at that date.</p> <p>Management have also considered if there has been a material change in carrying value for the properties not revalued during the year. Management have concluded that there has been no material change in value for these properties during 2020/21.</p>	<p>We have no concerns over the competence, capabilities and objectivity of the valuation expert used by the Council. We have considered the completeness and accuracy of the underlying information used to determine the estimate and the accuracy of the disclosure in the financial statements. A number of amendments have been agreed with management – see Appendix C.</p> <p><b>Valuation of car parks and retail properties – disclosure of material valuation uncertainty</b></p> <p>The outbreak of Covid-19 has created volatility and uncertainty in markets. The Council's external valuer has reported that at 31 March 2021 property markets are now functioning again in a way that provides adequate evidence to support valuations. However, for some retail and specific trading related assets such as car parks the valuer has concluded that there continues to be an absence of relevant and sufficient market evidence on which to base judgements of value. Therefore for these assets the valuer is continuing to report valuations on the basis of "material valuation uncertainty". The total value of Council assets subject to material valuation uncertainty is £21.4m, approximately 33% of the Council's asset base.</p> <p>Management has considered the valuer's report and disclosed that the relevant valuations are being reported on the basis of "material valuation uncertainty" at Note 4 to the accounts.</p> <p>Where such disclosures are included within financial statements auditors consider the need to include an 'emphasis of matter' paragraph within their audit report. An emphasis of matter is not a qualification or modification of the auditor's report, but is used to draw the reader's attention to a matter that has been appropriately presented or disclosed in the financial statements and which, in the auditor's judgement, is of such importance that it is fundamental to the users' understanding of the financial statements.</p> <p>As a relatively small movement in the valuation of the relevant assets could have a material impact we have concluded our audit opinion should include an Emphasis of Matter drawing attention to the material valuation uncertainty disclosed at Note 4.</p>	<p>Grey (some issues unadjusted or unresolved but we consider the issues are not material for our opinion)</p>

# 2. Financial Statements – key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
		<p><b>Burlington Mews properties– accounting treatment</b></p> <p>The “Burlington Mews” properties are ten town houses constructed as part of the redevelopment of the Buckhurst Lane car park in Sevenoaks. The project was designed to include the construction and sale of houses on part of the car park site to help finance the overall scheme. Work commenced in 2017/18. From the commencement of the project all costs have been treated as PPE Assets Under Construction. The redeveloped car park was completed in 2019/20, with the Burlington Mews properties completed in 2020/21.</p> <p>We considered the appropriate accounting treatment for these transactions, having regard to accounting standards, the CIPFA Code of Practice on local authority accounting and the accompanying Code guidance notes. We concluded that, where assets are constructed with the intention of disposal rather than to provide ongoing service potential for the Council then the costs associated with these assets are more appropriately disclosed as inventory rather than PPE assets under construction. However, we concluded that under statutory provisions these costs could continue to be financed through capital resources. This change in classification also involves changes to the accounting treatment on the completion and disposal of the assets.</p> <p>As the amounts involved were material we agreed with management the accounts would be amended. The change in accounting treatment also gives rise to a prior period adjustment in the financial statements. The balance for inventory increased from £0.06m to £5.8m at 31.3.20, and from £0.06m to £3.3m at 31.3.21, with corresponding adjustments to PPE balances. An additional disclosure note (Note 5) has been added to explain the amendments.</p> <p><b>Valuation of surplus assets</b></p> <p>The Council’s balance sheet includes surplus assets valued at £0.97m. Under the CIPFA Code of Practice surplus assets are to be valued at fair value (at highest and best use). Fair value assets should be revalued at the end of each reporting period. However, the Council’s surplus assets were last revalued at 31 March 2020.</p> <p>We do not consider that this is a material issue for our opinion. However, we recommend that all property assets subject to fair value measurements should be revalued at the end of each reporting period.</p> <p><b>Errors in fixed asset accounting spreadsheet formulae</b></p> <p>We noted that at Note 20 the movements for the upward and downward revaluation of assets were incorrect due to a formulae error in the underlying accounting spreadsheets. There was no impact on the net movement. This formula error may also have been present in previous years. We understand that the Council has purchased a new software package (the CIPFA asset management system) for use in preparing the 2021/22 accounts and that implementation is currently in progress.</p>	<p>Grey (some issues unadjusted or unresolved but we consider the issues are not material for our opinion)</p>

# 2. Financial Statements – key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
		<p><b>Valuation of Vehicles</b></p> <p>Review of the Council's fixed asset register identified 101 vehicles with £0 Net book Value (NBV), and a further 25 vehicles with negative NBV (resulting in an aggregate negative value of £8,300). The Council's vehicle manager has confirmed that only 68 of these vehicles remain in use, as asset records have not been properly updated to reflect disposals or scrappage. We recommend that the Council's asset records are updated to include only those assets which are still in use. Where assets have been fully depreciated but remain in use the asset's useful economic life should be reviewed. No assets should have a negative net book value.</p> <p>The gross cost for vehicles per the financial statements was £5,175,000. We could not agree this figure to the Council's underlying records. We agreed with management that a total of £5,111,000, representing the initial cost of the vehicles, was an appropriate proxy for gross value., leaving a difference of £64,000. The issue was not material for our opinion.</p> <p>For those assets not in use but still included on the asset register the effect will be to overstate both gross cost and aggregate depreciation, although there will be no impact on net book value. Based on the values in the fixed asset register we concluded that gross cost and aggregate depreciation had been overstated by £92,000.</p> <p><b>Issues relating to gross area measurements used in valuations</b></p> <p>The valuation of an operational asset at Riverside, Edenbridge was based on calculations using the area measurement of the site. The measurement used by the external valuer did not agree to the Council's records and was incorrect. As a result the value of the asset in the financial statements was understated by £256,000. As this error was identified at a late stage, and as any change would have required amendments to a number of primary statements and disclosure notes, the accounts have not been adjusted. The issue is not material for our opinion.</p> <p>For two further assets we identified differences between the gross area measurements used by the Council's external valuer and the measurements per the Council's records. The source of the valuer's figures could not be identified and these differences were unresolved. If the Council's records are correct then in the financial statements the valuation for Shoreham Woods is understated by £76,000 and the valuation for the Council offices is understated by £116,000. We concluded that the issue was not material for our opinion.</p>	<p>Grey (some issues unadjusted or unresolved but we consider the issues are not material for our opinion)</p>



# 2. Financial Statements - key judgements and estimates

## Significant judgement or estimate

### Summary of management's approach

### Audit Comments

### Assessment

#### Net pension liability – £76,745,000

At 31 March 2021 the Council had a net pension liability of £76,745,000 relating to the Local Government Pension Scheme as administered by Kent County Council.

The Council uses an external actuary, Barnett Waddingham, to provide an actuarial valuation estimate of the Council's assets and liabilities deriving from these schemes.

A full valuation is required every three years. The latest full actuarial valuation for the LGPS was completed in 2018/19. A roll forward approach is used in intervening periods. The valuations are based on key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability small changes in assumptions can result in significant valuation movements

The Council recognises and discloses the retirement benefit obligation in accordance with the measurement and presentational requirement of IAS 19 'Employee Benefits'.

We engage an auditor's actuary to assess the work of management's actuary and the reasonableness of the approach used. The auditor's actuary has provided us with indicative ranges for assumptions which we report below. The values used by management's actuary are consistent with the ranges specified by the auditor's expert.

Assumption	Actuary Value	PwC range	Within range?
Discount rate	2.0%	1.95 - 2.05%	✓
Pension increase rate	2.80%	2.85 - 2.80%	✓
Salary growth	3.80%	CPI + 1%	✓
Life expectancy – Males currently aged 45	22.9	21.9 - 24.4	✓
aged 65	21.6	20.5 – 23.1	
Life expectancy – Females currently aged 45	25.1	24.8 - 26.4	✓
aged 65	23.6	23.3 – 25.0	

Light purple

# 2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation	<p>Management's approach is as per Accounting Policy 2.11. Government grants and third party contributions and donations are recognised as due when there is reasonable assurance that:</p> <ul style="list-style-type: none"> <li>the Council will comply with the conditions attached to the payments, and</li> <li>the grants or contributions will be received.</li> </ul> <p>Amounts recognised as due to the Council are not credited to the CIES until conditions attached to the grant or contribution have been satisfied. Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as liabilities. When conditions are satisfied the grant or contribution is credited to the CIES.</p>	<p><b>Accounting for Covid grants – accounting treatment as agent or principal</b></p> <p>The council has received significant income from Covid grants in 2020/21. This has included large amounts of grant income for onward distribution to businesses or individuals. In accounting for these grants the Council needs to consider whether it is acting as principal or agent. Acting as principal will typically involve deciding on the use of the grant, setting the criteria for distribution and having discretion on the amounts to be awarded. Where the Council acts as agent it will typically apply criteria set by central government.</p> <p>Where an authority acts as principal the income and expenditure transactions are included in its financial statements. Where an authority acts as agent the transactions are not included in the financial statements, other than for any net balance repayable to central government.</p> <p>Income of £2,776,000 Additional Restriction Grant and £21,000 for Local Restrictions Support Grant was received during 2020/21. In the draft accounts the relevant income and expenditure transactions had been accounted for on an agency basis. We agreed it would be more appropriate for the Council to account for these transactions as a principal and therefore to include the income and expenditure in the financial statements.</p> <p><b>Accounting for Covid grants – classification on the CIES</b></p> <p>Covid grant may be awarded to support expenditure on specific services or may be in the form of an un-ringfenced general grant to support the Council's own activities. On the CIES expenditure relating to specific services will be included in the section "Net Cost of Services". Expenditure which is not ring-fenced will be shown in the section "Taxation and Non-Specific Grant Income".</p> <p>During 2020/21 the council received £1.5m General Covid 19 grant and a further £2.4m as compensation for lost income due to the pandemic. In the draft accounts both grants were included at the section "Net Cost of services". However, as there are no stipulations on the use of these grants both should be disclosed at the section "Taxation and Non-Specific Grant Income". The accounts have been amended.</p>	Light purple

## 2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with management. We have not been made aware of any significant incidents in the period. No other issues have been identified during the course of our audit procedures
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council. including specific representations in respect of the Group.
Confirmation requests from third parties	We seek external confirmations from relevant banks and financial institutions to support our review of the Council's yearend cash and investment balances. We received positive confirmation for all balances where information was requested.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.

# 2. Financial Statements - other communication requirements



## Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management’s use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity’s ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities</li> <li>for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council’s financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.</li> </ul> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> <li>the nature of the Council and the environment in which it operates</li> <li>the Council’s financial reporting framework</li> <li>the Council’s system of internal control for identifying events or conditions relevant to going concern</li> <li>management’s going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>a material uncertainty related to going concern has not been identified</li> <li>management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

## 2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Narrative Report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Our work has not identified any inconsistencies. Subject to the completion of all outstanding work we plan to issue an unmodified opinion in this respect.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,</li> <li>• if we have applied any of our statutory powers or duties.</li> </ul> <p>We have nothing to report on these matters.</p> <ul style="list-style-type: none"> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es.</li> </ul> <p>Our VFM work is complete and we are in the process of finalising our Auditor's Annual Report. Our work has not identified any significant weaknesses.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Subject to confirmation in the group audit instructions for 2020/21 we anticipate the Council will not exceed the thresholds specified by NAO and that detailed work will not be required.</p>
Certification of the closure of the audit	<p>We have completed our VFM work and intend to issue our Auditor's Annual Report imminently. We will certify the closure of the 2020/21 audit when we issue our Auditor's Annual Report.</p>



# 3. Value for Money arrangements

## Revised approach to Value for Money work for 2020/21

On 1 April 2020 the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness

More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.

- Auditors undertaking sufficient analysis on the Council's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



### Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



### Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

---

# 3. VFM - our procedures and conclusions

We have completed our VFM work and intend to issue our Auditor's Annual Report imminently.

As part of our work we consider whether there are any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We have not identified any significant weaknesses from our work that impact on our audit of the financial statements.

# 4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

## Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

## Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim	16,000	Self-Interest (because this is a recurring fee)  Self review (because GT provides audit services)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the core fee for this work is £16,000 in comparison to the total fee for the audit of £57,730 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.  To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.



# Appendices

# A. Action plan – Audit of Financial Statements

We have identified the following recommendations for the group as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Page 24	Review of the Council's fixed asset register identified 101 vehicles with £0 Net book Value (NBV), and a further 25 vehicles with negative NBV (resulting in an aggregate negative value of £8,300). The Council's vehicle manager has confirmed that only 68 of these vehicles remain in use. For those assets not in use but still included on the asset register the effect will be to overstate both gross cost and aggregate depreciation, although there will be no impact on net book value.	<p>We recommend</p> <ul style="list-style-type: none"> <li>the Council's asset register should be updated to include only assets still in use.</li> <li>for those assets which have been fully depreciated but remain in use the asset's useful economic life should be reviewed</li> <li>no assets should have a negative net book value.</li> </ul> <p><b>Management response</b></p>
	Under the CIPFA Code of Practice surplus assets should be valued at fair value at the end of each reporting period. However, all of the Council's surplus assets were last revalued at 31 March 2020.	<p>We recommend that all property assets subject to fair value measurements should be revalued at the end of each reporting period.</p> <p><b>Management response</b></p>
	Valuations for a number of assets are based on a measurement of gross area. For two assets (Shoreham Woods and Council Offices) the gross area used in the external valuer's calculations could not be supported and did not agree to the Council's records. For a third asset (Riverdale) it was agreed that the gross area measurement used by the valuer was incorrect.	<p>We recommend that for these assets the measurement of gross area to be used in calculations is agreed with the Council's external valuer ahead of any future valuations.</p> <p><b>Management response</b></p>

## Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

# B. Follow up of prior year recommendations

We identified the following issues in the audit of Sevenoaks District Council's 2019/20 financial statements, which resulted in recommendations and management responses being reported in our 2019/20 Audit Findings report. We report here on the implementation of those recommendations.

Page 25

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
No change in arrangements	<p>ITGC - Agresso Superusers</p> <p>As part of our cyclical review of information technology general controls (ITGC) we identified that two senior members of the finance team are 'superusers' within the Agresso finance software. This presents potential segregation of duties issues. The issue is partly mitigated in so far as manual journals posted by these users are reviewed by the Chief Officer (Finance and Trading) but a solution should be sought to address the underlying risk. We recommend that the Council consider their segregation of duties arrangements with respect to the use of the 'superuser' role in Agresso.</p> <p>Management response</p> <p>Due to the small finance team it is difficult to reduce the number of superusers below current levels in order to maintain a robust level of appropriately senior cover. Control mechanisms such as Chief Officer weekly review provide assurance that the system is secure. The level of risk is deemed acceptable.</p>	<p>A Unit4 Agresso licence audit took place during 2020/21. However, the number of superusers for the Council did not change.</p> <p>Management consider that it is difficult to reduce numbers below current levels. Mitigating controls such as Chief Officer review of journals remain in place. Management continue to view the level of risk is acceptable.</p>
✓	<p>ITGC - iTrent</p> <p>There are weak password controls on the iTrent system whereby there is no requirement to change password after a period of time. There are also no complexities embedded in the password requirements – it is standard practice for password systems to have both these elements to the . There are mitigating controls against this, such as a maximum login attempt before the account is locked out, but a solution should be sought to address the underlying risk.</p> <p>We recommend that the Council consider their password controls with respect to iTrent.</p> <p>Management response</p> <p>The current security protocols are being reviewed in order to align them with other system standards across the council.</p>	<p>The review made a number of recommendations for strengthening password controls. These recommendations have been implemented in 2020/21.</p>

## Assessment

- ✓ Action completed
- ✗ Not yet addressed

# B. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>Pension experience item</p> <p>As noted in our work on the pension liability assumptions, the 2019/20 accounts contained a material 'experience item' of £18m. It was apparent from our discussions with management that, while the size of the experience item was noted at the time, the background behind it was not queried with the pension fund actuary on receipt. While subsequent testing performed over this item found that the experience item had been determined appropriately, a key element in accounts preparation is for management to ensure the transactions in the accounts are fully understood, even where these have been provided by a third party expert.</p> <p>We recommend that where the Council receives information from a third party expert that appears unusual due to its size or nature, it is recommended that these are queried with the third party expert as at the time the information arises.</p> <p><u>Management response</u></p> <p>The pension experience item was challenged by Management as part of the audit process but management acknowledge the timing of the query and have put controls in place to ensure large or unusual items are challenged earlier in the process.</p>	<p>Management have compared the information provided by the actuary to support the 2020/21 accounts with the previous year. There is evidence that all movements over £1m have been challenged.</p>

## Assessment

- ✓ Action completed
- X Not yet addressed

# C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Adjusted misstatements

The table below provides details of adjustments agreed with management. For these adjustments we have indicated the impact on the primary statements but given the volume of changes we have not identified all resulting movements in the accounts

	Adjusted?
CIES, Balance Sheet, MIRS and Cash Flow statement Material amendments at all primary statements and the associated notes to disclose the aggregate construction costs of the Burlington Mews properties as inventory rather than assets under construction. The balance for inventory increased from £0.06m to £5.8m at 31.3.20, and from £0.06m to £3.3m at 31.3.21, with corresponding adjustments to PPE balances.	✓
Note 10 PPE The fixed asset register had not been updated to incorporate revaluations for car park assets at 31 March 2021. As a result PPE balances in the financial statements were overstated by £1.9m.	✓
Note 10 PPE A reduction of £1.3m was shown under Assets under Construction at the line "Revaluation increase/decreases". The correct amount was £0, as asset under construction additions and an opening balance for White Oak Leisure Centre had been incorrectly impaired. The impact was to understate PPE on the balance sheet and to overstate expenditure on the CIES.	✓
Note 10 PPE Revaluations relating to Alder Way (£0.7m) and land at rear of Bower (£0.09m) incorrectly omitted from Note 10. As a result PPE assets were understated by £0.79m.	✓
Note 12 Financial instruments and balance sheet Fair value for Quercus 7 shares stated to be £3,887,000 but per Companies House records should be £3,991,000. Long term investments for the group were also incorrectly showing a negative balance of £0.54m on the balance sheet. Changes were required at Note 12 and on the balance sheet (long term investments).	✓

# C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Adjusted misstatements (continued)

Adjusted?

CIES and Note 28 Grant Income

✓

In the draft accounts general Covid grant income of £1.5m and £2.4m compensation for lost income were included on the CIES at the section "Net Cost of services". As there are no stipulations on the use of these grants they should have been disclosed at the section "Taxation and Non-Specific Grant Income".

Note 28: Grant Income

✓

Covid grant income in respect of Additional Restriction Grant and Local Restrictions Support Grant totalling 2.8m was omitted from the CIES and the relevant disclosure notes.

MIRS and balance sheet

✓

The total figure for group reserves on the MIRS and balance sheet should agree. However, on the original version of the accounts these figures differed by £1.98m.

CIES

✓

The amount for net interest on the net defined pension liability was originally stated to be £2.1m. This was incorrect as the amount had been linked to the wrong underlying working paper. The CIES has now been amended to show a revised amount of £1.5m.

Agenda Item 6

Page 28

# C. Audit Adjustments

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure errors	Adjusted?
Note 10 PPE  An amount of £1.6m was c/f at 1.4.20 for accumulated depreciation/impairment on assets under construction. It was agreed that this entry would have been more appropriately treated as a reclassification in 2019/20. The 2019/20 comparators included in the 2020/21 accounts have therefore been adjusted, with the effect of also removing the balance c/f at 1.4.20. There is no impact on the Net Book Value of PPE in either year.	✓
Note 10 PPE  Additions totalling £0.74m relating to Burlington Mews had been included at Note 11 Investment properties (£0.22m) and Note 16 Assets Held For Sale (£0.52m). These additions should first have been included at Note 10 PPE Assets Under Construction before being reclassified to Notes 11 and 16. There is no net impact on asset balances. NB: These transactions have been subject to further amendment in the final version of accounts given the changes relating to Burlington Mews.	✓
Note 10 PPE  The note includes a disclosure on capital commitments. The disclosure originally stated there were no significant commitments at 31.3.21. However, the Council had capital commitments of £10m at yearend, principally relating to the White Oak Leisure Centre.	✓
Note 11: Investment property  The totals for both income and expenditure from investment property were overstated by £0.365m due to transactions for Suffolk House being double-counted.	✓
Note 26 Officers Remuneration  Banding note incorrect as the original analysis was based on remuneration totals which excluded compensation for loss of office.	✓
Various minor changes to amounts and narrative at other disclosure notes.	✓

# C. Audit Adjustments



## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of the items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Note 10 PPE				
The measurement of area used in the valuation of the Council's land at Riverside was incorrect. As a result PPE assets have been understated by £0.26m				
Dr PPE		256		Management consider that the issue is not material.
Cr Revaluation Reserve/Capital Adjustment account		(256)		
<b>Overall impact</b>	<b>(256)</b>	<b>£0</b>	<b>(256)</b>	

## Impact of prior year unadjusted misstatements

In our 2019/20 work we identified one asset with a negative net book value of £0.19m at 31.3.20. The correct net book value was £0. The effect was to understate the balance for Property Plant and Equipment by £0.19m. As the error was identified late in the audit process and as any amendment would have required changes to multiple statements and disclosure notes management decided not to adjust the 2019/20 accounts. Management has made an entry in 2020/21 to clear the negative balance. The closing value for this asset at 31.3. 2021 was therefore £0. There is no remaining misstatement from the previous year to be considered for 2020/21.



# D. Fees

We set out below our fees charged for the audit and the provision of non-audit services.

<b>Audit fees</b>	<b>Final 2019/20 fee</b>	<b>Proposed 2020/21 fee</b>	<b>Final 2020/21 fee</b>
Council Audit	£53,065	£57,730	TBC
Total audit fees (excluding VAT)	£53,065	£57,730	TBC

The proposed fee for the audit reconciles to Note 14 in the financial statements.

The Council will receive a grant to support additional fees for 2020/21 relating to new accounting standards and the change to the VFM audit. The Council's share of the £15m pot identified by MHCLG (now DLUHC) for 2020/21 is £17,130.

In addition, we note in August 2021 the PSAA approved the distribution of surplus funds relating to 2020/21 to opted-in bodies. The Council's share is £6,560.

Our final fee for 2020/21 is to be confirmed once the audit has completed. Our final fee will reflect the additional work required as communicated in this report particularly in relation to property, plant and equipment.



## INTERNAL AUDIT PROGRESS REPORT

Audit Committee - 29 March 2022

**Report of:** Audit Manager

**Status:** For Consideration

**Also considered by:** None

**Key Decision:** No

**Portfolio Holder:** Cllr. Matthew Dickins

**Contact Officer:** Jennifer Warrillow, Ext. 7053

**Recommendation to Audit Committee:** Note the contents of the report

**Reason for recommendation:** This report is part of regular reporting to Audit Committee on Internal Audit progress and outcomes. The overarching purpose is so that Members can assure themselves on the effectiveness of both the service itself and of risk management, governance and control processes within the Council.

### Introduction and Background

- 1 The Audit Committee receives regular updates from the Internal Audit Partnership. Principally the focus of these updates is to track progress, findings, and key insights from delivery of the Internal Audit Plan.
- 2 We have also reviewed the 2021-22 Internal Audit Plan as approved by Committee in March 2021 in light of current risks and resources. Consequently, we are proposing one amendment to the Plan as set out in paragraph 7 of Appendix A.
- 3 The report also provides an update on the implementation of actions raised as part of our audit work and on the performance of Internal Audit via KPIs.

### Other options Considered and/or rejected

None

## Agenda Item 7

### Key Implications

#### Financial

There are no direct financial implications associated with this report.

#### Legal Implications and Risk Assessment Statement.

Under the Accounts and Audit Regulations, the Council is required to maintain an adequate and effective system of internal audit.

Links to the Corporate Risk Register are provided within Appendix A.

#### Equality Assessment

The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

#### Net Zero Implications

The decisions recommended through this paper have a remote or low relevance to the council's ambition to be Net Zero by 2030. There is no perceived impact regarding either an increase or decrease in carbon emissions in the district, or supporting the resilience of the natural environment.

### Conclusion

This report provides Members with an update on the Internal Audit's outcomes and performance, including Internal Audit progress towards delivery of the 2021/22 Audit Plan.

#### **Appendices**

Appendix A - Internal Audit Progress Update

#### **Background Papers**

[Internal Audit Plan 2021/22](#)

**Jennifer Warrillow**

**Audit Manager**

**DARTFORD & SEVENOAKS AUDIT PARTNERSHIP**

# **Internal Audit Update Report**

**29 March 2022**



# Agenda Item 7

## 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. Each individual review contributes towards the Chief Audit Executive's overall opinion on systems of risk management, governance and control provided at the end of the year.
2. This report provides Members with an update on internal audit activity, and, most importantly, its outcomes, against the Plan that was agreed by Members of this Committee in March 2021.
3. It also seeks to enable the Committee to discharge its responsibility to provide oversight of the quality and effectiveness of the Internal Audit Partnership. The Key Performance Indicators for Quarter 2 are provided in **Annex D** and an update on the Partnership's Quality Action Plan is provided in **Annex E**.

## Internal Audit Progress Update

4. The approved 2021/22 Internal Audit Plan is divided into two sections; Plan A contains the audits that are priorities for completion and Plan B contains additional audits that will be completed if resources allow.
5. An overall summary of Internal Audit progress against both Plans as at 3 March 2022 is included below in **Annex A**. We have made progress against Plan A with eight pieces of work fully completed and a further six in fieldwork or reporting stages.
6. There have been vacancies at Auditor and Audit Manager level during the year as well as long term sickness absence which have hindered the Partnership's ability to progress the Audit Plan as quickly as expected. We are now at full establishment with the Audit Manager having now started in her post.
7. We have reviewed the current Audit Plan in light of changes within the Partnership and within the organisation itself. In our view, the Plan remains broadly fit for purpose and aligned to key risks. However we are proposing one change which Members are asked to approve:
  - Deferral of the 'Asset Management' review until 2022/23. This was due to be completed in Quarter 3 but the service have implement a new system and so it is no longer an appropriate time to undertake this review. Deferring until 2022/23 allows time for the new system to be embedded and for Audit to assess the effectiveness of the new controls.

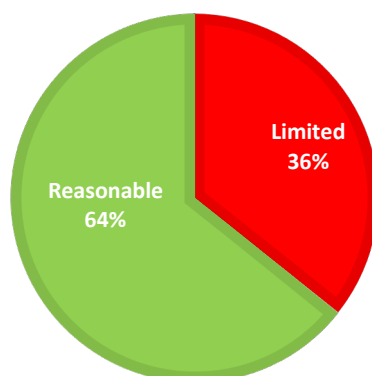
## Internal Audit Outcomes

8. As a result of the resourcing issues mentioned above, no new final reports have been issued since the last quarterly update. The team have been focussing on progressing work already in progress and developing the audit plan for 2022/23.

9. The chart below shows a breakdown of all audit assurance opinions to date for the 2021/22 financial year. Members will note that overall, the largest proportion of audits received 'Reasonable' assurance and the overall proportions are approximately in line with the year end 2020/21 position. It will be continually updated for future progress reports to Committee.

### ASSURANCE RATINGS

■ Limited ■ Reasonable ■ Substantial



10. One of the primary functions of Internal Audit is to provide assurance that identified risks are being effectively managed and to this end, the table below also provides links between Internal Audit work and the current Strategic Risk Register. This does not mean that all controls have been covered as part of our audit but simply shows Members where they may be able to gain some assurance over the management of risk through our work. There are audits on the Plan for all risks currently shown with no coverage with the exception of the new 'Net Zero' risk and, as each audit is completed, the table will be updated for future reports to this Committee. Assurances over risks with less coverage will be considered as part of the 2022/23 Audit Planning process.

Corporate Risk Register	Current Risk Rating	Internal Audit Coverage	Assurance Level
SR01 Finance	Medium	Ten Year Budget Strategy Covid 19 Grant Funding Payroll Corporate Credit Cards	Reasonable NA Reasonable Limited
SR02 Property Investment Strategy	Medium		
SR03 Asset management & maintenance	Medium		
SR04 Knowledge, capacity & culture	Medium	Appraisals	Reasonable
SR05 Technology	Medium		
SR06 Information & data management	Medium		

## Agenda Item 7

Corporate Risk Register	Current Risk Rating	Internal Audit Coverage	Assurance Level
SR07 Legal compliance, governance & ethics	Low	Parking (PCN)	Reasonable / Limited
SR08 Capacity of community partners	Low	Community Grants Process	Advisory
SR09 Health & Safety (incl. Staff Wellbeing)	Medium		
SR10 Emergency planning & severe weather events	Medium		
SR11 Safeguarding	Low	Safeguarding	Limited
SR12 Covid-19	Medium		
SR13 Temporary Accommodation	Medium		
SR14 Capital Projects	Medium		
SR15 Net Zero	Medium		

### Follow Up

11. 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 for actions due in Quarter 3 this financial year. All deferrals have been agreed by the Chief Officer – Finance and Trading or else the actions have made significant progress and we are expecting them to be fully implemented shortly.

### Internal Audit Performance

12. Audit Committee has an important role to play in overseeing and ensuring the quality and effectiveness of Internal Audit, in order to assure themselves that Internal Audit makes a robust contribution to governance and that reliance can be placed on its conclusions. This oversight is facilitated through the Quality Assurance and Improvement Programme, which includes an action plan and performance indicators.
13. **Annex D** contains the results of our Key Performance Indicators (KPIs) for Quarter 3 (October – December). These KPIs highlight that customer satisfaction remains good and that we are planning sufficiently in advance of audit fieldwork. The main areas for action at this stage are percentage of budgeted days taken to complete a project and the timeliness of audit delivery. The KPIs show that too few draft reports are issued by the date given on the audit brief and audits are repeatedly taking more days to complete than anticipated. We continue to explore root causes and address these in 1:1s and team meetings, including whether initial expectations are realistic.
14. The results of the various strands of our Quality Assurance activity combine into a single, overarching Quality Improvement Plan which is presented in **Annex E** (as at 4 March 2022).



The Plan is divided into different themes encompassing internal audit activity but the fundamental objectives of the Plan are to move us into a position of being 'Generally Conformant' with the standards, improve service efficiency and to ensure that all audit work adds value to the Council. It is presented to Audit Committee minimum six monthly and was last reported in July 2021.

15. The current iteration shows that we have made some good progress against our actions, including review of core processes (in particular those which relate to reporting), development of a Customer Charter and provision of the majority of identified training. Some actions are behind schedule, which is mainly due to the change in Audit Manager; it would not be appropriate, for example, to develop an Audit Strategy until the new manager is in post. A further update will be presented to Members as part of the Annual Report in July 2022.

### **Conclusion**

16. We have continued our work on the 2021/22 Internal Audit Plan and have made steady progress, with some key audits completed. Managers have agreed the recommendations for all issues raised and consequently there are no risks identified that will not be sufficiently mitigated once these are implemented. We have seen some staffing changes with the departure of the Audit Manager and the arrival of the Auditor. At this stage in the financial year, on the basis of both the assurance and consultancy work completed to date and the outcomes of follow up activity, my interim overall opinion on systems of risk management, governance and control continues to be 'Reasonable' in line with the opinion provided in July 2021.
17. We would like to thank Officers, Managers and Members for their ongoing support and co-operation to enable us to deliver our work.

**Jennifer Warrillow**

**Audit Manager**

**Annex A – Internal Audit Plan 2021/22**

Plan A 2021/22	Audit Title	Type	Current Status	Assurance
1	Assurance Mapping	Consultancy	Fieldwork	
2	Property Investment Strategy	Risk Based	Review	
3	Fraud Risk Assessment	Consultancy	Planning	
4	IT Governance	Risk Based	Planning	
5	Ten Year Budget	Risk Based	Complete	Reasonable
6	Corporate Landlord Liabilities	Risk Based	Fieldwork	
7	Purchase Orders Continuous Assurance	Consultancy	Not yet started	
8	New Service Review - Environmental Health	Risk Based	Audit Committee agreed to cancel	
9	Emergency Planning	Risk Based	Not yet started	
10	Staff Wellbeing	Risk Based	Fieldwork	
11	Appraisals	Risk Based	Complete	Reasonable
12	Information Security	Risk Based	Fieldwork	
13	Safeguarding	Risk Based	Complete	Limited
14	Temporary Accommodation	Risk Based	Fieldwork	
15	Covid-19 Recovery	Risk Based	Not yet started	
16	S106 Agreements	Risk Based	Complete	Reasonable
17	Companies - Quercus	Risk Based	Planning	
18	Grants Process	Consultancy	Complete	N/A
19	Council Tax and Enforcement (shared)	Risk Based	Review	
20	Asset Management	Consultancy	<i>Proposed to defer</i>	
21	Covid-19 Grant Funding	Risk Based	Fieldwork	
22	Ethical Governance	Risk Based	Audit Committee agreed to cancel	
23	Legal Service Processes (Case Management)	Risk Based	Fieldwork	
24	Parking Processes - Residents Permits and PCN processing (including appeals and cancellations)	Risk Based	Complete	Reasonable (PCN Process), Limited (Contractual Arrangements)
25	Corporate Credit Cards	Risk Based	Complete	Limited
26	Payroll	Risk Based	Complete	Reasonable
Plan B 2021/22	Audit Title	Type	Current Status	
1	Council Tax Reduction Scheme	Risk Based	Not yet started	
2	Local Plan	Consultancy	Not yet started	
3	Equality and Diversity	Risk Based	Not yet started	
4	Workforce Development / Talent Management / Succession Planning	Risk Based	Not yet started	
5	Workforce Strategy	Risk Based	Not yet started	

6	Training and Development	Risk Based	Not yet started	
7	Community safety	Risk Based	Not yet started	
8	Taxis	Risk Based	Not yet started	
9	Pre-Application advice	Risk Based	Not yet started	
10	Print Studio	Consultancy	Not yet started	
11	Asset Management	Risk Based	Not yet started	
12	Council Tax Enforcement	Consultancy	Not yet started	
13	Discretionary Powers	Risk Based	Not yet started	
14	Disaster Recovery	Risk Based	Not yet started	
15	My Account function	Risk Based	Not yet started	
16	Governance - Committee Process	Risk Based	Not yet started	
17	Procurement	Risk Based	Not yet started	
18	Safety Advisory Group	Risk Based	Not yet started	
19	Leases	Consultancy	Not yet started	

**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 all audits with open actions from April 2021 to the date of writing. Column E indicates which of these were due between October and December 2021, which we have now followed up. Columns G and H give a summary of that follow up process:

A - Project	B - Service Manager	C - Report Issue Date & Rating	D - Agreed actions in Final Report	E- Actions due in Q3	F- Not yet due	G - Closed during Q3	H - Deferrals this Qtr.	I - Total actions complete to date	J - Total actions outstanding
COVID-19 Response & Recovery 2020/21	Richard Morris	December 2020 <b>Substantial Assurance</b>	10	2 (M), 1 (L)	0	1 (M), 1(L)	0	9	1
Cyber Security 2020/21	Darren Lepper	February 2021 <b>Limited Assurance</b>	9	1 (H), 1 (M)	0	1 (H)	1 (M)	8	1
Housing Allocations Policy	Rav Kensrey	March 2021 Limited Assurance	6	1 (L)	0	1 (L)	0	6	0
Local Air Quality Management 2020/21	Nick Chapman	March 2021 <b>Limited Assurance</b>	7	1 (H)	0	0	1 (H)	6	1
Fleet Management 2020/21	Trevor Kennett	April 2021 <b>Substantial Assurance</b>	5	1 (L)	0	1 (L)	0	5	0
Licensing Administration Fees 2020/21	Sharon Bamborough	June 2021 <b>Substantial Assurance</b>	5	2 (M)	0	0	0	2	3
Customer Solutions (Phones) 2020/21	Amy Wilton	June 2021 <b>Substantial Assurance</b>	6	0	1 (M)	0	0	5	1
Housing Benefits 2020/21	Heather Gaynor	July 2021 <b>Substantial Assurance</b>	2	1 (M)	0	1 (M)	0	2	0
Payroll 2021/22	Debbie Hoadley	August 2021 <b>Reasonable Assurance</b>	5	2 (M), 3 (L)	0	1 (M), 3 (L)	1(M)	4	1

Ten Year Budget 2021/22	Alan Mitchell	August 2021 <b>Reasonable Assurance</b>	2	1 (M)	1(L)	0	0	0	2
Appraisals 2021/22	Graeme Taylor	October 2021 <b>Reasonable Assurance</b>	5.5	0	2.5 (M), 2 (L)	0	0	0	5.5
Corporate Credit Cards 2021/22	Roy Parsons	October 2021 <b>Limited Assurance</b>	7	2 (H), 3 (M), 1 (L)	1 (M)	2 (H), 3 (M), 1 (L)	0	6	1
Parking Penalty Charge Notices 2021/22	Trevor Kennett	November 2021 Reasonable (PCN Process) <b>Limited (Contractual Arrangements) Assurance</b>	11	2 (M)	2 (H), 4 (M), 3 (L)	2 (M)	0	2	9
Safeguarding 2021/22	Sarah Robson	November 22021 <b>Limited Assurance</b>	8	1 (M)	1 (H), 2 (M)	1 (H), 4 (M)	0	5	3
S106 Agreements	Claire Pamberi	December 2021 <b>Reasonable Assurance</b>	3	0	3(M)	0	0	0	3
		<b>TOTAL</b>	<b>91.5</b>	<b>26</b>	<b>22.5</b>	<b>23<sup>1</sup></b>	<b>3</b>	<b>60</b>	<b>31.5</b>

Based on the results of our follow-up work, there are now **31.5** open actions which we are actively tracking and monitoring. We will report progress on implementation of these actions as they fall due, as part of this regular summary report.

<sup>1</sup> Four additional actions that weren't due in Q3 have been implemented ahead of schedule because of proactive action taken by the service..

## Deferrals

This table shows the **two** audit actions that have been deferred or are in progress beyond the due date. 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
Local Air Quality Management 2020/21	1.Approval of Local Air Quality Plan (High)	30/6/21	30/4/22	<p><b>Manager's Comment:</b> External consultants have completed a report and a consultation period is required. Once the consultation has taken place, the new plan will be presented to Committee for formal approval. A deferral, until the end of January 2022, has been agreed by the Chief Officer for Finance and Trading.</p> <p><b>Audit Comment:</b> Based on the above, this action has been deferred until the end of April 2022.</p>	2
Payroll 2021/22	1.I-Trent Functionality	31/12/21	30/6/22	<p><b>Manager's Comment:</b> The user guides for the audit trail function have been obtained, but more time is required to go through them. A deferral, until the end of June 2022, has been agreed by the Chief Officer for Finance and Trading.</p> <p><b>Audit Comment:</b> Based on the above, this action has been deferred until the end of June 2022.</p>	1

Page 44

## Outstanding Actions not deferred / no response to follow up

Project	Action (including priority)	Original agreed date (& revised date if applicable)	Responsible Officer	No. of times previously deferred	Comments
Ten Year Budget 2021/22	1.Updating of Financial Procedure Rules (Medium)	31/12/21	Alan Mitchell	0	Awaiting response.

## Annex D – Key Performance Indicators for Q3 (Oct – Dec 2021)

Finance: Associated performance indicators	Q3 (October - December)
<p><b>F1:</b> Percentage of budgeted days taken to complete projects – <i>Target 100%</i> Reported on a <b>cumulative</b> basis</p> <p>Indicator measures any variance between the days agreed on the final brief vs. the actual time coded</p>	172%
<p><b>F2:</b> Chargeable days – <i>Target 75%</i> Reported on a <b>quarterly</b> basis</p> <p>Indicator measures the actual chargeable activities against the assumptions made in the audit plan</p>	Average 75%
<p><b>F3:</b> PSIAS conformance – <i>Target ‘Generally Conforms’ (IIA definition)</i> Reported <b>annually</b></p> <p>Indicator measures effectiveness of the Quality Assurance &amp; Improvement Programme (QAIP) to ensure compliance with professional Standards.</p>	To be reported at the end of 2021/22
Client satisfaction: Associated performance indicators	Q3 (October– December)
<p><b>C1:</b> Respondents satisfied with the overall audit experience – <i>Target 90%</i> Reported on a <b>project by project</b> basis</p> <p>Indicator measures Client satisfaction with how we undertook the work, and takes into account our professionalism, approach and competence</p>	4/4 100%
<p><b>C2:</b> Respondents agreement with the audit actions – <i>Target 90%</i> Reported on a <b>project by project</b> basis</p> <p>Indicator measures Client agreement to the audit findings and resulting actions from our audit work</p>	53.5/54 99%

Internal processes: Associated performance indicators	Q3 (October – December)
<p><b>I1:</b> Percentage of draft audit briefs issued at least 10 working days before the start of fieldwork. - <i>Target 90%</i> Reported on a <b>project by project</b> basis</p> <p>Indicator measures the effectiveness of our project planning and communications with the client</p>	3/3 100%
<p><b>I2:</b> Percentage of draft audit reports issued by the date given on the final audit brief - <i>Target 70%</i> Reported on a <b>project by project</b> basis</p> <p>Indicator measures the efficiency of our audit work, currency of our audit finding and effective engagement between Auditors and Clients</p>	1/7 14%
<p><b>I3:</b> Time taken between issue of the DRAFT report and FINAL report – <i>Target 15 working days</i> Reported on a <b>project by project</b> basis</p> <p>Indicator measures the effectiveness of our process to finalise audit reports and issue the report in a timely manner</p>	6/9 66%
Learning & Development: Associated performance indicators	Q3 (October – December)
<p><b>L1:</b> Audit actions fully implemented within agreed timescales – <i>Target 80%</i> Reported on a <b>monthly</b> basis</p> <p>Indicator measures the successful implementation of audit actions and the effectiveness of our follow-up process</p>	<p>October – 3/7 = 43%</p> <p>November – 1/2 = 50%</p> <p>December – 5/7 = 71%</p>
<p><b>L2:</b> Training &amp; development days - Reported <b>annually</b></p> <p>Indicator measures our investment and time spent on training and development against the assumptions made in the audit plan</p>	42.41 Days (annual budget of 29 days)



## Annex E – Quality Action Plan

Theme	Action	Target Date	Status Update
Reporting	Review the assurance levels for individual reports.	To be introduced for financial year 2021/22	Complete
Reporting	Review the assurance levels for the Annual Opinion.	Graded opinion to be provided for 2020/21.	Complete
Reporting	Review report format to ensure that it is fit for purpose but “lean” – only containing elements that add value to the customer. Include guidance notes.	To be introduced for financial year 2021/22.	Complete but continue to monitor - Report format has been reviewed, including guidance notes, and rolled out to team in March 2021 team meeting. If report timeliness and initial quality does not improve following additional training, may need to consider amending further by streamlining again and removing detailed findings section - this will require stakeholder consultation.
Reporting	Deliver report writing training in team meeting session.	Jul-21	Complete
Reporting	Deliver root cause analysis training in team meeting session.	Aug-21	Complete
Reporting	Review action priority levels.	April 2022	Not yet started.
Reporting	Review the Annual Opinion report template and contents to ensure that IA reports to committee are more strategic and focused on outcomes / key themes and issues.	Jul-21	Complete
<b>Co ordination of Assurance</b>	Develop assurance maps for both organisations a) Discuss other forms of assurance as part of	Complete by March 2022.	In progress - Outline complete but change in Audit Manager has delayed work in this area and so will commence during 2022/23.

Theme	Action	Target Date	Status Update
	2021/22 Audit Planning b) Add assurance maps to both Plans for 2021/22		
Co ordination of Assurance	Develop relationships with EA 1) Set up regular liaison meetings (every 4 months?)	For 2021/22 financial year with new EA personnel.	Not yet commenced.
<b>Planning</b>	Develop more risk-based method for 2021/22 periodic planning.	For 2021/22 financial year	Change of Audit Manager delayed this process but a full review of the audit planning process will be undertaken during 2022/23.
Planning	Maintain under review the approach to periodic planning - annually or quarterly / six monthly.	Review again for 2022/23	Complete, changes to periodic planning proposed as part of the Audit Plan 2022/23 paper.
Planning	Develop Audit Strategy for the partnership.	Sep-21	Due to departure of Audit Manager, this will not be complete until new Audit Manager in post and embedded.
Planning	Undertake Culture / Ethics / IT Governance Audits.	March 2022 (for completion of 2021/22 audits)	IT Governance audits on both Plans for 2021/22. Culture on DBC audit plan. Ethical Governance was on SDC Audit Plan but due to departure of Audit Manager is proposed to be deferred until 2022/23.
Planning	Develop mechanism and allocate responsibilities to team members to keep knowledge of key parts of the sector up to date, share updates with team as a whole.	Oct-21	Focus at present is on core audit work, not yet discussed with the team.
<b>Data Analysis</b>	Provide Excel training to the team	Dec-20	Complete - basic data analysis provided over 2 sessions in house and further 1 day external course. Need to review further options once skills matrix complete.
Data Analysis	Arrange demonstration of data analysis software	Dec-20	Complete
Data Analysis	Add data analysis to team objectives	Dec-20	Complete

Theme	Action	Target Date	Status Update
Data Analysis	Add to planning checklist to enforce that it is considered as part of every audit and that non-use is justified - done	Dec-20	Complete
Data Analysis	'Continual' assurance using analysis of data will be trialled as part of the 2021/22 Plans.	Complete by March 2022	Audits on Plans, individual audits not yet commenced.
Data Analysis	Draft data analysis strategy will be prepared by September 2021 (including identification of potential costs) and shared with the s151 officers for agreement of any additional funds required, specifically for training or software	Sep-21	Not yet commenced - difficult at present due to staff changes and as other audit skills need to be fully developed first.
<b>Performance Management</b>	Review suite of KPIs to ensure they measure what we need to know and want to improve	Needs to be in place for 2021/22	Complete
Performance Management	Review calculation of CSQ measure	Needs to be in place for 2021/22	Complete
Performance Management	Quality of work including specific standards, competencies, deliverables and performance measures to be set out in a new suite of objectives for the auditors	Dec-20	Complete
<b>Quality and timeliness of audit work (also links to Performance Management above)</b>	All team members to undertake skills gap analysis against the IIA competency framework.	May-21	Complete
Quality and timeliness of audit work (also links to Performance Management above)	Training plan for 2021/22 to be developed (reliant on completion of the above action)	Jul-21	In progress.

Theme	Action	Target Date	Status Update
Quality and timeliness of audit work (also links to Performance Management above)	Develop a Customer Charter that sets out clear expectations for audit staff and clients. Include expectation that customers will be given 2 weeks to comment on draft report.	To be in place for April 2021	Complete, ongoing need to remind staff of the commitments in the Charter and to ensure they are communicating with clients. Charter to be reviewed in team meeting 24 November.
Quality and timeliness of audit work (also links to Performance Management above)	All staff to continue to complete self assessments at the end of individual audits to identify actions for improvement going forwards.	For 2020/21 audits onwards	In progress and ongoing.
Quality and timeliness of audit work (also links to Performance Management above)	Training on project planning audits to be delivered as part of team meeting	May-21	Complete - delivered over two sessions - April and May 2021.
Quality and timeliness of audit work (also links to Performance Management above)	Weekly 121s and action plans.	November 2020 onwards	In progress and ongoing.
Quality and timeliness of audit work (also links to Performance Management above)	Identical audits across both sites to be allocated to same team member. Some 'task based' teams will be deployed for bigger audits in 2021/22 - Ethical Governance and Culture, will use agile techniques such as daily catch ups and specific task based timings. 'Site based' approach will be considered where practical.	Complete by March 2022	In progress. Audit allocations are complete and where possible, identical audits have been allocated to same staff member. Small teams allocated to Ethical Governance and Culture, FC to lead and adopt task-based, agile approach but EG now deferred. 'Site' approach to be considered as relevant when staff return to office.
Quality and timeliness of audit work (also links to Performance Management above)	Review and update the Audit Manual.	Sep-21	Complete

<b>Theme</b>	<b>Action</b>	<b>Target Date</b>	<b>Status Update</b>
<b>IA Charters</b>	Review Audit Charters for both organisations.	Audit Committee / Board March 2022	Complete
<b>Data Retention</b>	Review and update the information asset register / data retention schedule.	May-21	Complete
<b>Remote Working</b>	Complete Lessons Learned review of the past year as part of team meeting session.	Apr-21	Complete
<b>Follow Ups</b>	Review the follow up process and consider whether quarterly would be more efficient than monthly.	Apr-21	Reviewed as a team but due to KPI and other reporting, decided to remain 'as is' at the moment, but training to be provided to the team May 2021 and auditors asked to be more 'smart' with implementation dates - eg try to have the same date for multiple recommendations where possible. This was reviewed again in October 2021 and decision to be taken to keep current system but continual to review especially with the appointment of a new Audit Manager in February 2022.

**Annex F - Definitions of Assurance ratings:**

OPINION	DEFINITIONS
<p><b>Substantial Assurance</b></p>	<p>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.</p>
<p><b>Reasonable Assurance</b></p>	<p>There is a generally sound system of governance, risk management and control in place.</p> <p>Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.</p>
<p><b>Limited Assurance</b></p>	<p>Significant gaps, weaknesses or non-compliance were identified.</p> <p>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.</p>
<p><b>No Assurance</b></p>	<p>Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified.</p> <p>The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.</p>

**INTERNAL AUDIT PLAN 2022-23**

**Audit Committee - 29 March 2022**

**Report of:** Audit Manager

**Status:** For Decision

**Also considered by:** None

**Key Decision:** No

**Portfolio Holder:** Cllr. Matthew Dickins

**Contact Officer(s):** Jennifer Warrillow, Ext. 7053

**Recommendation to Audit Committee:**

Approve the Internal Audit Plan 2022-23 (Appendix A)

**Reason for recommendation:** The Internal Audit Plan is a key component of an effective service delivery and the Audit Committee, as part of its governance and oversight role, reviews and approves this document.

**Introduction and Background**

- 1 This report provides the framework for Internal Audit activity in the 2022-23 financial year.
- 2 Following on from Internal Audit's mandate as depicted in the Charter, the risk-based Plan sets out how audit resources will be deployed throughout the year to enable an annual opinion to be provided on systems of risk management, governance and control. Updates on the delivery of the plan and findings of internal audit work will be reported throughout the year.
- 3 The outcome of all assurance pieces of work is a report which contains an overall opinion on the Council's governance, risk management and controls. This opinion will be presented in July 2023.

**Other options Considered and/or rejected**

None

**Key Implications**

Financial

There are no financial implications associated with this report. Delivery of the Plan will be met from existing budgeted resources.

## Agenda Item 8

### Legal Implications and Risk Assessment Statement.

Under the Account and Audit Regulations 2015, the Council must deliver Internal Audit services in accordance with the Public Sector Internal Audit Standards. The production of a risk-based Plan and a Charter are two requirements of these Standards. Links to the Corporate Risk Register are provided within Appendix A.

### Equality Assessment

The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

### **Conclusion**

Members are asked to approve the proposals for delivery of Internal Audit Services in 2022-23.

#### **Appendices**

Appendix A - Internal Audit Plan 2022-23

#### **Background Papers**

None

**Jennifer Warrillow**  
**Audit Manager**



# **Internal Audit Plan**

## **2022/23**

### **29 March 2022**

## **Sevenoaks District Council**



## Agenda Item 8

### Introduction

- 1) This paper presents the 2022-23 Internal Audit Plan (**Annex 1**) for Members' approval.

#### Internal Audit Plan 2022-23

- 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) This year we will be adapting the format of the Internal Audit Plan to increase its flexibility and enable the service to meet the needs of the Council in the event of changing risk profiles during the year. Previously, Plan A has been the focus with any remaining resource being used to progress audits on Plan B. However, in practice, there has not been any remaining resource and the audits on Plan B have not been initiated. Additionally, it has been difficult to flex Plan A when needed to either add or remove audits during the year as and when auditable areas become more or less relevant.
- 4) The Audit Plan this year does still consist of two lists, however, we now have High Priority audits and Medium Priority audits.
- 5) The High Priority list is much smaller than the Plan A that was previously used. These audits are those that due to the nature of the risk posed by the subject area, absolutely should be examined in the next 12 months to provide assurance that controls are operating effectively. We commit to delivering 100% of these audits and they can only be removed from the plan in exceptional circumstance with agreement of the Audit Committee Chair.
- 6) The Medium Priority list contains a larger selection of projects. These audits are ones that would be valuable for the Council given their risk profile but factors such as availability of the service, implementation of new systems or other emerging risks may mean that their risk profile may change during the year. We will look to undertake engagements from the Medium Priority list throughout the year and completion of these projects will run alongside those on the High Priority. Medium Priority projects will be selected each quarter based upon the level of risk posed by that area to Council objectives among other factors, meaning we commit to delivering at least 11 of the 21 audits presented as possibilities below.
- 7) The main objectives of the Internal Audit Plan are to:
  - Provide sufficient 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
- 8) 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 and consideration of the wider environment. We have taken into account how changes within the internal and external environments over the past year may have

## Agenda Item 8

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.

### Resources

- 9) In developing the Plan, I have to consider whether resources are sufficient to meet the Council's needs.
- 10) I have calculated the total days available in 2022/23 for audit work to be 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	15
Follow-Up	25
Annual Audit Planning	12
Advisory & Consultancy	55
<b>Total non-audit</b>	<b>129</b>
<b>Available for audits/projects</b>	<b>321</b>
<b>Total Days</b>	<b>450</b>

- 11) 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

- 12) The CIPFA recommended set of assurance levels and definitions were adopted last year. Given the assurance levels were adopted so recently we will retain this system for the forthcoming year. We will look to review their appropriateness towards the end of 2022/23 when developing the 2023/24 audit plan and consider whether they remain the most suitable at that time.

### Conclusion

- 13) 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.
- 14) Members are therefore asked to approve the Audit Plan.

## High Priority Projects

Audit Title	Indicative Days
<b>Authority Wide Projects</b>	
<b>Contract Management</b> A review to seek assurance over the management of contracts in line with identified best practice	15
<b>Ethical Governance</b> 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
<b>Service Planning</b> A review to consider the effectiveness of the Council's service planning process in helping services to achieve their objectives	15
<b>Customer &amp; Resources</b>	
<b>Procurement</b> A review to seek assurance on the Council's compliance with legislation and Contract Standing Orders when undertaking procurement	15
<b>Commercial &amp; Property</b>	
<b>West Kent Partnership</b> A review to seek assurance on the governance and funding arrangements in place for the partnership	10
<b>Capital Project Management</b> A review to seek assurance on the Council's project management framework in relation to capital projects	20
<b>Asset Management</b> A review to seek assurance on the completeness and accuracy of the Council's asset management system	15
<b>People &amp; Places</b>	
<b>Landlord Incentive Scheme</b> To seek assurance on the operation of the scheme in line with requirements and on the accuracy of performance and financial information	15
<b>Planning &amp; Regulatory</b>	
<b>Net Zero Action Plan</b> A review to consider progress against the action plan	15
<b>Assistant Chief Executive</b>	
<b>Business Continuity</b> A review to seek assurance on the Council's arrangements in the event of business disruption	15
<b>Total Days</b>	<b>150</b>

## Medium Priority Projects - Available Days: 186

Service Area	Audit Title & Draft Objectives
Assistant Chief Executive	<b>Elections Management</b> To seek assurance on the arrangements for running elections
Finance & Trading	<b>Green Waste Collection Service</b> To seek assurance on the subscription garden waste collection service
	<b>Business Development</b> To seek assurance on achievement of the service's objectives
	<b>Safety Advisory Group</b> To seek assurance on the governance arrangements in place for the Safety Advisory Committee
	<b>Leases</b> To seek assurance on the Council's compliance with IFRS16 Legislation
	<b>Creditors</b> To seek assurance on the controls in place to manage and monitor accounts payable
Planning & Regulatory	<b>Building Control</b> To seek assurance on appropriate accounting for Building Control income and compliance with relevant quality standards
	<b>Environmental Health</b> Service review post restructure
	<b>Taxi Licences</b> To seek assurance on administration of applications and compliance with relevant legislation
	<b>Local Plan</b> To seek assurance on the project plan for delivering the Local Plan
	<b>Pre-Application Advice</b> To seek assurance on the administration of Pre-Application Advice, including the use of Planning Performance Agreements
	<b>Planning Applications – Validation Checks</b> To seek assurance on the application of validations checks in line with best practice and planning legislation
Customer & Resources	<b>IT Project Management</b> To seek assurance on the arrangements for accepting and delivering development projects in line with procedure
	<b>Equality &amp; Diversity</b> To seek assurance on controls to ensure compliance with the Equalities Act
	<b>Workforce Strategy</b> To seek assurance on implementation of the new strategy in line with expectations
	<b>Training &amp; Development</b> To seek assurance on the offering to staff and completion of mandatory training as well as the process in place to ensure staff are developed
	<b>Governance – Committee Process</b> To seek assurance on the decision making process through committees including the quality of information provided to support decisions
	<b>Revenues &amp; Benefits Risk Based Verification</b> To seek assurance on the adequacy of the Council's risk based verification policy
	<b>Revenues &amp; Benefits Discretionary Powers</b> To seek assurance on the delegation and use of discretionary powers within Revenues & Benefits

Agenda Item 8

<b>Service Area</b>	<b>Audit Title &amp; Draft Objectives</b>
<b>People &amp; Places</b>	<p><b>Community Projects</b> To seek assurance on the governance of community projects and their engagement with local residents</p>
	<p><b>Homelessness Prevention</b> To seek assurance on compliance with relevant legislation in relation to preventing homelessness</p>
	<p><b>Disabled Facilities Grant</b> To provide assurance on the administration and delivery of DFGs in line with relevant guidance and legislation</p>

**Annex 2**

**Definitions of Assurance Levels**

OPINION	DEFINITIONS
<b>Substantial Assurance</b>	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.
<b>Reasonable Assurance</b>	<p>There is a generally sound system of governance, risk management and control in place.</p> <p>Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.</p>
<b>Limited Assurance</b>	<p>Significant gaps, weaknesses or non-compliance were identified.</p> <p>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.</p>
<b>No Assurance</b>	<p>Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified.</p> <p>The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.</p>

This page is intentionally left blank