

AUDIT COMMITTEE
10 June 2014 at 7.00 pm
Conference Room, Argyle Road, Sevenoaks

AGENDA

Membership:

Chairman: Cllr. Grint

Vice-Chairman: Cllr. Brookbank

Cllrs. Mrs. Bayley, Brown, Fittock, Neal, Orridge, Mrs. Purves and Towell

	<u>Pages</u>	<u>Contact</u>
Apologies for Absence		
1. Minutes To agree the Minutes of the meeting of the Committee held on 18 March 2014, as a correct record	(Pages 1 - 4)	
2. Declarations of Interest Any declarations of interest not already registered.		
3. Actions from Previous Meeting	(Pages 5 - 6)	
4. Responses of the Council, Cabinet or Council Committees to the Committee's reports or recommendations: Local Planning & Environment Advisory Committee – 25 March 2014	(Pages 7 - 8)	
5. Audit Committee Terms of Reference	(Pages 9 - 16)	Adrian Rowbotham Tel: 01732 227153
6. External Audit - Audit Committee Update	(Pages 17 - 36)	Adrian Rowbotham Tel: 01732 227153
7. External Audit - Annual Audit Plan	(Pages 37 - 54)	Adrian Rowbotham Tel: 01732 227153
8. Anti- Fraud Team Report 2013/14	(Pages 55 - 60)	Glen Moore Tel: 01322343240
9. Report on Internal Audit Recommendations Outstanding	(Pages 61 - 76)	Bami Cole Tel: 01732 227236

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|---|-------------------|---------------------------------------|
| 10. Annual Self Assessment Review of the effectiveness of Internal Audit Service 2013/14 | (Pages 77 - 116) | Bami Cole
Tel: 01732 227236 |
| 11. Internal Audit Annual Report - 2013/14 | (Pages 117 - 140) | Bami Cole
Tel: 01732 227236 |
| 12. Report on the Public Sector Internal Audit Standards | (Pages 141 - 162) | Bami Cole
Tel: 01732 227236 |
| 13. Annual Governance Statement 2013/14 | (Pages 163 - 180) | Adrian Rowbotham
Tel: 01732 227153 |
| 14. Draft Strategic Risk Register | (Pages 181 - 198) | Bami Cole
Tel: 01732 227236 |
| 15. Statement of Accounts 2013/14 - Member Working Group | (Pages 199 - 200) | Adrian Rowbotham
Tel: 01732 227153 |
| 16. Review of the Effectiveness of the Audit Committee | (Pages 201 - 210) | Bami Cole
Tel: 01732 227236 |
| 17. Work Plan | (Pages 211 - 212) | |

EXEMPT INFORMATION

(At the time of preparing this agenda, there were no exempt items. During any such items which may arise, the meeting is likely NOT to be open to the public.)

To assist in the speedy and efficient despatch of business, Members wishing to obtain factual information on items included on the Agenda are asked to enquire of the appropriate Contact Officer named on a report prior to the day of the meeting.

Should you require a copy of this agenda or any of the reports listed on it in another format please do not hesitate to contact the Democratic Services Team as set out below.

For any other queries concerning this agenda or the meeting please contact:

The Democratic Services Team (01732 227241)

AUDIT COMMITTEE

Minutes of the meeting held on 18 March 2014 commencing at 7.00 pm

Present: Cllr. Grint (Chairman)

Cllrs. Mrs. Bayley, Ms. Chetram, Fittock, McGarvey, Orridge, Mrs. Purves and Towell

Apologies for absence were received from Cllrs. Mrs. Cook

Cllrs. Mrs. George and Mrs. Parkin were also present.

30. Minutes

Resolved: That the minutes of the Audit Committee held on 14 January 2014 be agreed and signed as a correct record.

31. Declarations of Interest

There were no additional declarations of interest.

32. Responses of the Council, Cabinet or Council Committees to the Committee's reports or recommendations (if any)

There were none.

33. Actions from Previous Meeting (if any)

The Committee noted that a report on the Community Infrastructure Levy (CIL) would be going to Local Planning and Environment Advisory Committee on 25 March 2014, and noted also that the CIL finances would be monitored by the Local Planning and Environment Advisory Committee. The Committee felt that the CIL finances should also be subject to regular audit, and as such would fall under the remit of the Audit Committee.

34. Internal Annual Audit Plan 2014/15

The Audit Risk and Anti-Fraud Manager presented a report on the Annual Internal Audit Programme for 2014/15. He advised Members that the objective of the plan was to ensure that Internal Audit delivered reasonable assurance to the Council regarding the effectiveness of internal control, governance and risk management processes to fulfil the Council's statutory responsibilities. The plan had been prepared in accordance with professional guidance and senior management had been consulted as part of the process. The plan contained 20 Audit reviews that would be carried out in 2014/15, one of which was brought forward from the 2013/14 Annual Audit Plan.

In response to a question, the Head of Transformation and Strategy advised Members that there had been substantial changes to the Council's Electoral Process due to recent changes in legislation. The key change being a move from household registration to individual voter registration. The rationale behind some of the changes was to address voting irregularities and to make the process more effective.

In response to another question from a Member, the Audit Risk and Anti-Fraud Manager advised Members that the use of short term contracts, or agency staff, could be cheaper due to reductions in overheads for such staff.

Members agreed that a review of markets, which would examine the arrangements in place and proposed changes to the administration of the Council's markets, was a suitable subject for internal audit.

It was mooted whether an Audit should be carried out to assess whether the Council was obtaining good value for money within for postal service. The Audit Risk and Anti-Fraud Manager informed Members that this could be added to the 2014/15 Annual Audit Plan within existing contingency arrangements.

Public Sector Equality Duty

Members noted that consideration had been given to impacts under the Public Sector Equality Duty.

Resolved: That the draft Internal Audit Plan be approved, subject to the inclusion of a short review of postal arrangements.

35. Internal Audit Progress Report

The Audit Risk and Anti Fraud Manager presented a report which detailed the progress made by the Audit Team in delivering the 2013/14 Annual Internal Audit Plan and the outcomes of final internal audit reports since the meeting of the Committee on 14 January 2014. Members were advised that since the agenda was published, nearly all of the Audit reports were now at feedback or draft report stage. Repair and Maintenance Arrangements was the only audit review outstanding, and this was being carried forward to the 2014/15 Annual Audit Plan. Due to operational reasons it was not possible to carry out this review during the current financial year.

In response to further questions the Audit, Risk and Anti Fraud Manager explained that there was an initial impact on the progress of the Internal Audit Plan, due to long term sickness of a staff member. However, this has been addressed by the recruitment of agency staffing resources. The Audit Risk and Anti-Fraud Manager also indicated that the officer on long term sickness was expected to return at the end of March. Members expressed the need to ensure that the audit team was appropriately resourced, in order to facilitate effective delivery of all assurance requirements.

A Member raised a query regarding a recommendation in a report issued since the last meeting of the Committee. The Audit, Risk and Anti-Fraud Manager advised that when staff left the Council there should be a minimal delay between the time they left and the time their access account was disabled. However, occasionally the accounts were not disabled promptly, thus posing a small risk to the Council. The recommendation in the report was intended to address this potential risk.

A Member questioned whether the Planning and Development Control audit review included Enforcement within its scope, and whether Councillors would be contacted for their feedback. The Audit Risk and Anti Fraud Manager confirmed that Enforcement was included, but there was no requirement for Councillors to be contacted directly for their feedback as part of the audit, although any records available during the audit relating to Member involvement would form a legitimate part of the review.

Following a discussion, Members requested that they would like to receive updated reports on the progress of implementation of internal audit recommendations. The Audit, Risk and Anti-Fraud Manager undertook to include this in future reports to Members. The Committee thanked the Audit Risk and Anti Fraud Manager and his team for their dedication and hard work.

Action 1: That the Audit, Risk and Anti-Fraud Manager produce details of the progress in implementing audit recommendations at future meetings.

Public Sector Equality Duty

Members noted that consideration had been given to impacts under the Public Sector Equality Duty.

Resolved: The report was noted.

36. Risk Management Strategy

The Audit Risk and Anti Fraud Manager presented a report which informed Members of the Council's Risk Management Strategy. It ensured that the Council adopted appropriate objectives for the management of risk which allowed the Council to deliver on the Vision and Promises as set out in the Corporate plan. He informed Members that it had also been updated to reflect the new Management Structure, professional development and regulatory requirements.

In response to a question, the Audit Risk and Anti Fraud Manager advised Members that succession planning would be included within the strategic risk register which was currently being updated to reflect recent developments; and would be sent to Members for their consideration at the next meeting of the Committee.

Public Sector Equality Duty

Members noted that consideration had been given to impacts under the Public Sector Equality Duty.

Resolved: That Cabinet be recommended to adopt the Council's Risk Management Strategy.

37. Work Plan

The Chairman advised Members that the New Audit Standards full report and Strategic Risk Register would move to the work plan for June 2014. He suggested that CIL be moved to the meeting in September 2014. He also advised that he would contact

Agenda Item 1

Audit Committee - 18 March 2014

members on an individual basis for their views and comments on the effectiveness of the Audit Committee in its first year of operation.

THE MEETING WAS CONCLUDED AT 7.53 PM

CHAIRMAN

ACTIONS FROM THE MEETING HELD ON 18.03.2014			
Action	Description	Status and last updated	Contact Officer
ACTION 1	That the Audit, Risk and Anti-Fraud Manager produce details of the progress in implementing audit recommendations at future meetings.	A report on this will be presented to all future meetings starting on 10/06/14.	Bami Cole

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**RESPONSES OF THE COUNCIL, CABINET OR COUNCIL COMMITTEES TO THE
COMMITTEE'S REPORTS OR RECOMMENDATIONS**

Internal Audit Progress Report (Minute 17 Audit Committee 10 September 2013) contained a referral to the Local Planning & Environment Advisory Committee which was considered at the meeting held on 25 March 2014. The relevant Minute extract is set out below:

Minute 35, Local Planning & Environment Committee – 25 March 2014

a) Referrals from the Audit Committee

The Audit Committee, at its meeting on 10 September 2013, had requested that the Advisory Committee consider issues surrounding the future of the Dunbrik site.

The Chief Planning Officer confirmed that, following agreement between Kent County Council and Durtnalls regarding the terms of a new lease, the waste transfer station and household waste recycling centre would be remaining at Dunbrik for the foreseeable future.

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AUDIT COMMITTEE – TERMS OF REFERENCE

Audit Committee – 10 June 2014

Report of Chief Finance Officer

Status: For Information

Key Decision: No

Portfolio Holder Cllr. Fleming

Contact Officer(s) Adrian Rowbotham Ext. 7153

Recommendation to Audit Committee: That the report be noted.

Introduction and Background

- 1 The Terms of Reference for all Committees were reported to Annual Council on 13 May 2014.
- 2 For Members information the Terms of Reference for the Audit Committee are attached at Appendix A.

Key Implications

Financial

None directly arising from this report.

Legal Implications and Risk Assessment Statement.

None directly arising from this report.

Equality Impacts

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
a. Does the decision being made or recommended through this paper have potential to disadvantage or discriminate against different groups in the community?	No	N/A
b. Does the decision being made or recommended through this paper have the potential to promote equality of	No	

Agenda Item 5

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
opportunity?		
c. What steps can be taken to mitigate, reduce, avoid or minimise the impacts identified above?		

Appendices

Appendix A – Audit Committee Terms of Reference

Background Papers:

[Council's Constitution.](#)

Adrian Rowbotham
Chief Finance Officer

PART 6 – AUDIT COMMITTEE

1. Introduction

- 1.1 The Council will appoint the Audit Committee to discharge the functions conferred by the Accounts and Audit Regulations 2011 in relation to the matters set out below and specifically to consider the Council's Financial and Governance arrangements, relating to the system of internal control and the effectiveness of internal audit, the annual governance statement; including the arrangements for the management of business risks, in compliance with Regulations 4 and 6 of the Accounts and Audit Regulations 2011 and any subsequent legislation.
- 1.2 The number of meetings and Terms of Reference of the Audit Committee may be reviewed from time to time by the Governance Committee which may report to the Council.

2. Membership of the Committee

- 2.1 All Members of the Council, except members of the Cabinet or their deputies and the Chairman of the Council, may be members of the Audit Committee. However, no Member may be involved in reviewing a decision in which he/she has been directly involved.
- 2.2 The Committee will be made up of 9 elected Members, one of which shall serve as Chairman, that follow the political proportionality of the Council. The Chairman will not be a member of any Cabinet Advisory Committee. The membership of the Committee can be found at Appendix H - Membership of Council Committees, Cabinet and Advisory Committees.
- 2.3 The Audit Committee shall be entitled to recommend to Council the appointment of up to two additional co-opted non-voting members. Any co-opted members must have the necessary technical knowledge and skills to be of value to the business of the Committee.

3. Terms of Reference of the Audit Committee

Audit Activity

- (a) To review, in collaboration with the Audit, Risk and Anti-Fraud Manager, the Internal Audit Charter on an annual basis and to consider and approve any further development of the Council's Internal Audit Charter, Strategy or terms of reference such as shall be appropriate.
- (b) To consider and approve the annual internal audit plan, including a summary of internal audit activity regarding the level of assurance that it can give over the Council's internal control, corporate governance and risk

management arrangements. Further, to commission work as required from both Internal and External Audit.

- (c) To consider the Audit, Risk and Anti-Fraud Manager's annual report and assurance opinion.
- (d) To consider quarterly progress reports from the Audit, Risk and Anti-Fraud Manager regarding the progress of the Annual Internal Plan. The Committee may request to review any individual audit report should they or the Audit, Risk and Anti-Fraud Manager deem it appropriate to do so.
- (e) To consider a report on the progress of all recommendations made by internal audit and other external regulatory or review agencies.
- (f) To receive and consider the annual report on the review of the effectiveness of the internal audit function.
- (g) To consider confidential reports on investigations carried out by Internal Audit of suspected fraud; corruption or bribery allegations within the Council or its partners.
- (h) To liaise with the Audit Commission regarding the appointment of the Council's External Auditor; to consider the appointed External Auditor's annual letter, relevant reports, and the report to those charged with governance.
- (i) To comment on the scope and depth of external audit work and to ensure it gives value for money.
- (j) To consider any external audit report resulting from the Statement of Accounts and any recommendations and comments received from the District Auditor.

Regulatory Framework

- (k) To maintain an overview of the effective development and operation of corporate governance and risk management in the Council, and to monitor compliance with statutory duties and the Council's Constitution in respect of Financial and Contract Procedure Rules.
- (l) To monitor Council policies on 'Raising Concerns at Work'; the anti-fraud and anti-corruption strategy; the Bribery Act; and the Council's complaints process; including the Council's whistleblowing arrangements.
- (m) To consider and approve the Council's Annual Governance Statement and recommend its adoption to Council

- (n) To monitor the Council's arrangements for corporate governance and if necessary to recommend actions to ensure compliance with best practice; and to also consider compliance with the Council's own and other published standards and controls.
- (o) To receive and consider reports from the monitoring officer on lawfulness and/or maladministration; to review any issue referred by the Chief Executive, a Chief Officer, or a Statutory Officer.
- (p) To monitor the implementation of the Members' Allowance Scheme.

Accounts

- (q) To review the annual Statement of Accounts. Specifically to consider whether appropriate accounting policies, including International Financial Reporting Standards, have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- (r) To approve the Statutory Statement of Accounts when the deadline for approval does not allow approval by full Council.
- (s) To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts, and comments received from the District Auditor.

4. Audit Committee Procedure Rules

- 4.1 The Committee will conduct their proceedings in accordance with the applicable Committee protocols as specified within Section 33 of Part 2 of the Council's Constitution, and with the further Procedure Rules set out below.

Appointment of Sub-Committees/Working Groups

- 4.2 The Committee may appoint Sub-Committees or working groups. These may be appointed for a fixed period or until the next Annual Council meeting.

Procedure at Meetings of the Audit Committee

- 4.3 The Audit Committee shall consider the following business:
 - (a) minutes of the last meeting;
 - (b) declarations of interest;
 - (c) responses of the Council, Cabinet or Council Committees to the Committee's reports or recommendations; and

- (d) the business otherwise set out on the agenda for the meeting.

Meetings of the Audit Committee

- 4.4 There shall be four ordinary meetings of the Committee in each year. In addition, other meetings may be called from time to time as and when appropriate. A meeting of the Committee may be called by the Chairman of the Committee, by a quarter of the members of the Committee or by the Chief Executive (in consultation with the Chairman or Vice-Chairman, if available) if he considers it necessary or appropriate.
- 4.5 The Audit Committee shall periodically set aside time during a meeting where any matters pertaining to the remit of the Committee may be discussed with the Audit, Risk and Anti-Fraud Manager without the presence of other officers of the Council. The Chairman of the Committee will also meet informally with the Audit, Risk and Anti-Fraud Manager and other relevant officers as appropriate prior to all ordinary meetings.

Work Plan

- 4.6 The Audit Committee will be responsible for setting its own Work Plan and in doing so shall take into account the wishes of all members on the Committee and in consultation with key officers of the Council.

Agenda Items

- 4.7 Any member of the Audit Committee shall be entitled to give notice to the Chief Executive that he/she wishes an item relevant to the functions of the Committee to be included on the agenda for the next available meeting of the Committee. On receipt of such a request the Chief Executive will ensure that it is included on the next available agenda and the Chairman will be informed.
- 4.8 The Audit Committee shall also respond, as soon as work plans permit, to requests from the Council and if it considers it appropriate, the Cabinet or other Committees, to review particular areas of Council activity relevant to the functions of the Committee.

Reports and Recommendations from the Audit Committee

- 4.9 Once it has formed recommendations, the Audit Committee will submit these in writing to the Chief Executive for consideration by the Cabinet, Council or the relevant Committee. Whenever possible a response to the submitted report and/or recommendations of the Committee will be formed within two months of it being submitted to the Chief Executive.

Members and Officers Attending Committee

- 4.10 In discharging its terms of reference, the Audit Committee may require any member of the Cabinet, the Chairman of a Committee, the Chief Executive, and/or any Chief Officer to attend before it to answer questions in relation to matters within their remit. For the avoidance of doubt, such a person may be

required to answer questions on the Council's relationships with partner organisations, contractors and/or other public bodies, providing that person is responsible for managing that relationship as part of their duties. It is the duty of those persons to attend if so required.

4.11 Where any Member or Officer is required to attend the Audit Committee under this provision, the Chairman of the Committee will inform the Chief Executive. The Chief Executive shall inform the Member or Officer in writing giving at least five clear working days notice of the meeting at which he/she is required to attend. The notice will state the nature of the item on which he/she is required to attend and whether any papers are required to be produced for the Committee. Where the Committee will require the production of a report, then the Member or Officer concerned will be given sufficient notice to allow for preparation of that documentation.

4.12 Where the Member or Officer is unable to attend on the required date, then the Committee shall in consultation with the Member or Officer arrange an alternative date for attendance to take place as soon as practically possible.

Attendance by Others

4.13 In discharging its terms of reference, the Audit Committee may review the performance/governance of partner organisations, contractors and/or other public bodies. It may also invite people other than those people referred to in paragraph 4.10 to provide it with a report, address it and/or answer questions that may be appropriate to the Committee's remit.

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EXTERNAL AUDIT – AUDIT COMMITTEE UPDATE

Audit Committee – 10 June 2014

Report of Chief Finance Officer

Status: For Information

Key Decision: No

Portfolio Holder Cllr. Ramsay

Contact Officer(s) Adrian Rowbotham Ext. 7153

Recommendation to Audit Committee: That Members note the contents of this report.

Introduction

- 1 Andy Mack and Geoffrey Banister, from Grant Thornton would like to present their Audit Committee Update for Sevenoaks District Council to Members.

Key Implications

Financial

None directly arising from this report.

Legal Implications and Risk Assessment Statement.

None directly arising from this report.

Equality Impacts

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
a. Does the decision being made or recommended through this paper have potential to disadvantage or discriminate against different groups in the community?	No	N/A
b. Does the decision being made or recommended through this paper have the potential to promote equality of opportunity?	No	
c. What steps can be taken to mitigate, reduce, avoid or		

Agenda Item 6

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
minimise the impacts identified above?		

Appendices

Appendix A – Grant Thornton: Audit Committee
Update for Sevenoaks District Council

Background Papers:

None

Adrian Rowbotham
Chief Finance Officer

Audit Committee Update for Sevenoaks District Council

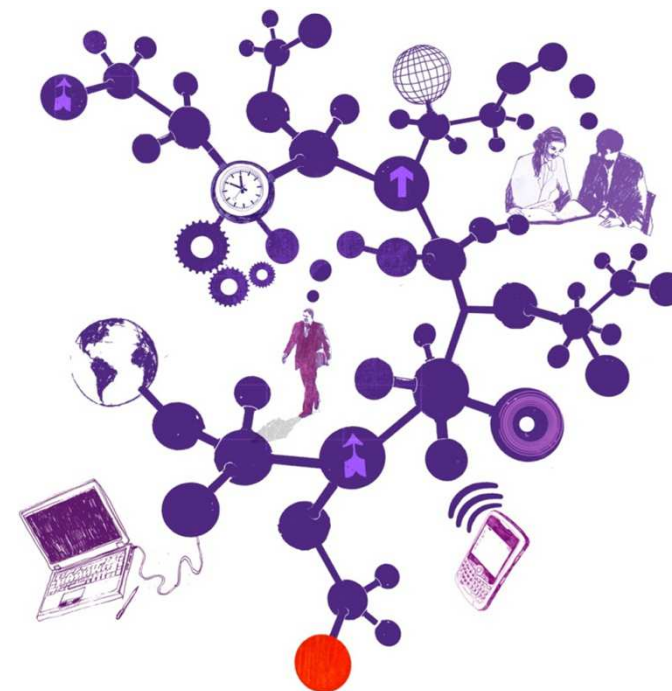
Page 19

Year ended 31 March 2014
May 2014

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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 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 your business or any 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.

Contents

Section	Page
Introduction	4
Progress at February 2014	5
Emerging issues and developments:	
▪ Local government guidance	7
▪ Grant Thornton	10
▪ Accounting and audit issues	13

Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a District Council
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications – 'Local Government Governance Review 2013', 'Towards a tipping point?', 'The migration of public services', 'The developing internal audit agenda', 'Preparing for the future', 'Surviving the storm: how resilient are local authorities?'

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

Andy Mack	Engagement Lead	M 07880 456 187	andy.l.mack@uk.gt.com
Geoffrey Banister	Audit Manager	M 07880 456 177	geoffrey.c.banister@uk.gt.com

Progress at May 2014

Work	Planned date	Complete?	Comments
2013-14 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the District Council setting out our proposed approach in order to give an opinion on the Council's 2013-14 financial statements.	March 2014	Yes	See included separately on this agenda
Interim accounts audit Our interim fieldwork visit includes: <ul style="list-style-type: none"> • updating our review of the District Council control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	March 2014	Yes	This is reported within our audit plan, separately included on this agenda. There are no significant matters arising from our interim accounts audit work.
2013-14 final accounts audit Including: <ul style="list-style-type: none"> • audit of the 2013-14 financial statements • proposed opinion on the Council's accounts 	July 2014 – September 2014	Not yet due	Our audit plan sets out the risks of material misstatement that we have identified during planning. It also sets out the work undertaken and planned in order to address them. We will report in full to the September Audit Committee within our Audit Findings Report.

Progress at February 2014

Work	Planned date	Complete?	Comments
2013- 14 Value for Money (VfM) conclusion The scope of our work to inform the 2013/14 VfM conclusion is based on the reporting criteria specified by the Audit Commission: The Council has proper arrangements in place for: <ul style="list-style-type: none"> • securing financial resilience – with work focusing on arrangements relating to financial governance, strategic financial planning and financial control. • challenging how it secures economy, efficiency and effectiveness in its use of resources. 	March 2014 – September 2014	Not yet due	As set out in the audit plan, we will undertake an initial risk assessment to identify areas of risk to our VfM conclusion and carry out a high level review. The results will be reported to the September Audit Committee.
2013-14 Grant Certification We will be required to certify the Housing and council tax benefit grant claim for the Council in 2013/14.	June 2014 – November 2014	Not yet due	All initial testing on the housing benefit grant claim will be completed before the end of September and used to support our audit opinion on the financial statements.
Other activity undertaken Since our last update: <ul style="list-style-type: none"> • Finance members have attended our accounts workshop, run with CIPFA/FAN. 	-	-	We would always be happy to discuss any other ways in which Grant Thornton can support the Council.

Councils must continue to adapt to meet the needs of local people

Local government guidance

Audit Commission research - Tough Times 2013

The Audit Commission's latest research, <http://www.audit-commission.gov.uk/wp-content/uploads/2013/11/Tough-Times-2013-Councils-Responses-to-Financial-Challenges-w1.pdf> shows that England's councils have demonstrated a high degree of financial resilience over the last three years, despite a 20 per cent reduction in funding from government and a number of other financial challenges. However, with uncertainty ahead, the Commission says that councils must carry on adapting in order to fulfil their statutory duties and meet the needs of local people.

The Audit Commission Chairman, Jeremy Newman said that with continuing financial challenges 'Councils must share what they have learnt from making savings and keep looking for new ways to deliver public services that rely less on funding from central government'.

Key findings:

The Audit Commission's research found that:

- the three strategies most widely adopted by councils have been reducing staff numbers, securing service delivery efficiencies and reducing or restructuring the senior management team;
- three in ten councils exhibited some form of financial stress in 2012/13 – exhibited by a mix of difficulties in delivering budgets and taking unplanned actions to keep finances on track;
- auditors expressed concerns about the medium term prospects of one third of councils (36 per cent)

Issues to consider/challenge questions:

How have members satisfied themselves that the Council can deliver a balanced budget, that the medium term strategy/budget has been subject to appropriate challenge and that the Council's finances are resilient over the medium term (3 years) and beyond?

Councils choosing their auditors one step closer

Local government guidance

Local Audit and Accountability Act

The Local Audit and Accountability Act received Royal Assent on 30 January 2014.

Key points

Amongst other things:

- the Act makes provision for the closure of the Audit Commission on 31 March 2015;
- arrangements are being worked through to transfer residual Audit Commission responsibilities to new organisations;
- there will be a new framework for local public audit due to start when the Commission's current contracts with audit suppliers end in 2016/17, or potentially 2019/20 if all the contracts are extended;
- the National Audit Office will be responsible for the codes of audit practice and guidance, which set out the way in which auditors are to carry out their functions;
- Local Authority's will take responsibilities for choosing their own external auditors;
- recognised supervisory bodies (accountancy professional bodies) will register audit firms and auditors and will be required to have rules and practices in place that cover the eligibility of firms to be appointed as local auditors;
- Local Authority's will be required to establish an auditor panel which must advise the authority on the maintenance of an independent relationship with the local auditor appointed to audit its accounts;
- existing rights around inspection of documents, the right to make an objection at audit and for declaring an item of account unlawful are in line with current arrangements;
- transparency measures give citizens the right to film and tweet from any local government body meeting.

Issues to consider/challenge questions:

- Have members considered the implications of the Local Audit and Accountability Act for the Council's future external audit arrangements?

Joint Health and Social Care Plans to be in place by 4th April

Local government guidance

Better Care Fund

In the June 2013 Spending Round the Government announced the prospective implementation of the Better Care Fund (formerly the integration transformation fund). The key aim is to ensure a transformation in integrated health and social care through local single pooled budget arrangements. Pooled budget arrangements are formally underpinned by Section 75 of the NHS Act 2006.

Key issues

- £3.8 billion for funding will be available from 2015/16, largely through a top slice of existing Clinical Commissioning Group (CCG) budgets;
- Local Authorities with Adult Social Services, CCGs and NHS Trusts will need to collaborate through a single pooled budget arrangement to support the delivery of health and social care services in their designated local areas;
- finalised joint health and social care plans must be in place setting out how pooled budgets will be spent – draft plans must be formally signed off by each statutory Health and Well Being Board and submitted to NHS England area teams by 14 February, with a 4 April 2014 deadline for submission of finalised plans

Issues to consider/challenge questions:

- Is the local Health and Wellbeing Board on track to finalise and sign off the joint health and social care plan for submission to the NHS England area team?
- Has the size of the pooled budget been clarified?
- Is the Authority collaborating with its partner bodies to work through funding and delivery arrangements?
- Have roles and responsibilities been defined and understood for the Authority and its partner CCGs, NHS Trusts and the Health and Wellbeing Board?

79% of Councils anticipate Tipping Point soon

Grant Thornton

2016 tipping point? Challenging the current

This report http://www.grant-thornton.co.uk/Global/Publication_pdf/LG-Financial-Resilience-2016-tipping-point.pdf is the third in an annual series which assesses whether English local authorities have the arrangements in place to ensure their sustainable financial future.

Local authorities have so far met the challenges of public sector budget reductions. However, some authorities are predicting reaching tipping point, when the pressure becomes acute and financial failure is a real risk. Based on our review of forty per cent of the sector, this report shows that seventy nine per cent of local authorities anticipate some form of tipping point in 2015/16 or 2016/17.

Our report rates local authorities in four areas - key indicators of financial performance, strategic financial planning, financial governance and financial control. It also identifies a series of potential 'tipping point scenarios' such as local authorities no longer being able to meet statutory responsibilities to deliver a range of services.

Our report also suggest some of the key priorities for local authorities in responding to the challenge of remaining financially sustainable. This includes a relentless focus on generating additional sources of revenue income, and improving efficiency through shared services, strategic partnerships and wider re-organisation.

Challenge questions

- Our report includes a good practice checklist designed to provide senior management and members with an overview of key tipping point risks. Has the Finance Manager completed the checklist and reported it to the Audit Committee?
- The report also includes good practice case studies in strategic financial planning, financial governance and financial control. Has the Head of Finance Manager reviewed these case studies and considered whether there is scope to adopt these?

Alternative Delivery Models – are you making the most of them?

Grant Thornton

Alternative delivery models in local government

This report: <http://www.grant-thornton.co.uk/en/Publications/2014/Responding-to-the-challenge-alternative-delivery-models-in-local-government/> discusses the main alternative delivery models available to local government. These are based on our recent client survey and work with local government clients. It aims to assist others as they develop their options and implement innovation strategies.

Local government has increased the variety and number of alternative delivery models it uses in recent years including contracts and partnerships with other public bodies and private sector organisations, as well as developing new public sector and non-public sector entities. With financial austerity set to continue, it is important that local authorities continue innovating, if they are to remain financially resilient and commission better quality services at reduced cost.

This report is based on a brief client survey and work with local authority clients and:

- Outlines the main alternative delivery models available to local authorities
- Aims to assist other authorities as they develop their options and implement innovation strategies
- Considers aspects of risk.

Challenge question

- Our report includes a number of case studies summarising how public services are being delivered through alternative service models. Has the Authority reviewed these case studies and assessed whether there are similar opportunities available to it?
- Our report includes three short checklists on supporting innovation in service delivery, setting up a company and questions that members should ask officers when considering the development of a new delivery model. Are the checklists being considered as part of the development of the Authority's commissioning strategy?

Welfare reforms – what you think of it so far?

Grant Thornton

Reaping the benefits: first impressions of the impact of welfare reform.

The potential scope of this topic is broad, so our report focuses on the financial and managerial aspects of welfare reform. This involves:

- Understanding the challenges currently facing local government and housing associations in regard to welfare reform and what organisations have been doing to meet this challenge in terms of strategy, projects and new processes.
- Reporting on the early indications of effectiveness following the implementation of these measures and the impact of reform.
- Providing early insight into challenges facing these organisations in the near future.

We have pulled together information from a variety of sources, including our regular conversations across the local government and housing sectors and surveying local authorities and housing associations in England.

We found that:

- In general, organisations have been very active in engaging with stakeholders and putting in place appropriate governance arrangements and systems to implement specific reforms. A minority of organisations did not fully exploit all the options open to them in preparing for reform.
- So far, the indication is that the impact of reform experienced by local authorities and partners has been managed effectively. This may be because the full impact has not yet been felt. Some worrying signs are emerging, including rising rental arrears, homelessness and reliance on food banks, which may be linked to the reforms.
- Looking ahead, further reforms, such as the implementation of universal credit and the move to direct payments present significant uncertainties and challenges over the next few years.

Challenge questions

- Has the Head of Benefits kept members informed of progress with stakeholder engagement and changes to governance arrangements to implement specific reforms?
- What impact assessment is the Authority carrying out on council tax localisation, the benefit cap and housing benefit, the spare room subsidy and changes to the Social Fund?
- Does the Authority have a plan in place or in development for the introduction of universal credit?

Revaluing your assets – clarification of accounting guidance

Accounting and audit issues

Property, plant and equipment valuations

The 2013/14 Code has clarified the requirements for valuing property, plant and equipment and now states explicitly that revaluations must be 'sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period.' This means that a local authority will need to satisfy itself that the value of assets in its balance sheet is not materially different from the amount that would be given by a full valuation carried out on 31 March 2014. This is likely to be a complex analysis which might include consideration of:

- the condition of the authority's property portfolio at 31 March 2014
- the results of recent revaluations and what this might mean for the valuation of property that has not been recently valued
- general information on market prices and building costs
- the consideration of materiality in its widest sense - whether an issue would influence the view of a reader of the accounts.

The Code also follows the wording in IAS 16 more closely in the requirements for valuing classes of assets:

- items within a class of property, plant and equipment are to be revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates
- a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date.

There has been much debate on what is a short period and whether assets that have been defined as classes for valuation purposes should also be disclosed separately in the financial statements. These considerations are secondary to the requirement that the carrying value does not differ materially from the fair value. However, we would expect auditors to report to those charged with governance where, for a material asset class:

- all assets within the class are not all valued in the same year
- the class of asset is not disclosed separately in the property, plant and equipment note.

Challenge question

Has your Finance Manager consulted you on the programme of valuations and the proposals for disclosing information about classes of assets?

Estimating the impact of business rate appeals

Accounting and audit issues

Business rate appeals provisions

Local authorities are liable for successful appeals against business rates. They should, therefore, recognise a provision for their best estimate of the amount that businesses have been overcharged up to 31 March 2014.

However, there are practical difficulties which mean that making a reliable estimate for the total amount that has been overcharged is challenging:

- the appeals process is managed by the Valuation Office Agency (VOA) and so local authorities are reliant on the information provided to them by the VOA
- some businesses may have been overcharged but not yet made an appeal.

We would expect local authorities:

- to work with the VOA to make sure that they have access to the information they need
- where appeals have been made, to determine a methodology for estimating a provision and to apply this methodology consistently
- where appeals have not been made:
 - to consider the extent to which a reliable estimate can be made (for example, in relation to major businesses)
 - to recognise a provision where a reliable estimate can be made
 - to disclose a contingent liability where a reliable estimate cannot be made
 - to provide a rationale to support their judgement that a reliable estimate cannot be made
- to revisit the estimate with the latest information available immediately before the audit opinion is issued.

Challenge questions:

- Is your authority confident of obtaining the information it needs from the VOA?
- Has your authority recognised a provision where it is possible to make a reliable estimate? Has a robust methodology been used?
- Has your authority provided a robust rationale where it has decided it cannot make a reliable estimate? Is it planning to disclose a contingent liability?
- Is your authority planning to revisit its provision and contingent liability before the audit opinion is issued?

Accounting for pensions

Accounting and audit issues

Accounting for and financing the local government pension scheme costs

Accounting issues

The 2013/14 Code follows amendments to IAS 19 and changes the accounting requirements for defined benefit pension liabilities such as those arising from the local government pension scheme (LGPS). This is a change in accounting policy and will apply retrospectively. The main changes we expect to see are a reallocation of amounts charged in the comprehensive income and expenditure statement (CIES) and more detailed disclosures. We do not expect changes to balance sheet items (the net pension liability and pension reserve balance). This means that whilst we would expect the CIES to be restated, a third balance sheet is not required. Actuaries should be providing local authorities with the information they need to prepare the financial statements, including restated comparatives.

Financing issues

The amount to be charged to the general fund in a financial year is the amount that is payable for that financial year as set out in the actuary's rates and adjustments certificate. Some local authorities are considering paying pension fund contributions early in exchange for a discount but not charging the general fund until later.

Local authorities must be satisfied that the amounts charged to the general fund in a financial year are the amounts payable for that year. Where local authorities are considering making early payments, we would expect them to obtain legal advice (either internally or externally) to determine the amounts that are chargeable to the general fund. We would expect this to include consideration of:

- the actuary's opinion on the amounts that are payable by the local authority into the pension fund
- the agreement between the actuary and the local authority as to when these payments are to be made
- the wording in the rates and adjustments certificate setting out when amounts are payable for each financial year.

For example, if a local authority agrees to make a payment to the pension fund in a single year and proposes to charge this amount to the general fund over a three-year period, we would expect the rates and adjustments certificate to show, unambiguously, that the amount payable is spread over the three years.

Challenge questions:

- Is your local authority confident of getting the information from its actuary to meet the changes in the requirements for accounting for the LGPS (including restating the comparatives)?
- If your authority is considering making an early payment to the pension fund, has it set out a reasonable argument for how it proposes to charge this amount to the general fund? Is this supported by legal advice?

Changes to the public services pension scheme

Accounting and audit issues

Changes to the Local Government Pension Scheme

The Public Service Pensions Bill received Royal Assent in April 2013, becoming the Public Service Pensions Act 2013 ('the Act'). The Act makes provision for new public service pension schemes to be established in England, Wales & Scotland. Consequent regulations have been laid to introduce changes to the LGPS in England and Wales from 1st April 2014. (The regulations for the changes in Scotland have not yet been laid and will only impact from 1 April 2015).

These introduce a number of changes including:

- a change from a final salary scheme to a career average scheme
- introduction of a 50/50 option whereby members can choose to reduce their contributions by 50% to receive 50% less benefit
- calculation of contributions based on actual salary which could lead to some staff with irregular patterns of working moving between contribution rate bandings on a regular basis
- changes in employee contribution rates and bandings
- transitional protection for people retiring within 10 years of 1 April 2014 (further regulations are still awaited).

The above changes have implications for all employers involved in the LGPS introducing required changes to their payroll systems to ensure pension contributions are calculated correctly. This has consequent implications for administering authorities to communicate with employers and consider how they will obtain assurance over the accuracy and completeness of contributions going forwards since the calculations are more complex going forwards and less predictable. In addition changes are also required to pension administration/payment systems as well as much more detailed processes around maintaining individual pension accounts for all members to ensure the correct payment of future pensions.

The Act also requires changes to the governance arrangements although regulations for the LGPS have not yet been laid for these and the changes in governance arrangements are not expected to be implemented until 1 April 2015.

Challenge questions:

- Is the authority aware of the detailed requirements and their impact on its current payroll system and processes?
- Is the authority taking appropriate action to ensure implementation of the required changes to its payroll system and processes by 1 April 2014?
- Has the authority liaised with the administering authority over any changes they may need in the assurances provided over the completeness and accuracy of contributions?



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EXTERNAL AUDIT – ANNUAL AUDIT PLAN

Audit Committee – 10 June 2014

Report of Chief Finance Officer

Status: For Information

Key Decision: No

Portfolio Holder Cllr. Ramsay

Contact Officer(s) Adrian Rowbotham Ext. 7153

Recommendation to Audit Committee: That the report be noted.

Introduction

- 1 Andy Mack and Geoffrey Banister, from Grant Thornton would like to present the Audit Plan for Sevenoaks District Council to Members.

Key Implications

Financial

None directly arising from this report.

Legal Implications and Risk Assessment Statement.

None directly arising from this report.

Equality Impacts

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
a. Does the decision being made or recommended through this paper have potential to disadvantage or discriminate against different groups in the community?	No	N/A
b. Does the decision being made or recommended through this paper have the potential to promote equality of opportunity?	No	
c. What steps can be taken to mitigate, reduce, avoid or		

Agenda Item 7

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
minimise the impacts identified above?		

Appendices

Appendix A – Grant Thornton: The Audit Plan for Sevenoaks District Council

Background Papers:

None

Adrian Rowbotham
Chief Finance Officer

The Audit Plan for Sevenoaks District Council

Year ended 31 March 2014

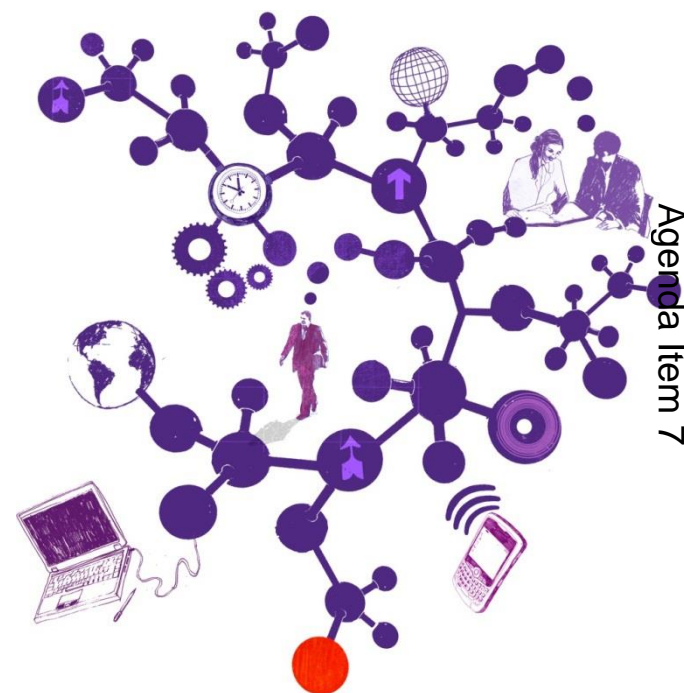
March 2014

Page 39

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Agenda Item 7

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 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 any 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.

Contents

Section

1. Introduction	4
2. Understanding your business	5
3. Developments relevant to your business and the audit	6
4. Our audit approach	7
5. Significant risks identified	8
6. Other risks identified	9
7. Value for Money	11
8. Results of our interim work	12
9. Key dates	13
10. Fees and independence	14
11. Communication of audit matters with those charged with governance	15

Page 41

Introduction

Purpose

This Audit Plan highlights the key elements of our 2013/14 external audit strategy for Sevenoaks District Council. We have compiled it based on our audit risk assessment and discussion of key risks with management. We report it to the Audit Committee as those charged with governance for the Council for consideration in accordance with International Standard on Auditing (UK & Ireland) 260.

Our responsibilities

As external auditors we are responsible for performing the audit in accordance with ISA's (UK & Ireland), and to give an opinion on the Council's 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.

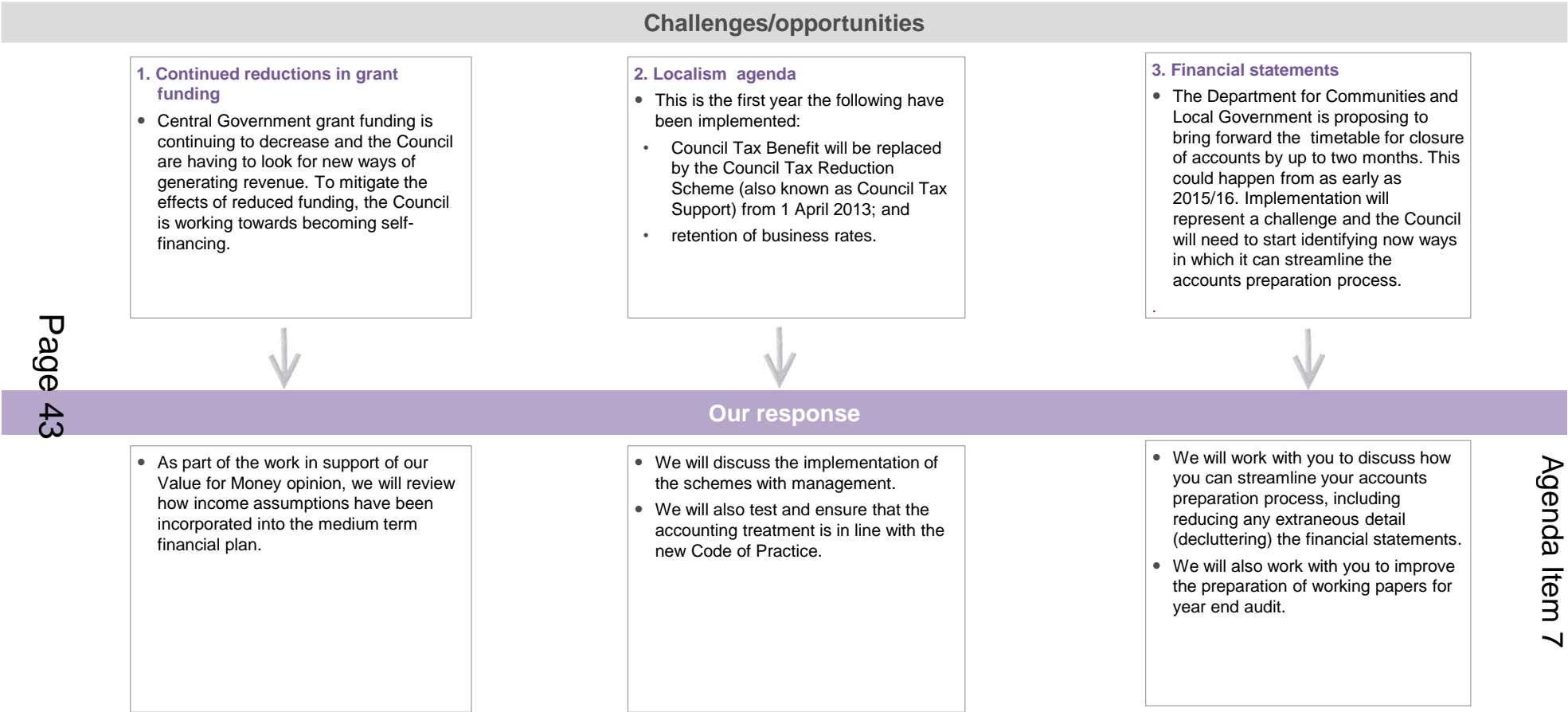
Communicating the results of audit work

The findings from our interim work are communicated in this Plan, and any findings from the final accounts audit will be reported following the completion of the final accounts work. Page 13 of this Plan includes the timescale for the audit and audit reporting, which sets this out in more detail.

We look forward to working with the Council's officers during this year's audit.

Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.



Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the code') and associated guidance.

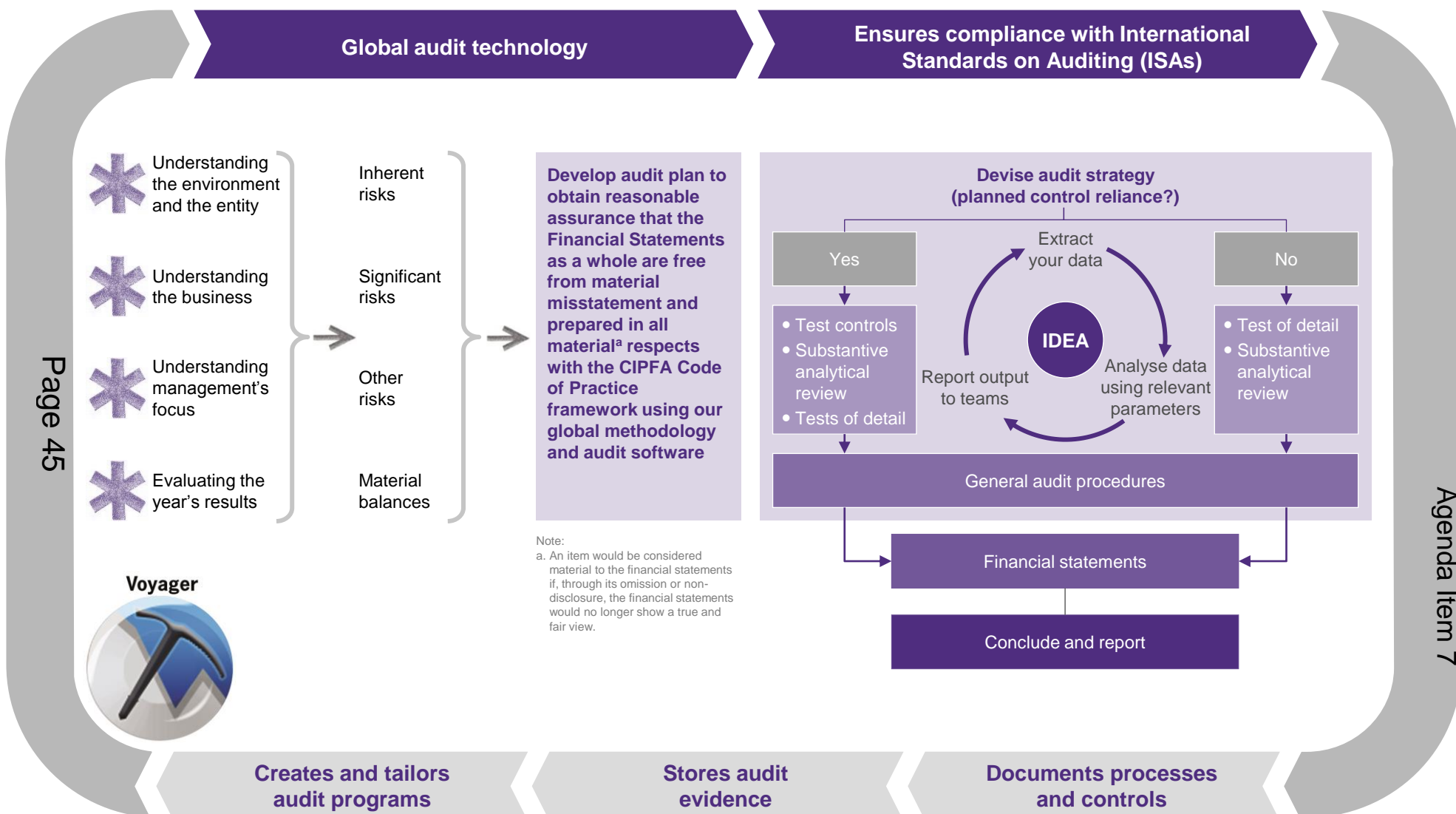
Developments and other requirements

1. Financial reporting <ul style="list-style-type: none"> Changes to the CIPFA Code of Practice Clarification of Code requirements around Property Plant and Equipment valuations Changes to National Non Domestic Rate accounting and provisions for business rate appeals 	2. Legislation <ul style="list-style-type: none"> Local Government Finance settlement Welfare reform Act 2012 	3. Corporate governance <ul style="list-style-type: none"> Annual Governance Statement (AGS) Explanatory foreword 	4. Pensions <ul style="list-style-type: none"> The impact of 2013/14 changes to the Local Government pension Scheme (LGPS) 	5. Financial Pressures <ul style="list-style-type: none"> Managing service provision with less resource Progress against savings plans 	6. Other requirements <ul style="list-style-type: none"> The Council is required to submit a Whole of Government Accounts pack on which we provide an audit opinion. The Council completes a Housing and Council Tax Benefits Claim on which audit certification is required
---	--	--	--	---	---

Our response

<ul style="list-style-type: none"> We will ensure that the Council complies with the requirements of the CIPFA Code of Practice and business rate appeals through discussions with management and our substantive testing . 	<ul style="list-style-type: none"> We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate. 	<ul style="list-style-type: none"> We will review the arrangements the Council has in place for the production of the AGS. We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge. 	<ul style="list-style-type: none"> We will review how the Council dealt with the impact of the 2013/14 changes through our meetings with senior management. 	<ul style="list-style-type: none"> We will review the Council's performance against the 2013/14 budget, including consideration of performance against the savings plan. We will undertake a review of Financial Resilience as part of our VFM conclusion. 	<ul style="list-style-type: none"> We will carry out work on the Whole of Government Accounts pack in accordance with requirements. We will certify the Housing and Council Tax Benefits Claim in accordance with Audit Commission requirements.
--	---	--	--	--	--

Our audit approach



Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	Work planned: <ul style="list-style-type: none">• Review and testing of revenue recognition policies• Testing of material revenue streams
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	Work completed to date: <ul style="list-style-type: none">• Review of journal posting procedures• Testing of journal entries for the first nine months Further work planned: <ul style="list-style-type: none">• Review of accounting estimates, judgments and decisions made by management• Testing of journal entries for the remainder of the financial year• Review of unusual significant transactions

Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other reasonably possible risks	Description	Work completed to date	Further work planned
Operating expenses Page 47	Creditors understated or not recorded in the correct period	<ul style="list-style-type: none">We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. No issues were arising from this work.	<ul style="list-style-type: none">We will review large and unusual items and test a sample of these.We will test a sample of items of operating expenditure in order to gain assurance that expenditure has been correctly classified and for occurrence and allocation.We will perform tests of journals for the remainder of the year to gain assurance that there are adequate controls in place over inputting and processing and that these have operated effectively through the financial year.
Employee remuneration	Employee remuneration accrual understated	<ul style="list-style-type: none">We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. No issues were arising from this work.We have performed substantive testing on a sample of payroll transactions for the first ten months.	<ul style="list-style-type: none">We will test a sample of payroll payments for the remainder of the year to complete our substantive payroll testing in order to gain assurance that employees have been remunerated at the correct rates during 2013/14.We will perform cut-off testing to ensure that transactions have been recorded in the correct accounting period.In addition to a review of the work of the pension fund actuary, we will perform substantive tests on the cost of pensions.

Agenda Item 7

Other risks identified - continued

Other reasonably possible risks	Description	Work completed to date	Further work planned
Welfare Expenditure	Welfare benefit expenditure improperly computed	<ul style="list-style-type: none">We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. No issues were arising from this work.	<ul style="list-style-type: none">We will complete modules set by the Department for Work & Pensions which include performance of an analytical review and Housing and Council Tax Benefits Claim certification. This will involve the selection of samples of welfare benefit expenses from across the year, for which the benefit payable will be recalculated to determine whether the amount paid was in accordance with Department for Work & Pensions' guidelines and welfare legislation.

Agenda Item 7

Value for money

Value for money

The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

We have undertaken a risk assessment to identify areas of risk to our VfM conclusion. We will undertake work in the following areas to address the risks identified:

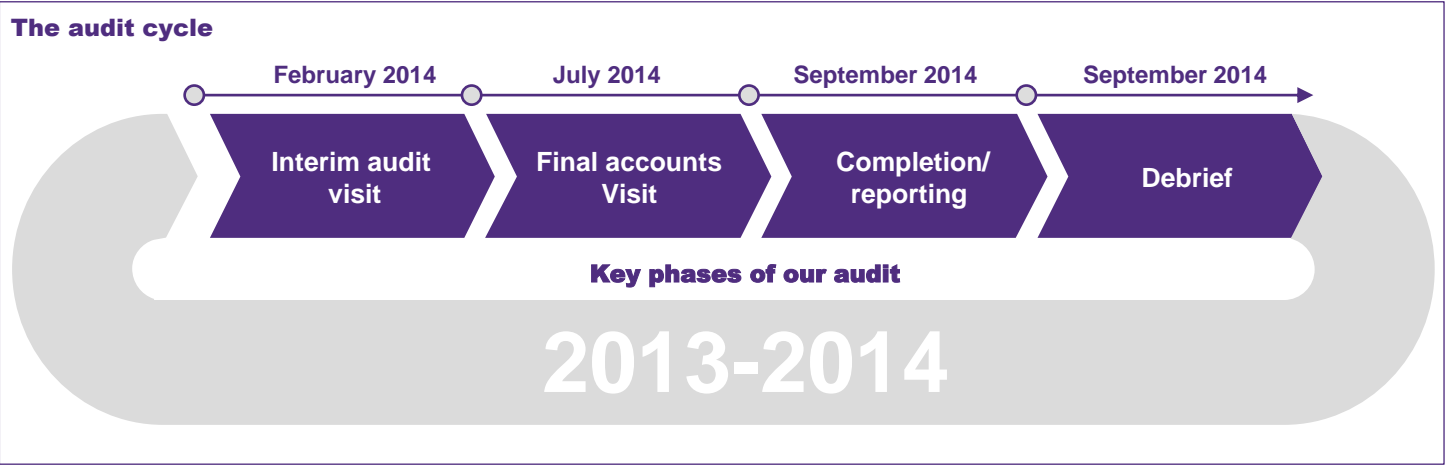
- We will review the Council's arrangements for securing financial resilience for 2013/14 and for future periods, and we will assess the adequacy of the Council's medium term financial strategy.
- We will assess the sufficiency of arrangements to manage the impact of Welfare Reform and Business Rates retention.

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter.

Results of interim audit work

	Work performed and findings	Conclusion
Internal audit	<p>We have reviewed internal audit's overall arrangements in accordance with auditing standards. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Walkthrough testing	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>To date we have undertaken detailed testing on journal transactions recorded for the first nine months of the financial year, by extracting 'unusual' entries for further review. No issues have been identified that we wish to highlight for your attention.</p>	<p>No issues have been identified from journals testing for the first nine months, all journals tested were found to have been properly authorised and were confirmed to be in respect of valid adjustments.</p>
Early substantive testing	<p>We have undertaken early substantive testing on a sample of 50 payroll transactions from the first ten months. In addition, for each payroll transaction tested, we have checked whether relevant payroll deductions (ie PAYE, NIC, pension contributions, etc) have been calculated correctly.</p>	<p>No issues have arisen from the early testing performed around payroll during the interim audit and all transactions tested have been confirmed to have been accounted for correctly.</p>

Key dates



Date	Activity
January 2014	Planning
February 2014	Interim site visit
March 2014	Presentation of audit plan to Audit Committee
July - September 2014	Year end fieldwork
September 2014	Audit findings clearance meeting
September 2014	Report audit findings to the Audit Committee
September 2014	Sign financial statements opinion and VfM conclusion
October 2014	Issue Annual Audit Letter
November 2014	Certify the Housing and Council Tax Benefits Claim

Fees and independence

Fees (Audit Commission scale)

	£
Council audit	56,641
Grant certification estimate	30,300
Total fees (excluding VAT)	£86,941

Fees for other services

Service	Fees £
None	Nil

Agenda Item 7

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

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 Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Agenda Item 7



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ANTI-FRAUD TEAM REPORT 2013/14

Audit Committee – 10 June 2014

Report of Chief Finance Officer

Status: For Consideration

Key Decision: No

This report supports the Key Aim of Effective Delivery of the Corporate Plan

Portfolio Holder Cllr. Ramsay

Contact Officer(s) Bami Cole, Ext.7236, Glen Moore Ext. 3240.

Recommendation to Audit Committee: That Members note the content of the report and the work of the Anti-Fraud Team carried out in 2013/14 and that proposed for 2014/15.

Reason for recommendation: The Audit Committee is required to review the work of the Anti-Fraud Team.

Introduction and Background

- 1 This report sets out details of the activities of the Anti-Fraud Team during 2013/14, the team's work plan for 2014/15 and the potential impact on fraud investigation services within Sevenoaks District Council caused by the creation of the Single Fraud Investigation Service (S-FIS).
- 2 This is the second report of the Anti-Fraud Team to the Audit Committee. The Anti-Fraud Team is part of the Audit, Risk and Anti-Fraud shared services working jointly with Dartford Borough Council. The team is responsible for carrying out benefit fraud investigations and assists both Councils in highlighting instances of fraud which could adversely affect the level of taxes/income they collect/receive.

Summary of Key Issues in the Report

- 3 Details of the activities of the team during the year 2013/14 are attached as Appendix A to this report. The team's performance is set out in section three of Appendix A and section 4 outlines the implications for the local authority fraud investigation services in light of the creation of the Single Fraud Investigation Service. Section 5 sets out the team's priorities for 2014/2015.
- 4 A key highlight for the year is the Anti-Fraud Team's continued success in finding and sanctioning benefit fraud offenders and assisting the Council's Revenue Departments in highlighting falsely claimed Council Tax discounts which have a direct effect the amount of tax revenue the local authorities can collect.

Agenda Item 8

Key Implications

Financial

Not Applicable

Legal Implications and Risk Assessment Statement.

The Council is required to have effective anti-fraud arrangements in place in order to safeguard public funds and prevent the pursuance of crime. The anti-fraud team effectively contributes towards the council's fraud prevention initiatives. The DWP proposals may put at risk existing arrangements. Therefore the Council would need to assess the implications of the DWP proposals and its impact on existing arrangements.

Equality Impacts

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
a. Does the decision being made or recommended through this paper have potential to disadvantage or discriminate against different groups in the community?	No	
b. Does the decision being made or recommended through this paper have the potential to promote equality of opportunity?	No	
c. What steps can be taken to mitigate, reduce, avoid or minimise the impacts identified above?		N/A

Conclusions

- 5 This report sets out the achievements of a successful year for the Anti-Fraud Team during 2013/14 and outlines it's priorities during 2014/15 taking account of the significant impact of the creation of the Single Fraud Investigation Service which is due to impact on fraud investigation services provided by the Council.

Appendices

Appendix A – Anti-Fraud Team End of Year Report 2013/14.

Background Papers:

None.

Adrian Rowbotham
Chief Finance Officer

Anti-Fraud Team 2013/14 – End of Year Report

1. Introduction

This report sets out the achievements of the Council's Anti-Fraud Team in 2013/14 and outlines the team's priorities for 2014/15.

It also provides an update in relation to the proposed Single Fraud Investigation Service (S-FIS) and the potential impact this will have on fraud investigations conducted by Sevenoaks District Council.

The Anti-Fraud Team conducts fraud investigations for both Sevenoaks District Council and Dartford Borough Council under a shared service arrangement. This report only relates to work completed by the Anti-Fraud Team on behalf of Sevenoaks District Council.

2. Background

The Anti-Fraud Team performs two main roles for the Council:

2.1- investigates instances of alleged benefit fraud which may require joint investigations with officers from the Fraud and Error Service at the Department for Work & Pensions (DWP); and,

2.2- assists the Council in highlighting instances of fraud which could adversely affect the level of taxes/income it collects/receives.

3. Performance

Benefit Fraud

Fraud investigators employed by Sevenoaks District Council investigate allegations of benefit fraud received from varying sources and participate in data-match exercises designed to pro-actively seek out fraud within the welfare system.

Investigations can review benefit claims paid out solely by Sevenoaks District Council or include cases where the claimant receives a mixture of benefits paid by the local council and the Department for Work & Pensions. Typically a fraud investigator's caseload within Sevenoaks District Council will be split equally between the two.

During 2013/14 fraud investigators working on behalf of Sevenoaks District Council discovered £288,263.64 of overpaid Housing Benefit, Council Tax Benefit and Council Tax Support. Joint investigations conducted during 2013/2014 with colleagues from the Department for Work & Pensions discovered a further £109,521.75 of DWP administered benefits which had been incorrectly paid out to benefit claimants.

Although not directly responsible for the collection of overpaid Housing Benefit, Council Tax Benefit and Council Tax Support the Anti-Fraud Team offers support to debt recovery colleagues within the Council's Revenues Department to ensure the speedy recovery of overpaid monies discovered through fraud investigations. To date the Council has already successfully recovered £134,825.52 of the overpaid Housing Benefit, Council Tax Benefit and Council Tax Support discovered by the Anti-Fraud Team during 2013/2014.

Sevenoaks District Council has a very strong anti-fraud culture and is committed to protecting valuable public funds wherever possible. In 2013/2014 The Anti-Fraud Team

successfully prosecuted 10 benefit fraud offenders and issued a further 4 Formal Cautions and 3 Administrative Penalties.

The local authority has the following sanctions available to it:

A Formal Caution – Claimant admits the offence in question, signs a declaration to this effect and repays all overpaid benefit back. The offence is relatively minor and the claimant has not committed benefit fraud in the last 5 years. For a case to be considered for a sanction the authority must be able to prosecute the offences involved and so the investigation file must be of a prosecution standard. If a claimant is offered either a Formal Caution or Administrative Penalty, but chooses to decline this sanction, then the authority has within its powers to prosecute that individual.

An Administrative Penalty – Claimant does not admit the offence in question, but agrees to repay all overpaid benefit plus a penalty on top as an alternative to legal action being taken against them. The offence is relatively minor and the claimant has not committed before fraud in the last 5 years.

Prosecution – Claimant has to repay all overpaid benefit and legal action is instigated because offence is deemed too serious for an alternative sanction to be considered.

Council Tax (Discounts & Exemptions)

Members will be aware that in October 2012 the Anti-Fraud Team commenced an anti-fraud drive to pro-actively seek out Council Tax payers who were incorrectly claiming discounts on their Council Tax bills by falsely stating that they were the only eligible adult in their household.

The Audit Commission in their 'Protecting the Public Pursue Report 2010' estimated that 4 – 6% of all single person discount claims are fraudulent and in their latest report issued in 2013 they reported that local authorities discovered £19.6m of Council Tax discount fraud in 2012/2013.

The Anti-Fraud Team annual report 2012/2013 confirmed to Members that the team had discovered 79 incorrectly awarded discounts during 2012/13 which allowed the Revenues Department to re-bill SDC tax payers for a further £53,131.18.

This exercise has continued during 2013/2014 and the team have discovered a further 94 incorrectly awarded discounts allowing Sevenoaks District Council to request a further £96,537.91 in Council Tax. The exercise has now removed a total of 173 discounts which would have resulted in £149,669.09 of Council Tax not being collected.

The accumulative effect of this refund will be realised in subsequent years unless the tax payer reports a change in their circumstances. Therefore, the £149,669.09 value is only a proportion of the true value that this exercise has brought to both Sevenoaks District Council and to Kent County Council.

4. The Single Fraud Investigation Service

In December 2013, The Chancellor of the Exchequer confirmed in his autumn statement, the creation of a Single Fraud Investigation Service (S-FIS) which will bring together the expertise of welfare benefits investigators from local authorities, the Department for Work

& Pensions and Tax Credits investigators from Her Majesty's Revenues and Customs into one body operating within the Department for Work & Pensions.

The transfer of staff will be conducted in a phased approach between October 2014 and March 2016. Sevenoaks District Council has recently been informed that eligible staff from its investigation service will be able to transfer to the new organisation in February 2016.

The Single Fraud Investigation Service will only investigate welfare fraud and so the investigation of fraud within Council Tax Support claims and Council Tax (discounts & exemptions) will remain the responsibility of the local authority.

5. Priorities for 14/15

Benefit Fraud Investigations

As Sevenoaks investigation staff are not due to transfer to the Single Fraud Investigation Service until February 2016, The Anti-Fraud Team will continue to provide high quality fraud investigation work, and where appropriate, conduct joint investigations with colleagues from the Department for Work & Pensions during 2014/15.

Anti-Fraud Team staff will work with management to prepare for the impending change so that a satisfactory solution is found to address both individual staff concerns and the Council's requirements after the transformation has taken place.

Data Match Schemes

The Anti-Fraud Team will continue to participate in all available anti-fraud data-match schemes, for example, the Housing Benefit Matching Service (HBMS) and The National Fraud Initiative (NFI), in order to identify potential discrepancies in benefit payments and to take action against those found to have claimed public money fraudulently.

In April 2014 Sevenoaks District Council received over 400 referrals from the National Fraud Initiative Council Tax (Single Person Discount) Exercise 2014. This is a data-match exercise co-ordinated by the Audit Commission to highlight Council Tax accounts where there is a claim for a single person discount, but the voters register shows two people being registered to vote. The Anti-Fraud Team will co-ordinate the reviews of these claims and work closely with the Revenues Department to remove any incorrectly awarded discounts.

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REPORT ON INTERNAL AUDIT RECOMMENDATIONS OUTSTANDING

Audit Committee – 10 June 2014

Report of the: Chief Finance Officer

Status: For Consideration

Key Decision: No

This report supports the Key Aim of Effective Management of Council Resources

Portfolio Holder Cllr. Ramsay

Contact Officer(s) Bami Cole Ext. 7236

Recommendation to Audit Committee: That Members:

- a) review the information in Appendix A and request further information or explanation as appropriate; and
 - b) note the reasons for delayed implementation and endorse the revised dates for implementation provided by management, as noted in Appendix B to the report.
-

Introduction

- 1 Members agreed at the meeting on 18 March 2014 to include in the meeting agenda of the Committee, a report on the implementation of Internal Audit recommendations. This report is to update Members on progress of the implementation of recommendations agreed with management, and to report on outstanding recommendations due for implementation by 30 April 2014.
- 2 The report will be presented to each future meeting of the Committee and will provide details to Members regarding Internal Audit recommendations, which have not been completed by management within the implementation due date. The report will also include any relevant explanations regarding the justification for the delay, or cancelation of recommendations. Where appropriate, Members may request responsible management to attend the meeting, or a future meeting of the Committee, to provide further information regarding the reasons for the delay and its implications.

Summary of Issues Raised Within the Report

- 3 Appendix A provides a summary of the reports for which relevant management had agreed recommendation implementation dates for the period to 30 April 2014. Internal Audit has obtained the current status from the responsible managers, but it should be noted that, where implementation has been confirmed, Internal Audit has not yet undertaken any additional testing to verify this. Implementation

Agenda Item 9

checks will be carried out in due course, usually between 3 to 6 months of the agreed implementation date.

- 4 Appendix B provides details of recommendations where management have advised Internal Audit that implementation of agreed actions has initially been delayed from the date originally stated. Enquires with management indicates that satisfactory progress is being made, or proposed; and that there are no major concerns arising as a result of the change in implementation date. However Internal Audit will continue to monitor progress where appropriate and report back to the Audit Committee as necessary.
- 5 Appendix C will provide details of recommendations where implementation is no longer intended. However, there is none to report at this time.

Key Implications

Financial

This report has no financial implications.

Legal Implications and Risk Assessment Statement

The purpose of Internal Audit recommendations is to manage identified risks and improve internal controls and value for money in service provision. Consequently risk profiles may increase in areas where the implementation of recommendations is delayed, if there are no compensating mitigating controls in place. This may have potential financial and legal consequences for the Council. This report will facilitate the Council's ability to manage such risks.

Value for Money and Asset Management

Timely implementation of Internal Audit recommendations would facilitate the Council's ability to obtain greater value for money and guard against waste and inefficiency.

Equality Impacts

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
a. Does the decision being made or recommended through this paper have potential to disadvantage or discriminate against different groups in the community?	No	
b. Does the decision being made or recommended through this paper have the potential to promote equality of opportunity?	No	

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
c. What steps can be taken to mitigate, reduce, avoid or minimise the impacts identified above?		N/A

Conclusions

The report on recommendations outstanding enables Members to review the timeliness of implementation of Internal Audit recommendations. When recommendations have not been implemented, it enables Members to seek explanations, or agree revised dates. If management propose not to action recommendations and accept the risk, Members can review this action to determine if it meets the objectives of the Committee and the Council's risk appetite. Where appropriate, Members may request responsible management to attend the Committee and provide further explanations as necessary.

Appendices

Appendix A – Summary of recommendations followed up

Appendix B – 'Overdue' recommendations where implementation delayed

Background Papers:

None

Adrian Rowbotham
Chief Finance Officer

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APPENDIX A

SUMMARY OF RECOMMENDATIONS FOLLOWED UP

Audit (Number of Recommendations originally accepted)	Date final report issued	Number of recommendations where implementation not yet due	Number of recommendations where implementation now confirmed by management	Number of recommendations where management advise that implementation delayed (Appendix B)	Number of recommendations where management advise that implementation is no longer intended (Appendix C)	Number of recommendations where implementation not confirmed or alternative date not provided
Emergency Planning Arrangements 2011/12 (10)	8/5/12	1	1	8	0	0
Procurement 2012/13 (9)	22/5/13	0	7	0	2	0
Council Tax/NNDR 2012/13 (4)	24/6/13	0	3	1	0	0
Environmental Services 2012/13 (4)	8/7/13	0	4	0	0	0
Safeguarding 2013/14 (7)	23/8/13	0	0	7	0	0
Payroll 2013/14 (4)	30/8/13	2	2	0	0	0
Housing 2013/14 (3)	17/12/13	3	0	0	0	0
Section 106 Agreement 2013/13 (5)	19/12/13	1	4	0	0	0
Dunbrik 2013/14 (2)	20/12/13	0	2	0	0	0
Purchasing & Creditors 2013/14 (2)	18/2/14	1	1	0	0	0
Contract Management 2013/14	18/2/14	1	0	0	0	0

APPENDIX A

Council Tax/NNDR 2013/14 (2)	26/2/14	2	0	0	0	0
Debtors 2013/14 (1)	28/3/14	1	0	0	0	0

Agenda Item 9

‘OVERDUE’ RECOMMENDATIONS WHERE IMPLEMENTATION HAS BEEN DELAYED**Audit: Emergency Planning, Business Continuity & the Olympics 2011/12**

Recommendation	Priority/ ranking	Original response	Previous Responses	Latest position + (source)
<p>1. The Major Emergency Plan should be reviewed by the Emergency Planning Manager and then approved by Management Team and the Performance and Governance Committee.</p> <p>This review should ensure that it considers any staff, location or role changes which have taken place within the Council since the last review.</p>	Medium	<p>Agreed Action: The emergency plan is working in practice but we will review the documentation.</p> <p>Responsible Officer: Building Control and Emergency Planning Manager</p> <p>Recommendation Implementation Date: 31 March 2013</p>	<p>This cannot be progressed until the revised structure has completed in order that named officers can be identified and included.</p> <p>Revised date: March 2014</p>	<p>Due to the flooding response for the first 2 months of the year, we moved the updating of the EP and BCM plan by a couple of months, now with a committee date of July 2014.</p> <p>Building Control and Emergency Planning Manager – 13/5/14</p> <p>Audit Manager Comment: The Audit Committee will be kept informed of developments regarding this recommendation at the meeting in September 2014.</p>
<p>2. The Action Plan, identified through the Business Continuity Management methodology course peer evaluation, should be addressed by the Business Continuity Officer.</p> <p>Once completed, outcomes to all the areas of concern and action points should be reported to the Emergency Planning Manager and Head</p>	Medium	<p>Agreed Action: The business continuity plan is working in practice but we will review the documentation.</p> <p>Responsible Officer: Building Control and Emergency Planning Manager</p> <p>Recommendation Implementation Date:</p>	<p>An action plan has been agreed in order to produce a revised business continuity plan. This action plan and timetable was agreed by Management Team on 25 April 2013.</p> <p>Revised date: March 2014</p>	As above.

Recommendation	Priority/ ranking	Original response	Previous Responses	Latest position + (source)
of Service.		31 March 2013		
3. Once the Peer Review Action Plan is completed, the Business Continuity Plan should be reviewed and updated with outcomes from Action Plan. This should include the removal of cross referencing and direct access to Contacts and other relevant information.	Medium	Agreed Action: Agreed Responsible Officer: Building Control and Emergency Planning Manager Recommendation Implementation Date: 31 March 2013	As above	As above.
4. Appendix 2 of the Major Emergency Plan should be reviewed and updated to ensure that contact details are accurate and individuals are aware of responsibilities allocated to them for different scenarios or circumstances.	Medium	Agreed Action: Agreed Responsible Officer: Building Control and Emergency Planning Manager Recommendation Implementation Date: 31 March 2013	This cannot be progressed until the revised structure has completed in order that named officers can be identified and included. Revised date: March 2014	As above.
6. Common functional and specific emergency response plans should be reviewed, updated where appropriate and dated by the Service Managers. They should all follow the	Low	Agreed Action: Agreed Responsible Officer: Service Managers/Building Control and Emergency Planning Manager	This is included in the agreed Action plan and will be undertaken in stages with throughout the year. Revised date: March 2014	As above.

Recommendation	Priority/ ranking	Original response	Previous Responses	Latest position + (source)
same format and where appropriate, should be made available on the SDC Website and on SiMON.		Recommendation Implementation Date: 31 March 2013		
7. Once all documents are updated, they should be uploaded onto the appropriate Simon web page in order that staff can access the most recent version.	Low	Agreed Action: Agreed Responsible Officer: Service Managers/Building Control and Emergency Planning Manager Recommendation Implementation Date: 31 March 2013	This is linked to item 12 if the implementation action plan and will be undertaken once this stage is complete and the revised intranet is confirmed as secure. Revised date: May 2014	As above.
8. Section 5.8 of the Business Continuity Plan should be reviewed. Service Specific plans should be produced by Service Managers to identify how they will manage their critical services.	Medium	Agreed Action: Agreed Responsible Officer: Building Control and Emergency Planning Manager/Heads of Service through the Head of Environmental and Operational Services Recommendation Implementation Date: 31 March 2013	This is included in the agreed Action plan. Revised date: March 2014	As above.

Recommendation	Priority/ ranking	Original response	Previous Responses	Latest position + (source)
<p>10. An operational risk register should be produced for Emergency Planning for the year 2012/13, based on the requirements of the new Framework and linked to Service Plan objectives once the new framework is in place.</p> <p>The Audit, Risk and Anti-fraud Manager should be contacted for guidance if required.</p>	Low	<p>Agreed Action: Agreed</p> <p>Responsible Officer: Building Control and Emergency Planning Manager</p> <p>Recommendation Implementation Date: 31 March 2013</p>	<p>The operational risk register for BCP has been completed for 2012 and the 2013 version will be undertaken when due.</p> <p>Comprehensive Risk registers for Emergency Planning and Business Continuity cannot be completed until revised plans are in place.</p> <p>Revised date: March 2014</p>	As above.

Audit: Procurement 2012/13

Recommendation	Priority/ ranking	Original response	Latest position + (source)
4. Management should review the expenditure for agency and temporary staff and consider adopting the framework agreement, already in place across the Council for general, non-specialised staff.	High	<p>Agreed Action: As above</p> <p>Responsible Officer: Heads of Service</p> <p>Recommendation Implementation Date: 31st August 2013</p>	<p>In view of the recent organisational changes, this recommendation has been carried forward to the review of Agency Staff, Contracting & Consultants 2014/15.</p> <p>Audit Manager Comment: The Committee will be advised further following completion of the Agency Staff, Contracting & Consultants review.</p>
5. Departments with specialist agency needs should tender for a call off	High	<p>Agreed Action: As above</p> <p>Responsible Officer: Heads of Service</p>	As above.

APPENDIX B

Recommendation	Priority/ ranking	Original response	Latest position + (source)
contract for the supply of their agency staff. The tender should be designed to consider not only the best price but also the quality of service and minimum knowledge requirements for their field of expertise.		Recommendation Implementation Date: 31 st August 2013	

Audit: Council Tax/NNDR 2012/13

Recommendation	Priority/ ranking	Original response	Latest position + (source)
4. A review should be undertaken to ascertain whether Council Tax and NDR online payments could be received and processed in-line with other Council services.	Low	Agreed Action: As above Responsible Officer: Principal Accountant/IT Manager Recommendation Implementation Date: 31/12/13	<p>The PID is being submitted to the IT Steering Group next Tuesday (6th May), we expect that this will take about 10 - 15 days of development and testing as once we turn on 3D Secure for one payment type all other payments will also use 3D secure and each payment type will need testing.</p> <p>Based upon current workloads within the team it is likely that this work will be completed by October 2014 however as this is not a statutory requirement, only best practice it may slip depending on other requests that are submitted.</p> <p>IT Manager – 28/4/14</p>

Audit: Safeguarding Arrangements 2013/14

Recommendation	Priority/ ranking	Original response	Latest position + (source)
<p>1. The Chief Officer Communities & Business should ensure that the revised SDC Safeguarding policy includes any recent amendments (April 2013) and that all legislative points are covered.</p> <p>The revised policy should be made available on the intranet and the SDC website as soon as it has been agreed by full Council.</p> <p>The SDC website should be used to promote the policy and to encourage communication and engagement with stakeholders.</p>	Medium	<p>Agreed Action: As above</p> <p>Responsible Officer: Chief Officer Communities & Business</p> <p>Recommendation Implementation Date: Following approval of revised policy</p>	<p>The policy has been sent to an outside agency for approval and will be going to Cabinet May/June 2014.</p> <p>Community Planning & Projects Officer – 7/3/14</p> <p>Audit Manager Comment: The Audit Committee will be kept informed of developments regarding this recommendation at the meeting in September 2014.</p>
<p>2. The Council's complaints officers must be made aware of the revised child protection policy including the flowcharts so they can deal with complaints effectively.</p> <p>The revised child protection</p>	Medium	<p>Agreed Action: As Above</p> <p>Responsible Officer: Chief Officer Communities & Business</p> <p>Recommendation Implementation Date: Following approval of revised policy</p>	As above.

Recommendation	Priority/ ranking	Original response	Latest position + (source)
<p>policy must be put on the intranet and the SDC website as soon as it has been agreed.</p> <p>The policy should be reviewed every 2 years</p>			
<p>3. Management should take appropriate steps to ensure that all Council officers are made aware of the person responsible for safeguarding by publicising on the intranet. Steps should also be taken to make sure all officers are aware of what to do if they come across any concerns impacting on safeguarding they believe ought to be raised with management or the appropriate authorities whilst carrying out their duties.</p>	Low	<p>Agreed Action: As Above</p> <p>Responsible Officer: Chief Officer Communities & Business</p> <p>Recommendation Implementation Date: Following approval of revised policy</p>	As above.
<p>4. The Chief Officer Communities and Business should liaise with the Heads of Service appropriately trained to ensure: -</p> <ul style="list-style-type: none"> Where necessary job descriptions and person 	Medium	<p>Agreed Action: As Above</p> <p>Action Already taken: Heads of Service have already been trained in identifying which staff posts should be subject to safeguarding arrangements. HR holds a list of these posts and arranges regular three yearly DBS check.</p>	As above.

Recommendation	Priority/ ranking	Original response	Latest position + (source)
<p>specification should detail the safeguarding policy. Compliance with the latest policy should form part of the post key activities.</p> <ul style="list-style-type: none"> • Application forms to mention the latest Safeguarding and Child protection • Starter pack should contain a copy of the latest Councils safeguarding policy 		<p>Responsible Officer: Chief Officer Communities & Business</p> <p>Recommendation Implementation Date: Following approval of revised policy</p>	
<p>5. Discussion items and good practice identified as part of the Safeguarding group should be recorded and filtered through to appropriate departments within the Council.</p>	Low	<p>Agreed Action: As Above</p> <p>Action Already taken: The safeguarding group has only met twice, once to decide to do more training and once to decide what training should consist of and which officers would be prepared to support or act as sounding boards for others. This is part of the review of the policy.</p> <p>Responsible Officer: Chief Officer Communities & Business</p> <p>Recommendation Implementation Date: Following approval of revised policy</p>	As above.
<p>6. Before a project is commissioned, appropriate</p>	Low	<p>Agreed Action: As Above</p>	As above.

Recommendation	Priority/ ranking	Original response	Latest position + (source)
checks should be carried out regarding the appropriateness or suitability of provider to undertake the work. These checks should include what procedures the provider has in place regarding information sharing.		<p>Action Already taken :The revised safeguarding policy contains a code of conduct to ensure good working practice; this includes relevant Information Sharing Procedures</p> <p>Responsible Officer: Chief Officer Communities & Business</p> <p>Recommendation Implementation Date: Following approval of revised policy</p>	
<p>7. The Chief Officer Communities & Business should ensure that there is an effective system in place to support officers that have received training.</p> <p>An evaluation form should be distributed immediately after training to add value to the process and to ensure that officers can identify any skills gaps that may remain following training.</p>	Low	<p>Agreed Action: As Above</p> <p>Action Already taken: Further training is proposed for line managers and two further officers prepared to act as a sounding board and to give advice have been identified and agreed to do this. These Officers are fully trained.</p> <p>Responsible Officer: Chief Officer Communities & Business</p> <p>Recommendation Implementation Date: Following next training event</p>	<p>As above.</p> <p>As above.</p>

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ANNUAL SELF-ASSESSMENT REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT SERVICE 2013/14

Audit Committee – 10 June 2014

Report of the: Chief Finance Officer

Status: For Consideration

Key Decision: No

This report supports the Key Aim of Effective Management of Council Resources

Portfolio Holder Cllr. Ramsay

Contact Officer(s) Bami Cole Ext. 7236

Recommendation to Audit Committee: That Members approve the Annual Self-assessment Review of the Effectiveness of Internal Audit Service 2013/14.

Introduction

- 1 This report deals with the outcome of the annual self-assessment review of the Council's Internal Audit Function. It is the first report to be produced in accordance with the new Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013. Members of this committee had been briefed regarding the implications of the new standards in previous meetings of the committee. The new standards relate to all public sector internal audit functions and are mandatory. Appendix A sets out the details of the self-assessment, which was undertaken using the standardised checklist. The Audit Committee is required to consider the self-assessment of the effectiveness of Internal Audit as part of its standard terms of reference remit.

Summary of Issues Raised Within the Report

- 2 Regulation 6.3 of the Accounts and Audit Regulations 2011 requires the Council to carry out an annual review of the effectiveness of its Internal Audit function. The regulation does not stipulate a prescriptive process by which the review may be undertaken, except that the review should be carried out in accordance with "Proper Practices" as defined by relevant professional bodies. In previous years, this has been in accordance with practice guidance issued by The Chartered Institute of Public Finance and Accountancy (CIPFA) 2006. Following the introduction of the new PSIAS, this year's self-assessment is carried under new Practice Notes issued by CIPFA in 2013. This review sets out the outcome of the processes and the conclusions drawn from it. The results from this process will also feed into the Internal Audit Manager's Annual Report and the Council's Annual Governance Statement. The outcome of the self-assessment was

Agenda Item 10

reviewed by the Chief Finance Office and the section 151 Officer prior to finalising this report.

Results of the Self-assessment of Internal Audit

- 3 Appendix A sets out the results of the self-assessment. The process involved the completion of the self-assessment checklist within the Practice Notes issued by CIPFA in order to assess compliance with the new Public Sector Internal Audit Standards. Where it is assessed that full compliance has not been attained, appropriate action is proposed to enable compliance. The self-assessment was completed by the Internal Audit Manager and sent to senior management for consideration and approval, prior to the Audit Committee. The assessment covers the arrangements, practices, performance and achievements of the Internal Audit function during the year. Given the comprehensive nature of the new standards and its relative infancy, it is inevitable that there would be areas requiring further development. The result of the review process indicates that the Council's Internal Audit arrangements substantially meets the new Code Standards, however, some areas for further development have been identified in order to meet full compliance. These are set out in column marked "evidence/comments". The key aspects for further development are set out on Appendix B of the report on the New Public Sector Internal Audit Standards, which is also included with the papers for this agenda. The result of the self-assessment is also required to be reflected within the Council's Annual Governance Statement.
- 4 The Audit Manager's opinion therefore is that the Council's arrangements in place for Internal Audit, in 2013/14 were substantially compliant with the new PSIAS, but requires further development to achieve full compliance with the new standards. The areas identified as requiring further developments are set out in the action plan attached in Appendix B of the report on the new standards.

Key Implications

Financial

This report has no financial implications.

Legal Implications and Risk Assessment Statement

The review of the effectiveness of the internal audit function is a regulatory requirement designed to ensure that the service is effective in carrying out its statutory duties aimed at strengthening internal control, risk management and governance processes within the Council, including the minimisation of fraud risks. The outcome of the self-assessment has identified areas for further development which will enable the audit function to achieve full compliance within a reasonable timeframe.

Value for Money and Asset Management

A robust internal audit function contributes to the effective management of the Council and would help mitigate against poor value for money in service provision.

Equality Impacts

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
a. Does the decision being made or recommended through this paper have potential to disadvantage or discriminate against different groups in the community?	No	
b. Does the decision being made or recommended through this paper have the potential to promote equality of opportunity?	No	
c. What steps can be taken to mitigate, reduce, avoid or minimise the impacts identified above?		N/A

Conclusions

The outcome of the review indicates that the new requirements of the new Standards were substantially met. Areas for further development have been identified and set out in an action plan for management consideration.

Appendices

Appendix A – Self-Assessment Checklist

Background Papers:

[The Accounts and Audit \(England\) Regulations 2011](#)

[Public Sector Internal Audit Standards.](#)

Adrian Rowbotham
Chief Finance Officer

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APPENDIX A - CHECKLIST - COMPLIANCE WITH THE PSIAS

Please tick to indicate Y = YES, P = PARTIAL, N = NO.

Where 'partial' or 'no', you should give reasons for any non-compliance, and any compensating measures in place or actions in progress to address this.

Note: The references made to the Chief Audit Executive (CAE) within the Standards, refers to the Audit, Risk and Anti-Fraud Manager (ARAFM) at SDC

Sectn. /Std.	Adherence to the Standard	Y	P	N	Evidence
3	Definition of Internal Auditing				
	Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes	Y			Internal Audit Charter. The Charter requires MT and Audit Board approval at DBC. It has already received approval at SDC
4	Code of Ethics				
	<p>Public sector requirement: Internal auditors in UK public sector organisations must conform to the Code of Ethics. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.</p> <p>The purpose of The Institute's Code of Ethics is to promote an ethical culture in the profession of internal auditing. A code of ethics is necessary and appropriate for the profession of internal auditing, founded as it is on the trust placed in its objective assurance regarding risk management, control and governance.</p> <p>The Institute's Code of Ethics extends beyond the definition of internal auditing to include two essential components:</p> <ol style="list-style-type: none"> 1. Principles that are relevant to the profession and practice of internal auditing; and 2. Rules of Conduct that describe behaviour norms expected of internal auditors. These rules are an aid to interpreting the Principles into practical applications and are intended to 	Y			<p>Internal Audit Charter, Quality Manual and Protocol</p> <p>All staff are required to comply with the PSAIS code of ethics as part of their appraisal objectives. Staff understand their responsibilities in ensuring that the function maintains its independence and ethical behaviour.</p> <p>In addition, all internal Audit staff have confirmed that they have read the Code of Ethics and have regard to the Committee on Standards of Public Life's 'Seven Principles of Public Life'</p> <p>All internal audit staff completes an annual</p>

Agenda Item 10

ITEM NO. 10 Appendix A

PUBLIC SECTOR INTERNAL AUDIT STANDARDS: Applying the IIA International Standards to the UK Public Sector

Sectn. /Std.	Adherence to the Standard	Y	P	N	Evidence
	<p>guide the ethical conduct of internal auditors.</p> <p>The Code of Ethics provides guidance to internal auditors serving others. 'Internal auditors' refers to Institute members and those who provide internal auditing services within the definition of internal auditing.</p> <p>Public sector interpretation: The 'Institute' here refers to the IIA. Disciplinary procedures of other professional bodies and employing organisations may apply to breaches of this Code of Ethics.</p> <ol style="list-style-type: none"> 1 Integrity 2 Objectivity 3 Confidentiality 4 Competency <p>Public sector requirement: Internal auditors who work in the public sector must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life, information on which can be found at www.public-standards.gov.uk</p>				<p>interest declaration form.</p> <p>Internal Audit Charter para. 3.</p>
5	Standards				
	Attribute Standards				
1000	Purpose, Authority and Responsibility				
	<p>The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.</p>		P		<p>The terms of reference for the internal audit service is established within the revised Audit Charter (para. 2). Charter requires approval by Mt and AB at DBC. Approved at SDC</p> <p>This will form part of the standard reporting process.</p>

Sectn. /Std.	Adherence to the Standard	Y	P	N	Evidence
	<p>Interpretation: The Internal Audit Charter is a formal document that defines the internal audit activity's purpose, authority and responsibility. The internal audit charter establishes the internal audit activity's position within the organisation, including the nature of the chief audit executive's functional reporting relationship with the board; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the board.</p> <p>Public sector requirement: The internal audit charter must also:</p> <ul style="list-style-type: none"> • Define the terms 'board' and 'senior management' for the purposes of internal audit activity; • Cover the arrangements for appropriate resourcing; • Define the role of internal audit in any fraud-related work; and • Include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities. 				<p>See revised Internal Audit Charter. A separate Charter has been completed for each authority within the partnership, in order to reflect the individual authority's culture, traditions and bespoke requirements, however, the essential principles of the PSIAS remains.</p> <p>The Charter for SDC has already been approved by the Audit Committee. The Charter for DBC will be sent to MT for initial approval and will subsequently go to the June Audit Board for approval.</p>
	<p>1000.A1 The nature of assurance services provided to the organisation must be defined in the Internal Audit Charter. If assurances are to be provided to parties outside the organisation, the nature of these assurances must also be defined in the internal audit charter.</p>				Included in the Internal Audit Charter (para 1 and 2).
	<p>1000.C1 The nature of consulting services must be defined in the internal audit charter.</p>				Included in the Internal Audit Charter (para 2).
1010	Recognition of the Definition of Internal Auditing, the Code of Ethics and the Standards in the Internal Audit Charter				

Sectn. /Std.	Adherence to the Standard	Y	P	N	Evidence
	The mandatory nature of the Definition of Internal Auditing, the Code of Ethics and the Standards must be recognised in the internal audit charter. The chief audit executive should discuss the Definition of Internal Auditing, the Code of Ethics and the Standards with senior management and the board.	Y			Internal Audit Charter (para 1 and 2).
1100	Independence and Objectivity				
	The internal audit activity must be independent and internal auditors must be objective in performing their work.	Y			See paragraph 6 of the Internal Audit Charter. And as stated above audit staff also complete an annual declaration of interest form.
	<p>Interpretation: Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the chief audit executive has direct and unrestricted access to senior management and the board. This can be achieved through a dual-reporting relationship. Threats to independence must be managed at the individual auditor, engagement, functional and organisational levels.</p> <p>Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others. Threats to objectivity must be managed at the individual auditor, engagement, functional and organisational levels.</p>				<p>Internal Audit Charter (para 6).</p> <p>Clarity is required in relation to reporting arrangements at DBC in light of the recent organisational change and the need to ensure compliance with the standard.</p>

PUBLIC SECTOR INTERNAL AUDIT STANDARDS: Applying the IIA International Standards to the UK Public Sector

Sectn. /Std.	Adherence to the Standard	Y	P	N	Evidence
1110	Organisational Independence				
	The chief audit executive must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. The chief audit executive must confirm to the board, at least annually, the organisational independence of the internal audit activity.		P		The ARAFM reports to the CFO at SDC. Clarity is required in relation to reporting arrangements at DBC in light of the recent organisational change. The Audit, Risk and Anti-Fraud Manager reports formally to the Audit Committee at SDC and Audit Board at DBC. The Audit Manager's Annual Internal Audit Report which goes to the relevant committees addresses the issue of independence.

Agenda Item 10

ITEM NO. 10 Appendix A

PUBLIC SECTOR INTERNAL AUDIT STANDARDS: Applying the IIA International Standards to the UK Public Sector

Sectn. /Std.	Adherence to the Standard	Y	P	N	Evidence
A	<p>Interpretation: Organisational independence is effectively achieved when the chief audit executive reports functionally to the board. Examples of functional reporting to the board involve the board:</p> <ul style="list-style-type: none"> • Approving the internal audit charter; • Approving the risk based internal audit plan; • Approving the internal audit budget and resource plan; • Receiving communications from the chief audit executive on the internal audit activity's performance relative to its plan and other matters; • Approving decisions regarding the appointment and removal of the chief audit executive; • Approving the remuneration of the chief audit executive; and • Making appropriate enquiries of management and the chief audit executive to determine whether there are inappropriate scope or resource limitations. <p>Public sector requirement: The chief audit executive must report functionally to the board. The chief audit executive must also establish effective communication with, and have free and unfettered access to, the chief executive (or equivalent) and the chair of the audit committee.</p> <p>Public sector interpretation: Governance requirements in the UK public sector would not generally involve the board approving the CAE's remuneration specifically. The underlying principle is that the independence of the CAE is safeguarded by ensuring that his or her remuneration or performance assessment is not inappropriately influenced by those subject to audit. In the UK public sector this can be achieved by ensuring that the chief executive (or equivalent) undertakes, countersigns, contributes feedback to or reviews the performance appraisal of the CAE and that feedback is also obtained from the chair of the Audit Committee/Board.</p>				<p>Included under the 'Reporting' and 'Independence' sections of the Internal Audit Charter template (Para 4,5 and 6).</p> <p>See comments below.</p> <p>Included under the 'Reporting' and 'Independence' sections of the Internal Audit Charter.</p>

Sectn. /Std.	Adherence to the Standard	Y	P	N	Evidence
	1110.A1 The internal audit activity must be free from interference in determining the scope of internal auditing, performing work and communicating results.				Included in the Internal Audit Charter. Internal Audit Quality Manual (pages 16 and 17).
1111	Direct Interaction with the Board				
	The chief audit executive must communicate and interact directly with the board.	Y			The ARAFM communicates directly with the chairs of the relevant committee and attends meetings
1120	Individual Objectivity				
	Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.	Y			See Internal Audit Charter Paragraph 6 and the Quality Manual pages 16 to 17 (page 4) 2. For all internal audit staff, personal independence responsibilities are essential. Ethical compliance is part of staff appraisal objectives. <ul style="list-style-type: none"> Also, all staff are required to complete an annual declaration of interest return.
	Interpretation: Conflict of interest is a situation in which an internal auditor, who is in a position of trust, has a competing professional or personal interest. Such competing interests can make it difficult to fulfil his or her duties impartially. A conflict of interest exists even if no unethical or improper act results. A conflict of interest can create an appearance of impropriety that can undermine confidence in the internal auditor, the internal audit activity and the profession. A conflict of interest could impair an individual's ability to perform his or her duties and responsibilities objectively.				

Agenda Item 10

ITEM NO. 10 Appendix A

PUBLIC SECTOR INTERNAL AUDIT STANDARDS: Applying the IIA International Standards to the UK Public Sector

Sectn. /Std.	Adherence to the Standard	Y	P	N	Evidence
1130	Impairment to Independence or Objectivity				
	If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.	Y			See above. All staff receives regular 1:1 with their line manager and internal audit work is quality assessed for conformance with the PSIAS.
	<p>Interpretation: Impairment to organisational independence and individual objectivity may include, but is not limited to, personal conflict of interest, scope limitations, restrictions on access to records, personnel and properties and resource limitations, such as funding.</p> <p>The determination of appropriate parties to which the details of an impairment to independence or objectivity must be disclosed is dependent upon the expectations of the internal audit activity's and the chief audit executive's responsibilities to senior management and the board as described in the internal audit charter, as well as the nature of the impairment.</p>				
	1130.A1 Internal auditors must refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year.				Included under the 'Independence' section of the Internal Audit Charter template - see paragraph 6 and Part 4 of quality manual
	1130.A2 Assurance engagements for functions over which the chief audit executive has responsibility must be overseen by a party outside the internal audit activity.				Risk management lead co-ordination is undertaken by the ARAFM, but is overseen by the officer's risk group at SDC and MT at DBC.
	1130.C1 Internal auditors may provide consulting services relating to operations for which they had previous responsibilities.				N/A

PUBLIC SECTOR INTERNAL AUDIT STANDARDS: Applying the IIA International Standards to the UK Public Sector

Sectn. /Std.	Adherence to the Standard	Y	P	N	Evidence
	<p>1130.C2 If internal auditors have potential impairments to independence or objectivity relating to proposed consulting services, disclosure must be made to the engagement client prior to accepting the engagement.</p> <p>Public sector requirement: Approval must be sought from the board for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement.</p>				<p>Proposals regarding protocol for consulting to be agreed with management, in order to ensure compliance with standards and Council policy.</p> <p>Included under the 'Independence' section of the Internal Audit Charter template.</p>
1200	Proficiency and Due Professional Care				
	Engagements must be performed with proficiency and due professional care.	Y			See Responsibility section (Paragraph 9) of Charter and section 11 of Quality Manual
1210	Proficiency				
	Internal auditors must possess the knowledge, skills and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills and other competencies needed to perform its responsibilities.	Y			See sections 7, 9 and 11 of the Quality manual The annual appraisal is also designed to identify skills gaps and development opportunities for staff. Following the appraisal discussion, areas for further development are included in individual training plans. Also CPD opportunities are available to all audit staff.
	<p>Interpretation: Knowledge, skills and other competencies is a collective term that refers to the professional proficiency required of internal auditors to effectively carry out their professional responsibilities. Internal auditors are encouraged to demonstrate their proficiency by obtaining appropriate professional certifications and</p>		P		Some key staff lack adequate professional qualifications, knowledge and appropriate level of experience. This has caused some quality difficulties. But

Agenda Item 10

ITEM NO. 10 Appendix A

PUBLIC SECTOR INTERNAL AUDIT STANDARDS: Applying the IIA International Standards to the UK Public Sector

Sectn. /Std.	Adherence to the Standard	Y	P	N	Evidence
	<p>qualifications, such as the Certified Internal Auditor designation and other designations offered by The Institute of Internal Auditors and other appropriate professional organisations.</p> <p>Public sector requirement: The chief audit executive must hold a professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced.</p>				<p>opportunities for further training are available and staff are encouraged to pursue these. Skills gap analysis to be carried out for all staff.</p> <p>ARAFM is a graduate and CMIIA qualified, with over 20 years relevant experience.</p>
	<p>1210.A1 The chief audit executive must obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.</p>				<p>Where appropriate additional technical support is bought in, subject to value for money considerations; or closer supervision is provided by the ARAFM. However, this is subjected to capacity limitations.</p>
	<p>1210.A2 Internal auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organisation, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.</p>				<p>The risk of fraud is but one of the significant risks to be considered - and is reflected in our considerations page 50 of the Quality Manual. It is also included in all internal audit briefs. The Internal Audit Charter clarifies the responsibilities of both internal audit and management. (Also the DBC Audit Protocol)</p>
	<p>1210.A3 Internal auditors must have sufficient knowledge of key information technology risks and controls and</p>				<p>Where appropriate temporary technical support is obtained from recruitment</p>

Sectn. /Std.	Adherence to the Standard	Y	P	N	Evidence
	available technology-based audit techniques to perform their assigned work. However, not all internal auditors are expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing.				agencies. Also the ARAFMs runs periodic technical meetings, as part of the on-going development and quality improvements programme for auditors.
	1210.C1 The chief audit executive must decline the consulting engagement or obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.				Consulting engagements will not be accepted without an assessment of relevant competencies and approval by the Audit Committee/ Board (see Audit Charter). Protocol for consulting to be agreed with senior management.
1220	Due Professional Care				
	Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.	Y			See Audit Charter Para 6; Quality Manual Sections 9 and 11
	1220.A1 Internal auditors must exercise due professional care by considering the: <ul style="list-style-type: none"> • Extent of work needed to achieve the engagement's objectives; • Relative complexity, materiality or significance of matters to which assurance procedures are applied; • Adequacy and effectiveness of governance, risk management and control processes; • Probability of significant errors, fraud, or non-compliance; and • Cost of assurance in relation to potential benefits. 				See Audit Charter Para 6; Quality Manual Sections 9 and 11.
	1220.A2 In exercising due professional care internal auditors must consider the use of technology-based audit and other data analysis techniques.				Use is made of exiting technology and techniques. Additionally we have now obtained IDEA to facilitate more effective interrogation and analysis.

Agenda Item 10

ITEM NO. 10 Appendix A

PUBLIC SECTOR INTERNAL AUDIT STANDARDS: Applying the IIA International Standards to the UK Public Sector

Sectn. /Std.	Adherence to the Standard	Y	P	N	Evidence
	1220.A3 Internal auditors must be alert to the significant risks that might affect objectives, operations or resources. However, assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.				See Audit Charter Para 6; Quality Manual Sections 9 and 11
	1220.C1 Internal auditors must exercise due professional care during a consulting engagement by considering the: <ul style="list-style-type: none"> Needs and expectations of clients, including the nature, timing and communication of engagement results; Relative complexity and extent of work needed to achieve the engagement's objectives; and Cost of the consulting engagement in relation to potential benefits. 	Y			See Audit Charter Para 6; Quality Manual Sections 9 and 11 Also all engagement briefs include value for money considerations as standard.
1230	Continuing Professional Development				
	Internal auditors must enhance their knowledge, skills and other competencies through continuing professional development.	Y			The annual appraisal is designed to identify skills gaps and development opportunities for staff. Following the appraisal discussion, areas for further development are included in individual training plans. Also CPD opportunities are available to all audit staff.
1300	Quality Assurance and Improvement Programme				
	The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.		P		The Quality Manual was specifically designed in order to prescribe clearly the role and objectives of internal audit and to ensure compliance with relevant professional standards. The Quality Manual is being revised to reflect all the key

PUBLIC SECTOR INTERNAL AUDIT STANDARDS: Applying the IIA International Standards to the UK Public Sector

Sectn. /Std.	Adherence to the Standard	Y	P	N	Evidence
					<p>requirements of the new PSIAS with a view to ensuring that the system and controls in place will achieve consistent and high quality service delivery.</p> <p>As part of the objective assessment of quality, we maintain a customer questionnaire programme for all audit reviews conducted and the results are reported to the Audit Committee/Board. Also we ISO 9001 compliant and receive regular external review from BSI on compliance. Following the internal assessment with the PSIAS, an action plan containing an improvement programme will be developed for implementation. The team will also be subjected to the independent external quality review required by the standards. The first review is proposed to take place within the year.</p>
	<p>Interpretation: A quality assurance and improvement programme is designed to enable an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.</p>				<p>See Audit Charter Para 6; Quality Manual Sections 9 and 11</p>

Sectn. /Std.	Adherence to the Standard	Y	P	N	Evidence
1310	Requirements of the Quality Assurance and Improvement Programme				
	The quality assurance and improvement programme must include both internal and external assessments.	Y			As already stated above
1311	Internal Assessments				
	Internal assessments must include: <ul style="list-style-type: none"> On-going monitoring of the performance of the internal audit activity; and Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices. 	Y			The self-assessment process is detailed and comprehensive. The results are considered by suitably qualified and experienced senior management
	<p>Interpretation:</p> <p>On-going monitoring is an integral part of the day-to-day supervision, review and measurement of the internal audit activity. On-going monitoring is incorporated into the routine policies and practices used to manage the internal audit activity and uses processes, tools and information considered necessary to evaluate conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards.</p> <p>Periodic assessments are conducted to evaluate conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards.</p> <p>Sufficient knowledge of internal audit practices requires at least an understanding of all elements of the International Professional Practices Framework.</p>				
1312	External Assessments				
	<p>External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The chief audit executive must discuss with the board:</p> <ul style="list-style-type: none"> The form of external assessments; The qualifications and independence of the 		P		<p>This is planned to commence within the year.</p> <p>ARAFM to discuss proposals with management and the Audit Committee and Board before taking this</p>

Sectn. /Std.	Adherence to the Standard	Y	P	N	Evidence
	<p>external assessor or assessment team, including any potential conflict of interest; and</p> <ul style="list-style-type: none"> The need for more frequent external assessments. 				forward.
	<p>Interpretation: External assessments can be in the form of a full external assessment, or a self-assessment with independent validation. A qualified assessor or assessment team demonstrates competence in two areas: the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organisations of similar size, complexity, sector or industry and technical issues is more valuable than less relevant experience. In the case of an assessment team, not all members of the team need to have all the competencies; it is the team as a whole that is qualified. The chief audit executive uses professional judgment when assessing whether an assessor or assessment team demonstrates sufficient competence to be qualified.</p> <p>An independent assessor or assessment team means not having either a real or an apparent conflict of interest and not being a part of, or under the control of, the organisation to which the internal audit activity belongs.</p> <p>Public sector requirement: The chief audit executive must agree the scope of external assessments with an appropriate sponsor (e.g. the Accounting/Accountable Officer or chair of the audit committee) as well as with the external assessor or assessment team.</p>		P		<p>Process requires agreement. The position of the CAE requires review and action. The structure requires reviewing to ensure that it is fit for purpose and consistent with the standards.</p>
1320	Reporting on the Quality Assurance and Improvement Programme				
	The chief audit executive must communicate the results of the quality assurance and improvement	Y			As already stated above

Agenda Item 10

ITEM NO. 10 Appendix A

PUBLIC SECTOR INTERNAL AUDIT STANDARDS: Applying the IIA International Standards to the UK Public Sector

Sectn. /Std.	Adherence to the Standard	Y	P	N	Evidence
	programme to senior management and the board.				
	<p>Interpretation: The form, content and frequency of communicating the results of the quality assurance and improvement programme is established through discussions with senior management and the board and considers the responsibilities of the internal audit activity and chief audit executive as contained in the internal audit charter. To demonstrate conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards, the results of external and periodic internal assessments are communicated upon completion of such assessments and the results of on-going monitoring are communicated at least annually. The results include the assessor's or assessment team's evaluation with respect to the degree of conformance.</p> <p>Public sector requirement: Progress against any improvement plans, agreed following external assessment, must be reported in the annual report.</p>				<p>Included under the 'Reporting' section of the Internal Audit Charter. Also included in the annual report. (Also see section 10 of Quality Manual).</p> <p>This will form part of the standard reporting process.</p>
1321	Use of Conforms with the International Standards for the Professional Practice of Internal Auditing				
	The chief audit executive may state that the internal audit activity conforms with the International Standards for the Professional Practice of Internal Auditing only if the results of the quality assurance and improvement programme support this statement.	Y			On the assumption that there is no evidence to the contrary.

PUBLIC SECTOR INTERNAL AUDIT STANDARDS: Applying the IIA International Standards to the UK Public Sector

Sectn. /Std.	Adherence to the Standard	Y	P	N	Evidence
	<p>Interpretation: The internal audit activity conforms with the International Standards when it achieves the outcomes described in the Definition of Internal Auditing, Code of Ethics and International Standards.</p> <p>The results of the quality assurance and improvement programme include the results of both internal and external assessments. All internal audit activities will have the results of internal assessments. Internal audit activities in existence for at least five years will also have the results of external assessments.</p>				
1322	Disclosure of Non-Conformance				
	When non-conformance with the Definition of Internal Auditing, the Code of Ethics or the Standards impacts the overall scope or operation of the internal audit activity, the chief audit executive must disclose the non-conformance and the impact to senior management and the board.	Y			This is part of the standard assessment process.
	Public sector requirement: Instances of non-conformance must be reported to the board. More significant deviations must be considered for inclusion in the governance statement.				See above.

Agenda Item 10

ITEM NO. 10 Appendix A

PUBLIC SECTOR INTERNAL AUDIT STANDARDS: Applying the IIA International Standards to the UK Public Sector

Sectn. /Std.	Adherence to the Standard	Y	P	N	Evidence
	Performance Standards				
2000	Managing the Internal Audit Activity				
	The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organisation.	Y			This is part of the audit process. All internal audit briefs are agreed with senior management. Value for money considerations is also part of the standard audit brief
	<p>Interpretation: The internal audit activity is effectively managed when:</p> <ul style="list-style-type: none"> • The results of the internal audit activity's work achieve the purpose and responsibility included in the internal audit charter; • The internal audit activity conforms with the Definition of Internal Auditing and the Standards; and • The individuals who are part of the internal audit activity demonstrate conformance with the Code of Ethics and the Standards. <p>The internal audit activity adds value to the organisation (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management and control processes.</p>				See above
2010	Planning				
	The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.	Y			See above. The audit planning process is risk based. Also all internal audit briefs are risk based and have risk as a standard control item on the audit brief.
	Interpretation: The chief audit executive is responsible for developing a risk-based plan. The chief audit				

PUBLIC SECTOR INTERNAL AUDIT STANDARDS: Applying the IIA International Standards to the UK Public Sector

Sectn. /Std.	Adherence to the Standard	Y	P	N	Evidence
	<p>executive takes into account the organisation's risk management framework, including using risk appetite levels set by management for the different activities or parts of the organisation. If a framework does not exist, the chief audit executive uses his/her own judgment of risks after consideration of input from senior management and the board. The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems, and controls.</p> <p>Public sector requirement: The risk-based plan must take into account the requirement to produce an annual internal audit opinion and the assurance framework. It must incorporate or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities.</p>				See above and also the internal audit plan.
	<p>2010.A1 The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.</p>				The audit plan gives consideration to the Councils strategic risk assessment process.
	<p>2010.A2 The chief audit executive must identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinions and other conclusions.</p>				This is part of the standard audit process. Timely discussions are undertaken with management if it is likely that expectations could be breached.
	<p>2010.C1 The chief audit executive should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value and improve the organisation's operations. Accepted engagements must be included in the plan.</p>				This is part of standard audit process. .

PUBLIC SECTOR INTERNAL AUDIT STANDARDS: Applying the IIA International Standards to the UK Public Sector

Sectn. /Std.	Adherence to the Standard	Y	P	N	Evidence
2020	Communication and Approval				
	The chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief audit executive must also communicate the impact of resource limitations.	Y			This is part of the standard process. Where appropriate additional resources have been obtained through commissioning of agency staff
2030	Resource Management				
	The chief audit executive must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.	Y			See above
	<p>Interpretation: Appropriate refers to the mix of knowledge, skills and other competencies needed to perform the plan. Sufficient refers to the quantity of resources needed to accomplish the plan. Resources are effectively deployed when they are used in a way that optimises the achievement of the approved plan.</p> <p>Public sector requirement: The risk-based plan must explain how internal audit's resource requirements have been assessed.</p> <p>Where the chief audit executive believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences must be brought to the attention of the board.</p>		P		<p>The team currently has an establishment of seven staff, one of which is an admin assistant. The ARAFM performs the role of CAE and to a large extent that of Audit Manager. There is room for further improvement in the organisational arrangements affecting the structure in that sense (see action plan).</p> <p>Regarding qualifications, the ratio is 33% relevant qualifications. Opportunities for staff to obtain qualification are available and staff are actively encouraged to pursue professional qualifications (see action point above).</p>
2040	Policies and Procedures				
	The chief audit executive must establish policies and procedures to guide the internal audit activity.	Y			The existing quality manual and relevant procedures

Sectn. /Std.	Adherence to the Standard	Y	P	N	Evidence
					<p>have been under review to refresh and update as appropriate in order to reflect the requirements of the PSIAS.</p> <p>Periodic technical meetings are held in addition to monthly team meetings and quarterly quality meetings in order to address and update technical and address any skills gaps or quality issues identified through the review process or from an analysis of the customer satisfaction questionnaire process.</p> <p>The above process together with the quality manual set out the processes for identifying, implementing and managing the way in which services are delivered, and the methods by which function would ensure continuous improvement of Quality and service delivery.</p> <p>The processes are subject to continuous review by management to re-affirm their adequacy for the current requirements of the service.</p>
	<p>Interpretation: The form and content of policies and procedures are dependent upon the size and structure of the internal audit activity and the complexity of its work.</p>				
2050	Coordination				

PUBLIC SECTOR INTERNAL AUDIT STANDARDS: Applying the IIA International Standards to the UK Public Sector

Sectn. /Std.	Adherence to the Standard	Y	P	N	Evidence
	The chief audit executive should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimise duplication of efforts.	Y			The ARAFM meets and liaises regularly with the external auditors. (section 11.5 Audit Charter)
	Public sector requirement: The chief audit executive must include in the risk-based plan the approach to using other sources of assurance and any work required to place reliance upon those other sources.				Part of standard assurance process
2060	Reporting to Senior Management and the Board				
	The chief audit executive must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board.	Y			Part of standard audit process (See Audit Charter para 9 and Quality manual (Para 10.3 to 10.5).
	Interpretation: The frequency and content of reporting are determined in discussion with senior management and the board and depend on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management or the board.				
2070	External Service Provider and Organisational Responsibility for Internal Audit				
	When an external service provider serves as the internal audit activity, the provider must make the organisation aware that the organisation has the responsibility for maintaining an effective internal audit activity.				
	Interpretation: This responsibility is demonstrated through the quality assurance and improvement programme which assesses conformance with the Definition of				

PUBLIC SECTOR INTERNAL AUDIT STANDARDS: Applying the IIA International Standards to the UK Public Sector

Sectn. /Std.	Adherence to the Standard	Y	P	N	Evidence
	Internal Auditing, the Code of Ethics and the International Standards.				
2100	Nature of Work				
	The internal audit activity must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach.	Y			Part of standard audit process.
2110	Governance				
	<p>The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:</p> <ul style="list-style-type: none"> • Promoting appropriate ethics and values within the organisation; • Ensuring effective organisational performance management and accountability; • Communicating risk and control information to appropriate areas of the organisation; and • Coordinating the activities of and communicating information among the board, external and internal auditors and management. 	Y			Part of Audit process as set out in the Audit Charter and the Quality Manual.
	<p>2110.A1</p> <p>The internal audit activity must evaluate the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities.</p>				
	<p>2110.A2</p> <p>The internal audit activity must assess whether the information technology governance of the organisation supports the organisation's strategies and objectives.</p>				
2120	Risk Management				
	The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.	Y			See above.

Agenda Item 10

ITEM NO. 10 Appendix A

PUBLIC SECTOR INTERNAL AUDIT STANDARDS: Applying the IIA International Standards to the UK Public Sector

Sectn. /Std.	Adherence to the Standard	Y	P	N	Evidence
	<p>Interpretation: Determining whether risk management processes are effective is a judgment resulting from the internal auditor's assessment that:</p> <ul style="list-style-type: none"> Organisational objectives support and align with the organisation's mission; Significant risks are identified and assessed; Appropriate risk responses are selected that align risks with the organisation's risk appetite; and Relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management and the board to carry out their responsibilities. <p>The internal audit activity may gather the information to support this assessment during multiple engagements. The results of these engagements, when viewed together, provide an understanding of the organisation's risk management processes and their effectiveness.</p> <p>Risk management processes are monitored through on-going management activities, separate evaluations, or both.</p>				<p>All internal audit briefs have risk management control as a standard control object</p> <p>The risk management process is reviewed regularly</p> <p>Internal audit co-ordinates risk assessments and risk actions co-ordination and reports to the Audit Committee and Board on progress of risk management.</p> <p>Internal audit is careful not become too close to risk ownership of operational areas, as this is a management function.</p> <p>Internal audit can offer advice and guidance on control and control requirements.</p>
	<p>2120.A1 The internal audit activity must evaluate risk exposures relating to the organisation's governance, operations and information systems regarding the:</p> <ul style="list-style-type: none"> Achievement of the organisation's strategic objectives; Reliability and integrity of financial and operational information; Effectiveness and efficiency of operations and programmes; Safeguarding of assets; and Compliance with laws, regulations, policies, procedures and contracts. 				See above.
	<p>2120.A2 The internal audit activity must evaluate the potential for the occurrence of fraud and how the</p>				Part of standard audit process.

PUBLIC SECTOR INTERNAL AUDIT STANDARDS: Applying the IIA International Standards to the UK Public Sector

Sectn. /Std.	Adherence to the Standard	Y	P	N	Evidence
	organisation manages fraud risk.				
	2120.C1 During consulting engagements, internal auditors must address risk consistent with the engagement's objectives and be alert to the existence of other significant risks.				
	2120.C2 Internal auditors must incorporate knowledge of risks gained from consulting engagements into their evaluation of the organisation's risk management processes.				
	2120.C3 When assisting management in establishing or improving risk management processes, internal auditors must refrain from assuming any management responsibility by actually managing risks.				
2130	Control				
	The internal audit activity must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.	Y			This is part of the audit process and included in the scope of audit briefs.
	2130.A1 The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems regarding the: <ul style="list-style-type: none"> • Achievement of the organisation's strategic objectives; • Reliability and integrity of financial and operational information; • Effectiveness and efficiency of operations and programmes; • Safeguarding of assets; and • Compliance with laws, regulations, policies, procedures and contracts. 				See above and internal audit files.
	2130.C1				Joined up approach is

Sectn. /Std.	Adherence to the Standard	Y	P	N	Evidence
	Internal auditors must incorporate knowledge of controls gained from consulting engagements into the evaluation of the organisation's control processes.				evidenced through technical and quality meetings.
2200	Engagement Planning				
	Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing and resource allocations.	Y			Part of standard audit process. See section 9 Quality Manual. Also evidenced within audit files.
2201	Planning Considerations				
	In planning the engagement, internal auditors must consider: <ul style="list-style-type: none"> The objectives of the activity being reviewed and the means by which the activity controls its performance; The significant risks to the activity, its objectives, resources and operations and the means by which the potential impact of risk is kept to an acceptable level; The adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model; and The opportunities for making significant improvements to the activity's governance, risk management and control processes. 	Y			See above.
	2201.A1 When planning an engagement for parties outside the organisation, internal auditors must establish a written understanding with them about objectives, scope, respective responsibilities and other expectations, including restrictions on distribution of the results of the engagement and access to engagement records.				
	2201.C1 Internal auditors must establish an understanding with consulting engagement clients about objectives, scope, respective responsibilities and other client expectations. For significant				

PUBLIC SECTOR INTERNAL AUDIT STANDARDS: Applying the IIA International Standards to the UK Public Sector

Sectn. /Std.	Adherence to the Standard	Y	P	N	Evidence
	engagements, this understanding must be documented.				
2210	Engagement Objectives				
	Objectives must be established for each engagement.	Y			See above.
	2210.A1 Internal auditors must conduct a preliminary assessment of the risks relevant to the activity under review. Engagement objectives must reflect the results of this assessment.				
	2210.A2 Internal auditors must consider the probability of significant errors, fraud, non-compliance and other exposures when developing the engagement objectives.				
	2210.A3 Adequate criteria are needed to evaluate governance, risk management and controls. Internal auditors must ascertain the extent to which management and/or the board has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, internal auditors must use such criteria in their evaluation. If inadequate, internal auditors must work with management and/or the board to develop appropriate evaluation criteria. Public sector interpretation: In the public sector, criteria are likely to include value for money.				
	2210.C1 Consulting engagement objectives must address governance, risk management and control processes to the extent agreed upon with the client.				
	2210.C2 Consulting engagement objectives must be consistent with the organisation's values,				

Agenda Item 10

ITEM NO. 10 Appendix A

PUBLIC SECTOR INTERNAL AUDIT STANDARDS: Applying the IIA International Standards to the UK Public Sector

Sectn. /Std.	Adherence to the Standard	Y	P	N	Evidence
	strategies and objectives.				
2220	Engagement Scope				
	The established scope must be sufficient to satisfy the objectives of the engagement.	Y			Part of standard audit process. See section 9 Quality Manual. Also evidenced within audit files.
	2220.A1 The scope of the engagement must include consideration of relevant systems, records, personnel and physical properties, including those under the control of third parties.				
	2220.A2 If significant consulting opportunities arise during an assurance engagement, a specific written understanding as to the objectives, scope, respective responsibilities and other expectations should be reached and the results of the consulting engagement communicated in accordance with consulting standards.				
	2220.C1 In performing consulting engagements, internal auditors must ensure that the scope of the engagement is sufficient to address the agreed-upon objectives. If internal auditors develop reservations about the scope during the engagement, these reservations must be discussed with the client to determine whether to continue with the engagement.				
	2220.C2 During consulting engagements, internal auditors must address controls consistent with the engagement's objectives and be alert to significant control issues.				
2230	Engagement Resource Allocation				
	Internal auditors must determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature	Y			Part of standard audit process. See section 9 Quality Manual. Also

Sectn. /Std.	Adherence to the Standard	Y	P	N	Evidence
	and complexity of each engagement, time constraints and available resources.				evidenced within audit files.
2240	Engagement Work Programme				
	Internal auditors must develop and document work programmes that achieve the engagement objectives.	Y			Part of standard audit process. See section 9 Quality Manual. Also evidenced within audit files
	2240.A1 Work programmes must include the procedures for identifying, analysing, evaluating and documenting information during the engagement. The work programme must be approved prior to its implementation and any adjustments approved promptly.				
	2240.C1 Work programmes for consulting engagements may vary in form and content depending upon the nature of the engagement.				
2300	Performing the Engagement				
	Internal auditors must identify, analyse, evaluate and document sufficient information to achieve the engagement's objectives.	Y			Part of standard audit process. See section 9 Quality Manual. Also evidenced within audit files
2310	Identifying Information				
	Internal auditors must identify sufficient, reliable, relevant and useful information to achieve the engagement's objectives.	Y			Part of standard audit process. See section 9 Quality Manual. Also evidenced within audit files.
	Interpretation: Sufficient information is factual, adequate and convincing so that a prudent, informed person would reach the same conclusions as the auditor. Reliable information is the best attainable information through the use of appropriate engagement techniques. Relevant information				

Agenda Item 10

ITEM NO. 10 Appendix A

PUBLIC SECTOR INTERNAL AUDIT STANDARDS: Applying the IIA International Standards to the UK Public Sector

Sectn. /Std.	Adherence to the Standard	Y	P	N	Evidence
	supports engagement observations and recommendations and is consistent with the objectives for the engagement. Useful information helps the organisation meet its goals.				
2320	Analysis and Evaluation				
	Internal auditors must base conclusions and engagement results on appropriate analyses and evaluations.	Y			Part of standard audit process. See section 9 Quality Manual. Also evidenced within audit files
2330	Documenting Information				
	Internal auditors must document relevant information to support the conclusions and engagement results.	Y			Part of standard audit process. See section 9 Quality Manual. Also evidenced within audit files
	2330.A1 The chief audit executive must control access to engagement records. The chief audit executive must obtain the approval of senior management and/or legal counsel prior to releasing such records to external parties, as appropriate.				The ARAFM does not release these records without authority except to the External Auditors
	2330.A2 The chief audit executive must develop retention requirements for engagement records, regardless of the medium in which each record is stored. These retention requirements must be consistent with the organisation's guidelines and any pertinent regulatory or other requirements.				
	2330.C1 The chief audit executive must develop policies governing the custody and retention of consulting engagement records, as well as their release to internal and external parties. These policies must be consistent with the organisation's guidelines and any pertinent regulatory or other requirements.				Will be fully achieved in the revised Quality Manual.
2340	Engagement Supervision				

Sectn. /Std.	Adherence to the Standard	Y	P	N	Evidence
	Engagements must be properly supervised to ensure objectives are achieved, quality is assured and staff are developed.	Y			Part of standard audit process. See section 9 Quality Manual. Also evidenced within audit files.
	<p>Interpretation:</p> <p>The extent of supervision required will depend on the proficiency and experience of internal auditors and the complexity of the engagement. The chief audit executive has overall responsibility for supervising the engagement, whether performed by or for the internal audit activity, but may designate appropriately experienced members of the internal audit activity to perform the review. Appropriate evidence of supervision is documented and retained.</p>				
2400	Communicating Results				
	Internal auditors must communicate the results of engagements.	Y			Part of standard audit process see section 10 Quality Manual.
2410	Criteria for Communicating				
	Communications must include the engagement's objectives and scope as well as applicable conclusions, recommendations and action plans.	Y			Part of standard audit process (see Quality Manual).
	<p>2410.A1</p> <p>Final communication of engagement results must, where appropriate, contain internal auditors' opinion and/or conclusions. When issued, an opinion or conclusion must take account of the expectations of senior management, the board and other stakeholders and must be supported by sufficient, reliable, relevant and useful information.</p> <p>Interpretation:</p> <p>Opinions at the engagement level may be ratings, conclusions or other descriptions of the results. Such an engagement may be in relation to controls around a specific process, risk or business unit. The formulation of such opinions requires consideration of the engagement results</p>				

Agenda Item 10

ITEM NO. 10 Appendix A

PUBLIC SECTOR INTERNAL AUDIT STANDARDS: Applying the IIA International Standards to the UK Public Sector

Sectn. /Std.	Adherence to the Standard	Y	P	N	Evidence
	and their significance.				
	2410.A2 Internal auditors are encouraged to acknowledge satisfactory performance in engagement communications.				
	2410.A3 When releasing engagement results to parties outside the organisation, the communication must include limitations on distribution and use of the results.				
	2410.C1 Communication of the progress and results of consulting engagements will vary in form and content depending upon the nature of the engagement and the needs of the client.				
2420	Quality of Communications				
	Communications must be accurate, objective, clear, concise, constructive, complete and timely.	Y			Part of standard audit process and quality review system.
	Interpretation: Accurate communications are free from errors and distortions and are faithful to the underlying facts. Objective communications are fair, impartial and unbiased and are the result of a fair-minded and balanced assessment of all relevant facts and circumstances. Clear communications are easily understood and logical, avoiding unnecessary technical language and providing all significant and relevant information. Concise communications are to the point and avoid unnecessary elaboration, superfluous detail, redundancy and wordiness. Constructive communications are helpful to the engagement client and the organisation and lead to improvements where needed. Complete communications lack nothing that is essential to the target audience and include all significant and relevant information and observations to support recommendations and conclusions. Timely				

PUBLIC SECTOR INTERNAL AUDIT STANDARDS: Applying the IIA International Standards to the UK Public Sector

Sectn. /Std.	Adherence to the Standard	Y	P	N	Evidence
	communications are opportune and expedient, depending on the significance of the issue, allowing management to take appropriate corrective action.				
2421	Errors and Omissions				
	If a final communication contains a significant error or omission, the chief audit executive must communicate corrected information to all parties who received the original communication.	Y			See above.
2430	Use of Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing				
	Internal auditors may report that their engagements are conducted in conformance with the International Standards for the Professional Practice of Internal Auditing, only if the results of the quality assurance and improvement programme support the statement.	Y			Part of standard quality process.
2431	Engagement Disclosure of Non-conformance				
	When non-conformance with the Definition of Internal Auditing, the Code of Ethics or the Standards impacts a specific engagement, communication of the engagement results must disclose the: <ul style="list-style-type: none"> • Principle or rule of conduct of the Code of Ethics or Standard(s) with which full conformance was not achieved; • Reason(s) for non-conformance; and • Impact of non-conformance on the engagement and the communicated engagement results. 	Y			On the assumption that there is no evidence to the contrary.
2440	Disseminating Results				
	The chief audit executive must communicate results to the appropriate parties.	Y			Standard audit process.
	Interpretation: The chief audit executive is responsible for				Part of standard audit process.

Agenda Item 10

ITEM NO. 10 Appendix A

PUBLIC SECTOR INTERNAL AUDIT STANDARDS: Applying the IIA International Standards to the UK Public Sector

Sectn. /Std.	Adherence to the Standard	Y	P	N	Evidence
	reviewing and approving the final engagement communication before issuance and deciding to whom and how it will be disseminated.				
	2440.A1 The chief audit executive is responsible for communicating the final results to parties who can ensure that the results are given due consideration.				See above.
	2440.A2 If not otherwise mandated by legal, statutory, or regulatory requirements, prior to releasing results to parties outside the organisation the chief audit executive must: <ul style="list-style-type: none"> Assess the potential risk to the organisation; Consult with senior management and/ or legal counsel as appropriate; and Control dissemination by restricting the use of the results. 				
	2440.C1 The chief audit executive is responsible for communicating the final results of consulting engagements to clients.				
	2440.C2 During consulting engagements, governance, risk management and control issues may be identified. Whenever these issues are significant to the organisation, they must be communicated to senior management and the board.				
2450	Overall Opinions				
	When an overall opinion is issued, it must take into account the expectations of senior management, the board and other stakeholders and must be supported by sufficient, reliable, relevant and useful information.	Y			Part of standard audit process.
	Interpretation: The communication will identify: <ul style="list-style-type: none"> The scope including the time period to which the opinion pertains. 				

Sectn. /Std.	Adherence to the Standard	Y	P	N	Evidence
	<ul style="list-style-type: none"> Scope limitations. Consideration of all related projects including the reliance on other assurance providers. The risk or control framework or other criteria used as a basis for the overall opinion. The overall opinion, judgment or conclusion reached. <p>The reasons for an unfavourable overall opinion must be stated.</p> <p>Public sector requirement: The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.</p> <p>The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.</p> <p>The annual report must incorporate:</p> <ul style="list-style-type: none"> The opinion; A summary of the work that supports the opinion; and A statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme. 				
2500	Monitoring Progress				
	The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.	Y			Part of standard audit process.
	2500.A1 The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.				
	2500.C1				

Agenda Item 10

ITEM NO. 10 Appendix A

PUBLIC SECTOR INTERNAL AUDIT STANDARDS: Applying the IIA International Standards to the UK Public Sector

Sectn. /Std.	Adherence to the Standard	Y	P	N	Evidence
	The internal audit activity must monitor the disposition of results of consulting engagements to the extent agreed upon with the client.				
2600	Communicating the Acceptance of Risks				
	When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organisation, the chief audit executive must discuss the matter with senior management. If the chief audit executive determines that the matter has not been resolved, the chief audit executive must communicate the matter to the board.	Y			
	Interpretation: The identification of risk accepted by management may be observed through an assurance or consulting engagement, monitoring progress on actions taken by management as a result of prior engagements, or other means. It is not the responsibility of the chief audit executive to resolve the risk.				

INTERNAL AUDIT ANNUAL REPORT 2013/14

Audit Committee – 10 June 2014

Report of the: Chief Finance Officer

Status: For Consideration

Key Decision: No

This report supports the Key Aim of Effective Management of Council Resources

Portfolio Holder Cllr. Ramsay

Contact Officer(s) Bami Cole Ext. 7236

Recommendation to Audit Committee: That Members:

- a) approve the work of the Internal Audit Team for 2013/14; and
 - b) support the Audit Manager's Annual Assurance opinion that the Council had effective internal controls and governance arrangements in place for delivering its objectives and the management of its business risks.
-

Introduction

- 1 This report sets out the achievements of the Internal Audit team in delivering the assurance requirements for the period April 2013 to March 2014. This is the second report of its kind to the new Audit Committee and is in compliance with the committee's terms of reference remind, to review and support the work of Internal Audit in delivering the assurance requirement for the Council.
- 2 The report is prepared in compliance with the Accounts and Audit Regulations 2011, and professional guidance issued by CIPFA. The report also took account of the outcome of the review of the effectiveness of the Internal Audit function which is attached as a separate agenda item for this meeting. Members may note that this report also supports the Council's Annual Governance Statement (AGS) which will also be considered by this committee along with the Statements in June 2014.

Summary of Issues Raised Within the Report

- 3 Details of the activities of the team during the year 2013/14 are attached as an Appendix to this report. Annex 1 to the Appendix sets out details of the work done in completing the annual internal audit plan for 2013/14 and outcome of each review. Annex 2 details summaries of reports issued since the last meeting of this committee.
- 4 In 2013/14 the team completed 21 reviews. This is equivalent to 100% of the revised internal audit plan. The original plan consisted of 22 reviews. This was

Agenda Item 11

later revised to 21 reviews and Members agreed at the meeting in January 2014 to defer one review, for operational reasons. The deferred review was taken forward to the annual audit plan for 2014/15. Paragraph 35 of the Appendix sets out the summary of the team's performance indicators for 2013/14.

- 5 Based on the work completed in 2013/14 and other sources of assurance available to the team, the Audit Manager's overall annual assurance opinion is that the Council's arrangements for internal control, risk management, governance and anti-fraud during the period is "effective" (see paragraph 4.1 in the Appendix) for regulatory purposes. This opinion will be taken into consideration during the preparation of the Annual Governance Statement.
- 6 Details of the achievements of the team during the year are included in paragraphs 5 to 14 of the Appendix and outturn data for performance are set out on pages 7 to 11 of the Appendix.
- 7 In summary, the overall impact of the report is that the team has performed well within its available resources and has met the objective of providing an adequate and effective internal audit and control framework for the Council during the year.

Audit Partnership with Dartford Borough Council

- 8 This is the fourth annual report following the shared services arrangement with Dartford Borough Council for the provision of a joint internal audit service. The audit service has operated well during the year and has produced a satisfactory level of assurance to both councils.

Key Implications

Financial

This report has no financial implications.

Legal Implications and Risk Assessment Statement

This report has no additional legal implications other than stated above. The report addresses the risk associated with non-compliance with Accounts and Audit 2011 and public Sector Audit Standards. It is management view that the relevant risks are effectively being managed.

Value for Money and Asset Management

A robust internal audit function contributes to the effective management of the Council and would help mitigate against poor value for money in service provision.

Equality Impacts

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
a. Does the decision being made or recommended through this paper have potential to	No	

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
disadvantage or discriminate against different groups in the community?		
b. Does the decision being made or recommended through this paper have the potential to promote equality of opportunity?	No	
c. What steps can be taken to mitigate, reduce, avoid or minimise the impacts identified above?		N/A

Conclusions

The report sets out the achievements of the Internal Audit Team for the period 2013/14, and concludes that the Council's arrangement for internal control, risk management, governance and anti-fraud are effective. This opinion is based on the work completed by Internal Audit during the year and other available sources of assurance. This Committee is requested to approve the report and support the assurance opinion for the year.

Appendices

Appendix A – Internal Audit Annual Report 2013/14

Background Papers:

[The Accounts and Audit \(England\) Regulations 2011](#)

[Public Sector Internal Audit Standards](#)

[Annual Internal Audit Plan 2013/14](#)

Adrian Rowbotham
Chief Finance Officer

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Internal Audit Annual Report

2013/14



**SEVENOAKS DISTRICT COUNCIL
ANNUAL INTERNAL AUDIT REPORT 2013/14**

Contents

Section	Page Number
Background	3
Introduction	3
Internal Audit Assurance Opinion	3
Details of Activities During The Year	4-5
Internal Audit Approach	6-7
Internal Audit Section Performance	7-11
Summary of Reports Issued 2013/14 – Annex 1	12
Details of Reports Issued since Last meeting - Annex 2	13-16
Definition of Audit Opinions – Annex 3	17
Revised Opinions and Definitions – Annex 4	18-20

**SEVENOAKS DISTRICT COUNCIL
INTERNAL AUDIT REPORT 2013/14**

Background

1. This report deals with the outcome of the work undertaken by the Audit and Risk and Anti-Fraud Team for the period 2013/14. The report also contains the overall Assurance Opinion of the Internal Audit Manager regarding the effectiveness of the systems of internal controls within the Council for the period 2013/14; and a summary of the reviews carried out, including outturn performance indicators for the period.

Members may note that this is the fourth annual report following the shared services agreement with Dartford Borough Council.

2. The Accounts and Audit Regulations 2011, require local Councils to comply with proper practices regarding their arrangements for internal audit and internal control. This requires compliance with the new mandatory Public Sector Internal Audit Standards which came into effect on 1 April 2013. This report is therefore prepared in compliance with the new standards and the practice notes issued CIPFA in 2013.

Introduction

- 3 This report sets out the following details relating to the team's service plan objectives for 2013/14:
 - Provides an overall assurance opinion on the adequacy and effectiveness of the organisations control environment for 2013/14
 - Summarises the outcome of the team's work during 2013/14 with respect to:
 - The Annual Internal Audit Plan for 2013/14
 - Risk Management
 - Annual Governance Statement
 - Assesses Internal Audit performance against a range of performance measures
 - Summarises the result of 2013/14 audit reviews. (Annex 1)
 - Summaries of outcome of the findings and recommendations of reports issued since the last meeting of the committee are attached in Annex 2

Basis of the opinion on the Council's Internal Control Environment

4. The Internal Audit Manager's opinion on the Council's system of internal control environment is substantially based on the work of the Audit, Risk and Anti-Fraud team during 2013/14, details of which can be found in Annex 1 of this report. Other sources of assurance are also taken into consideration in the overall opinion where appropriate.

**SEVENOAKS DISTRICT COUNCIL
INTERNAL AUDIT REPORT 2013/14**

4.1. Overall Assurance Opinion

Based on the audit work undertaken throughout the year, responses to our recommendations and our fraud or irregularity investigations; and giving regard to other sources of assurance; in my opinion as Internal Audit Manager, Sevenoaks District Council's system of internal control contributes effectively to the proper, economic, efficient and effective use of resources in achieving the Council's objectives. This opinion is based on the work of the Internal Audit Service during 2013-14 and giving regard to the work of the External Auditors.

Whilst it was identified that management had, in the main, established effective internal controls within the areas reviewed by internal audit during 2013-14, there were areas which presented opportunities for further improvement in internal control, or where compliance with existing controls could be enhanced, to reduce the financial, legal or reputational risk to the Council. Where such findings were identified, recommendations were agreed with management to further strengthen the controls within the systems/processes they affect.

The system of internal control is designed to manage risks to a reasonable level rather than to eliminate all risks of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

Activities During The Year - Internal Audit

5. The key responsibility of the team is to provide an in-house internal audit service on behalf of the Council.
6. Internal Audit is defined by the new Public Sector Internal Audit Standards 2013, as; "an independent, objective assurance and consulting activity designed to add value to improve the operations of the Council. It assists the Council to accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the Council's risk management, control, and governance processes".
7. The original audit plan for 2013/14 contained 22 reviews for 2013/14. During the year the plan was revised to reflect available resources and to take account of risk and materiality in delivering the assurance requirements for 2013/14. One review was deferred which has been included in the annual audit plan for 2014/15. The remaining reviews have all been completed at least to draft report stage. A summary of the outcome of reviews is attached as Annex 1 to this report.
8. The key aspects of our internal control responsibilities are aimed at achieving the following:
 - to ensure adherence to Council policies and directives in order to achieve the organisation's objectives
 - to safeguard assets
 - to secure the relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of records and

**SEVENOAKS DISTRICT COUNCIL
INTERNAL AUDIT REPORT 2013/14**

-
- to ensure compliance with statutory requirements.
9. An additional responsibility is that internal audit works closely with the Council's external auditors in order to minimise duplication and disruption to service. We also share our findings which contribute towards strengthening of internal controls an assurance.
 10. Annex 1 shows a summary of the findings and opinions on individual reviews conducted during the year. Given that some of the audit work was carried out over a year ago, where appropriate, an updated opinion is given to reflect changes over the period and the position as at 16 May 2014.
 11. There were no significant issues arising from the work done with regard to the audit plan. We received a good response to our recommendations to improve control across the organisation. To date departments have implemented 16 (46%) (16, 35% in 2012/13) of our recommendations, immediately following the audit, with action in progress, or have plans to implement the remainder within an agreed timescale.

Prepare the Internal Audit Plan for 2014/15

12. The audit plan for 2014/15 was presented to the Audit Committee in March 2014. The plan is risk based, and reflects the Council's risk profile. At the time of audit planning, operational risk registers were being updated and the strategic risk register was under review by senior management. The internal audit plan is designed to be flexible to the needs of the Council and would therefore be revised as necessary to reflect any changes in risk profiles, or the Council's priorities. . Any revisions to the audit plan will be presented to the next meeting of the Audit Committee for approval.

Risk Management

13. During the year substantial progress was made in implementing the new risk management framework. The new risk management Strategy was approved both by the Audit Committee and Cabinet. The strategic risk register has been updated and is presented as part of the papers for the June Audit Committee.

Annual Governance Statement (AGS)

14. Regulation 4 of the Accounts and Audit Regulations 2011 requires the Council to carry out an annual review of its system of internal control; risk management processes and governance arrangements. The outcomes of these reviews are required to be included in an Annual Governance Statement (AGS). The team co-ordinated the information gathering process, which fed into the production of the AGS, and offered advice, guidance and information to Management, in order to facilitate the effective completion of the process. A report on the Annual Governance Statement is included in the papers to the June Audit Committee for their consideration.

Other Activities

15. A summary of the non-core activities undertaken by the team is as follows:

**SEVENOAKS DISTRICT COUNCIL
INTERNAL AUDIT REPORT 2013/14**

- Liaise with the Council's new External Auditors to facilitate closer co-operation and minimise duplication in delivering the assurance requirements for the Council and to strengthen internal control.
- Carried out investigations and ad hoc projects as required by management in delivering the Council's objectives
- The Audit Manager also attended regular finance managers' meetings and Senior Management Group meetings

Audit Approach

16. The following sets out our approach in carrying out our audit responsibilities during 2013/14:

Risk Based System Reviews

17. When carrying out an audit review, we identify the financial and operational controls in place within the system to manage potential risks, and then evaluate and test the controls to ensure that they are operating as planned. This allows us to test only a sample of transactions and still draw conclusions about how well procedures are working in the Council. Examples of the types of controls we expect to see in place are as follows:
- up-to-date procedure notes, so that staff are aware of the procedures they should be following
 - separation of duties and third party checks, so that staff act as checks on each other's actions
 - effective supervision, so that quality is maintained and that any problems are promptly identified and addressed
 - reconciliations between financial records and other records held, to confirm the accuracy of the financial records
 - access to records is limited to those who are authorised to use it for pursuance of Council business
 - effective review of exception reports and other management information

Contract Audit

18. As well as reviewing the Council's Contracts Register, we advise on tendering procedures and compliance with legislation and regulations. We also follow the progress of the contract throughout its life where appropriate and confirm the final accounts have been checked to ensure these are in accordance with the contract and any variation orders. In accordance with guidance from CIPFA, we do not audit final accounts, as we place reliance on the technical staff responsible for managing and monitoring the contracts in compliance with Council procedures.

**SEVENOAKS DISTRICT COUNCIL
INTERNAL AUDIT REPORT 2013/14**

Fraud and Corruption

19. When a loss or potential fraud is brought to our attention or discovered during an audit, we undertake an investigation in order to determine whether the loss was as a result of an error or deliberate action. Where appropriate, we make recommendations to improve controls within the system affected by the loss or allegation. During the year 2013/14 there were two investigations undertaken.
20. We work closely with the Audit Commission's National Fraud Initiative (NFI) who provides us with 'fraud warnings' and relevant fraud data throughout the year. Where appropriate, we investigate to ensure that fraud found at other organisations is not taking place at Sevenoaks District Council, as part of the fraud risk management process. During the year we carried out investigations into data matches passed to us by the NFI. There were no significant findings from the matches investigated.

Following up Previous Year's Audits

21. Follow-up on previous audit recommendations and agreed actions is necessary to enable internal audit to assess the effectiveness of the audit recommendations implemented by management to address identified weaknesses in internal controls. When we carry out an audit, we follow up on any previous audit recommendations as part of our review. Where areas are reviewed annually this means that recommendations are usually followed up the year after they are made. However, where the audit opinion is unsatisfactory, follow-up would be carried out within 3 to 6 months of the review or sooner, where appropriate.

Internal Audit Section Performance

22. Internal Audit's performance over the past year is analysed over a number of factors in order to facilitate continuous monitoring of inputs, outputs and quality, and to maintain high professional standards. Outturn data for performance measures are highlighted below (see pages 7 to 11 below).

Quality Measures

23. *External Audit* – Grant Thornton became the new external auditors in 2012/13. During the year we worked closely with the District Auditor and staff to meet the assurance requirements.
24. The reliance placed on our work by the external auditors reduces both the duplication of audit effort and the total cost to the Council of work done by the external auditors. We will continue to work in co-operation with the external auditors in 2014 to ensure an integrated audit approach.
25. The team is ISO9001 accredited and had a successful review following the last assessment by BSI in January 2014.
26. *Audit satisfaction questionnaires* – As part of our overall approach to quality, we send a customer questionnaire to all recipients of our reports, who are asked to

**SEVENOAKS DISTRICT COUNCIL
INTERNAL AUDIT REPORT 2013/14**

comment on their satisfaction with the audit process and outcomes. The survey results received so far are summarised in the table below:

Responses to Questionnaires: –

	Question	Yes	%	No	%
1	I was given adequate notification and opportunity to contribute and comment prior to the Audit Brief being issued	17	94%	1	6%
2	Appropriate staff were interviewed	15	83%	3	17%
3	Audit objectives covered all the relevant issues	16	89%	2	11%
4	I am confident with the accuracy of the audit findings	14	78%	4	22%
5a	I was given adequate opportunity to discuss audit findings and recommendations during the feedback	16	89%	2	11%
5b	and my views were adequately reflected in the final report	15*	83%	2	11%
6a	The final audit report was timely	17	94%	1	6%
6b	and clear and understandable	18	100%		
7a	The audit recommendations in the final report were relevant,	14*	78%	3	17%
7b	practical,	16*	89%	1	6%
7c	realistic	15*	83%	2	11%
8	This audit has added value and/or assurance of adequacy (or not) of internal controls	15*	83%	2	11%
9	Did this audit identify any unknown issues	1	6%	17	94%

*Two questionnaires were marked as N/A to questions 5b 7a, 7b, 7c & 8 as they felt they either didn't apply or that there were no recommendations made in the audits.

**SEVENOAKS DISTRICT COUNCIL
INTERNAL AUDIT REPORT 2013/14**

Implementation of Recommendations

27. Following our audit all report recipients are asked to complete a monitoring sheet showing whether they agree with the recommendations made and how they plan to implement them. The results are summarised as follows:

Analysis of progress sheets

Recommendations	2013/14		2012/13	
	number	%	number	%
accepted	35	100	46	100
Rejected	0	0	0	0
recommendation implemented	16	46	16	35
implementation in progress	12	34		
implementation planned	7	20	30	65
no action recorded	0		0	

28. In total, we have agreed 35 recommendations to date in 2013/14. Some reports did not receive a recommendation, where the controls were found to be sufficiently strong and where it was felt that additional strengthening may not be cost effective (see Appendix A - Annex 1)
29. The above shows that departments are taking action on 100% of our recommendations.

Input Resources

30. **Staffing** – The team has the full complement of staff agreed in the shared services agreement between Sevenoaks and Dartford Councils. However a vacancy has arisen due to a member of staff taking up an appointment with another local authority. Also, one staff has been on long term sickness. In the short term we are covering both positions with temporary agency staff.
31. **Sickness levels** – Total sick days for the year for the team was 68 days in 2013/14, averaging approximately 17 days (12 days in 2012/13). The sickness levels are skewed by the long term illness of one staff member. Excluding the long term sickness, the average sickness is 4.6 days. The average number of sickness days for the Council as a whole for 2013/14 is 8.65 days.
32. **Training** – Training is an important part of staff development and is required to ensure continuing professional development (CPD) to equip staff with the skills they need to provide quality and an effective services and to keep abreast of regulatory and technical developments. Over the past year, team members participated in training covering the following areas:
- Internal Audit Development Day
 - Markets Administration Cash Collection System (MACCS)
 - Cedar Financials
 - IDEA
 - NFI

**SEVENOAKS DISTRICT COUNCIL
INTERNAL AUDIT REPORT 2013/14**

- Budget Monitoring
- KAG Conference
- CIPFA – Audit Conference
- ALARM Development Day
- Ivy soft (In-house on-line training on a range of subjects)

33. The section also participated in the following County Wide and professional group meetings where best practice is discussed and disseminated:

- Kent Audit Group meetings – Heads of Audit
- Institute of Internal Auditors Heads of Internal Audit Forum

Output Measures

Completion of the audit programme:

34. Twenty one reviews out of twenty one within the revised internal audit plan for 2013/14 were completed to at least to draft stage. The original plan consisted of 22 reviews. However, for operational reasons the plan was revised in January 2014. One review was deferred and approved by the Audit Committee.

Performance measures

35. In 2013/14, the team was measured against the following Pls for Internal Audit based on the CIPFA guidance. The following shows actual performance against targets for 2012/13.

	Measure	Target	Actual 2013/14	Actual 2012/13
1	Percentage of internal audit time spent on direct activity	80% of available time.	88%	82.59%
2	Efficiency of the audit service	95% of draft reports issued within 15 working days of completion of the audit fieldwork.	*89% (16/18)	95 %
3	Efficiency of the audit service	95% of audits achieved in allocated days (+10%)	**48% (10/21)	90%
4	Client satisfaction with audits carried out	92% client satisfaction as indicated by the responses to the post audit	89%	100%

**SEVENOAKS DISTRICT COUNCIL
INTERNAL AUDIT REPORT 2013/14**

		<i>questionnaires.</i>		
5	<i>Completion of the Internal Audit Plan</i>	95 %	100%	100%

36. * Item 2 is mainly due to the impact of long term sickness of key staff.

**item 3 is partly due to long term sickness and also the fact that additional issues arise during some reviews which were outside scope, but which required further investigating, in order to provide an appropriate level of assurance. The additional time required for conducting the investigation was included in the original review planned time, instead of separately. We have subsequently implemented new procedures to ensure that additional work carried out which fell outside the initial audit scope will be shown separately in future.

**SEVENOAKS DISTRICT COUNCIL
INTERNAL AUDIT REPORT 2013/14**

Appendix A - Annex 1 – Summary of Reports Issued During the Year

Audit title	Opinion
Sundry Debtors 2012/13	Good/Good
IT Implementation & Network 2012/13	Satisfactory/Unsatisfactory
Direct Services – Dunbrik 2012/13	Satisfactory/Satisfactory
Council Tax/NNDR	Good/Good
Cash & Bank Reconciliations	Good/Good
Environmental Health Partnership 2012/13	Good/Good
Project Delivery Arrangements 2012/13	Good/Good
Corporate Health & Safety 2013/14	Good/Good
Review of Safeguarding 2013/14	Satisfactory/Satisfactory
Risk Management 2012/13	Not Applicable
Annual Governance Statement	Not Applicable
Car Parking Income	Good/Good
Section 106 Agreement 2013/14	Satisfactory/Good
Housing 2013/14	Good/Good
Direct Services – Dunbrik 2013/14	Good/Good
Council Tax Support & Housing Benefits	Good/Good
Extra Audit – Cashier Duties	Good/Good
Treasury Management 2013/14	Good/Good
Purchasing & Creditors 2013/14	Good/Good
Contract Management Arrangements 2013/14	Good/Good
Council Tax/NNDR 2013/14	Good/Satisfactory
Budgetary Control 2013/14	Good/Good
Sundry Debtors 2013/14	Good/Good
Overall Opinion	See opinion on Para 4.1

Note: See annex 4 below for definitions of audit opinions.

**SEVENOAKS DISTRICT COUNCIL
INTERNAL AUDIT REPORT 2013/14**

Appendix A – Annex 2 – Summary of Report Findings Since Last Meeting

Review of Council Tax/NDR 2013/14**Issued: 26 February 2014**

Opinion; Control Framework – Good (opinion previous year 2012-13 Good)
Compliance with Framework – Satisfactory (opinion from previous year's audit, 2012/13: Good)

The purpose of the review was to provide an assurance regarding the effectiveness of the Council's controls required for delivering service objectives for the collection of local taxes and the shared service arrangements which were introduced in December 2010 for Council Tax and Non Domestic Rates. In particular this audit addressed the arrangements for implementing the requirements of new legislation and statutory requirements. These changes took effect from 1st April 2013. To this effect, the following key risks and controls were examined;

- 1) Risk that the Council may not comply with relevant legislation, policies or good practice.
- 2) Risk that the service may not deliver its service objectives.
- 3) Risk that amendments to parameters may have been undertaken without authorisation.
- 4) Risk that the system for identifying and recording liability may not be operating correctly.
- 5) Risk that the system for collecting income including recovery arrangements and over payments may not be effective.
- 6) Risk that discounts and exemptions may not have been discontinued after claimant entitlement had ceased.
- 7) Risk that refunds of Council Tax overpayments, NDR overpayments and Housing Benefits credits may not be effectively controlled.
- 8) Risk that the introduction of Council Tax Support and Business Rates retention may not have been effectively incorporated into processes and procedures.
- 9) Risk that accuracy of the data transfer onto the computer system may not be reliable.
- 10) Risk that fraud and corruption may be undetected.
- 11) Risk that opportunities to achieve or demonstrate efficiency or value for money may not be maximised.
- 12) Risk assessments may not be undertaken and risks not adequately managed.

**SEVENOAKS DISTRICT COUNCIL
INTERNAL AUDIT REPORT 2013/14**

Audit testing results indicated that controls were fully met in eight of the aspects examined, whilst four was partially met. (These were risks 5,7,10 and 11)

The opinion of the auditor was that the Council Tax & NDR framework was “good” This meant that a high level of control framework was in place to ensure the achievement of service objectives, good corporate governance and to protect the Council against foreseeable risks. The compliance with the Council Tax & NDR framework was “satisfactory”. This meant that occasional instances of failure to comply with the control process were identified and opportunities still exist to mitigate further against potential risks.

Two recommendations were agreed with Management to address the areas where controls were partially met. These related to risks 5,7,10 and 11.

- The existing arrangements for authorising payment of a SDC housing benefit refund should be reviewed to the adequacy of existing controls. A possible solution may be for a certification by someone not part of the process. Consideration should also be given for DBC to adopt the automated process for HB refunds employed by SDC once assurances have been obtained that there are effective certification controls operating within the automated process.
- Management need to gain assurance that effective authorisation checks are in place for NDR refunds prior to the refund being paid.

Members will be advised of the progress in implementing these recommendations in due course.

Review of Budgetary Control 2013/14

Issued: 28 March 2014

Opinion: Control Framework – Good (2012-13 opinion Good)
Compliance with Framework – Good (2012-13 opinion Good)

The purpose of the review was to provide an assurance regarding the effectiveness of the robustness of the budget preparation process, including profiles. Also, the budgetary control process and monitoring arrangements, including action to identify and prevent significant variances.

To this effect, the following key risks and controls were examined;

- 1) Risk that the Council may not comply with relevant legislation, organisational policy and good practice.
- 2) Risk that the budget setting and profiling process may not be effective or timely.
- 3) Risk that there may be ineffective arrangements for monitoring and reporting budgetary activity.

**SEVENOAKS DISTRICT COUNCIL
INTERNAL AUDIT REPORT 2013/14**

-
- 4) Risk that corrective and timely action to identify and manage variances may not be taken.
 - 5) Risk that there may be ineffective arrangements over the controls for virements.
 - 6) Risk that fraud and/or corruption may be undetected.
 - 7) Risk of failure to maximise opportunities to demonstrate efficiency or VFM.
 - 8) Risk that risk assessments may not be adequately undertaken and risks not adequately managed.

Audit testing results indicated that controls were fully met in all seven of the aspects examined.

The opinion of the auditor was that the Budgetary Control framework was “good”. Additionally the implementation of the current framework was “good”. This meant that a high level of control framework was in place to ensure the achievement of service objectives, good corporate governance and to protect the Council against foreseeable risks. There was evidence that the framework of controls were substantially being complied with and the risk management process was considered to be good. Only minor errors or omissions were identified.

The review concluded that the system operates effectively, and further controls would not be economic or efficient to implement.

Review of Sundry Debtors 2013/14**Issued: 28 March 2014**

Opinion: Control Framework – Good
Compliance with Framework - Good

The purpose of the review was to provide an assurance regarding the effectiveness of the debtors system regarding fitness for purpose and compliance with Council procedures.

To this effect, the following key risks and controls were examined;

- 1) Risk that the Council may not comply with relevant legislation, organisational policy and good practice.
- 2) Risk there may be insufficient or no documentary evidence to support debtor accounts and transactions.
- 3) Risk that transactions may not be processed promptly and debtor accounts may not be up-to-date or accurate.

**SEVENOAKS DISTRICT COUNCIL
INTERNAL AUDIT REPORT 2013/14**

-
- 4) Risk that invoices may not be correct, promptly issued or contain all relevant information.
 - 5) Risk that aged debt may not be monitored and recovery action not taken.
 - 6) Risk that separation of duties may not be maintained between the invoicing function and cash collection.
 - 7) Risk that fraud and corruption may be undetected.
 - 8) Risk that opportunities to achieve or demonstrate efficiency or value for money may not be maximised.
 - 9) Risk assessments may not be adequately undertaken and risks not adequately managed.

Audit testing results indicated that:

- In relation to the Control Framework, controls were fully met for eight of the risks examined, while one (risk 1) was partially met.
- In relation to the effectiveness of the framework, controls were fully met for all nine of the risks examined.

The opinion of the auditor was that the control framework was “good”. This meant that a high level of control framework was in place to ensure the achievement of service objectives, good corporate governance and to protect the Council against foreseeable risks. The effectiveness of the control framework was also “good”.

One recommendation was agreed with Management to address the area where controls were partially met. This relates to risk 1.

- The Debt Recovery Officer should review all debtor procedures on a regular basis (at least annually) with the review date recorded on the documents even if no changes were made.

Members will be advised of the progress in implementing these recommendations in due course.

**SEVENOAKS DISTRICT COUNCIL
INTERNAL AUDIT REPORT 2013/14**

Appendix A - Annex 3

AUDIT OPINIONS - Definitions

Good	<i>Controls are in place to ensure the achievement of service objectives, good corporate governance and to protect the Council against significant foreseeable risks. Compliance with the risk management process is considered to be good and no significant or material errors or omissions were found.</i>
Satisfactory	<i>Controls exist to enable the achievement of service objectives, obtain good corporate governance, and protect against significant foreseeable risks. However, occasional instances of failure to comply with the control process were identified and opportunities still exist to mitigate further against potential risks.</i>
Adequate	<i>Controls are in place and to varying degrees are complied with but there are gaps in the control process, which weaken the system and leave the Council exposed to some minor risks. There is therefore, a need to introduce some additional controls and improve compliance with existing controls to reduce the risk to the Council.</i>
Unsatisfactory	<i>Controls are considered insufficient with the absence of at least one critical control mechanism. There is also a need to improve compliance with existing controls, and errors and omissions have been detected. Failure to improve controls leaves the Council exposed to significant risk, which could lead to major financial loss, embarrassment, or failure to achieve key service objectives.</i>
Unacceptable	<i>Controls are generally weak or non-existent, leaving the system open to abuse or error. A high number of key risks remain unidentified and therefore, unmanaged.</i>

Audit Opinions

Since January 2013 a trial of two audit opinions have been given for each audit review.

Framework. – the systems in place and controls within it.

The first opinion refers to the framework of controls in place to manage the risks. This refers to the controls in place established by management to manage the risks which could prevent the achievement of service objectives. The review of framework is designed to identify areas where there are control gaps, or a need to enhance existing controls. It will then make recommendations for additional or improved controls.

Effectiveness – the effectiveness of the controls in place.

This opinion refers to the effectiveness of existing controls. This refers to the degree of compliance with established controls. Compliance with established controls is what makes a system effective, assuming that the controls are strong enough to facilitate the effective management of identifiable risks and the delivery of objectives. Substantive testing is undertaken to assess the degree of compliance. The higher the degree of compliance, the more effective the system would be in delivering objectives. Testing will identify where controls are not achieving the required outcomes, or where they are not being followed. Recommendations will then be made to either strengthen or enforce compliance with existing controls.

No compliance testing will be undertaken where no framework exists. However, weakness or threat testing may be undertaken, in order to establish the extent of the risk, or the potential loss to the Council.

Additionally, to support this new approach, the opinions have been redefined and the revised definitions are below.

**SEVENOAKS DISTRICT COUNCIL
INTERNAL AUDIT REPORT 2013/14**

Opinion	Framework	Effectiveness(Implementation)
Excellent	... innovative frameworks are in place, which demonstrate efficiencies and excellent value for money, whilst ensuring the achievement of service objectives, good corporate governance and high level of protection for the council against foreseeable risks.	... there is full compliance with the framework of controls and the risk management process is considered to be fully effective. There is evidence of notable practice and no areas of concern were identified.
Minimum requirement	All controls are in place	All controls are fully implemented
Good	... a high level of control framework is in place to ensure the achievement of service objectives, good corporate governance and to protect the Council against foreseeable risks.	... the framework of controls is substantially being complied with and risk management process is considered to be good. Only minor errors or omissions identified
Minimum requirement	All controls are in place	51% or above of testing results are low and the remainder are medium. Limited room for further development
Satisfactory	... controls exist to enable the achievement of service objectives, obtain good corporate governance and mitigate against significant foreseeable risks.	... occasional instances of failure to comply with the control process were identified and opportunities still exist to mitigate further against potential risks.
Minimum requirement	Control requirements are substantially met	Up to 50% of testing results are medium or low. Opportunities for further developments exists requiring constructive proposals for management consideration
Unsatisfactory	... limited controls are in place but there are gaps in the process, which leave the service exposed to foreseeable risks. Hence further development in framework is needed to make the system effective.	... there is an urgent need to introduce additional controls and improve compliance with existing controls, to reduce the risk exposure to the Council.
Minimum	Control requirements are patchy	Testing results identified one or

**SEVENOAKS DISTRICT COUNCIL
INTERNAL AUDIT REPORT 2013/14**

requirement	and unreliable	more high risk
Unacceptable	... controls are considered to be inadequate or non-existent with the absence of at least one critical control mechanism. An urgent need exists to introduce appropriate level of controls without delay.	<p>... failure to urgently improve controls leaves the Council exposed to significant risk, which could lead to major financial loss, embarrassment, or failure to achieve key service objectives.</p> <p>Note: compliance testing in this circumstance may not add value. However, there would be some value in conducting weakness testing in some circumstances to determine the level of "threat" or "loss" to the Council. Hence an opinion for compliance may not be given where the framework is "unacceptable"</p>
Minimum requirement	No evidence of control exists	Testing results identified one or more very high risk.

REPORT ON THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS

Audit Committee – 10 June 2014

Report of the: Chief Finance Officer

Status: For Consideration

Key Decision: No

This report supports the Key Aim of Effective Management of Council Resources

Portfolio Holder Cllr. Ramsay

Contact Officer(s) Bami Cole Ext. 7236

Recommendation to Audit Committee: That Members consider the report on the implementation of the new Public Sector Internal Audit Standards and approve the proposals for achieving full compliance

Introduction

- 1 Members were advised at a previous meeting of the Committee regarding the requirements of the new mandatory Public Sector Internal Audit Standards (PSIAS) which came into effect in April 2013. At their meeting in September 2013, Members were informed that management was considering the new standards and will present proposals for implementing the standards to the Committee at a future meeting. This report deals with the assessment of the audit function compliance with the new standards and proposals to enable full compliance with the new standards.
- 2 The PSIAS is a ground breaking development which every public sector internal audit in the UK is required to comply with. Given its relative infancy, it is unlikely that many organisations will be fully compliant with the requirements at its introduction. This being the first assessment since the introduction of the standards, the objective was to assess the audit function against the standards and to identify areas for further development, in order to achieve full compliance within a reasonable timeframe.

Method of Assessment

- 3 In conducting the assessment, the Internal Audit Manager used the Practice Guidance Notes issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) to identify relevant areas of the function's activities which required compliance. Thus the Practice Guidance Notes was used to match against current practice in order to identify any relevant gaps or deviations. A detailed report on the results of this exercise is set out on Appendix A.

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Outcome of the Assessment

- 4 The assessment indicates that the Internal Audit function is substantially compliant with the standards. Areas for further development, where applicable, have been identified and documented in Appendix B, as an action plan.
- 5 The action plan has been sent to senior management for consideration regarding how to take the proposals forward.
- 6 The Audit Committee is requested to consider the report and the proposals within the action plan; and to endorse the proposals, or make any comments Members consider appropriate.
- 7 The Committee would be advised in due course, regarding any steps taken to achieve full compliance and their impact, or implications for the Internal Audit function.

Key Implications

Financial

The requirement for an independent external review of Internal Audit every five years is likely to incur costs. However, the indications at the moment are that it is likely to be less than £10,000 every five years.

Legal Implications and Risk Assessment Statement

Compliance with the new standards is a regulatory requirement designed to make the Internal Audit service more effective. The review of the compliance with the new standards of the Internal Audit function, is designed to ensure that the service is effective in carrying out its statutory duties, aimed at strengthening internal control, risk management and governance processes within the Council, including the minimisation of fraud risks. The outcome of the -assessment indicates that the function is substantially compliant with the new standards. Areas for further development have been identified to enable the audit function to achieve full compliance within a reasonable timeframe.

Value for Money and Asset Management

A robust Internal Audit function contributes to the effective management of the Council and would help mitigate against poor value for money in service provision.

Equality Impacts

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
a. Does the decision being made or recommended through this paper have potential to disadvantage or discriminate against different groups in the	No	

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
community?		
b. Does the decision being made or recommended through this paper have the potential to promote equality of opportunity?	No	
c. What steps can be taken to mitigate, reduce, avoid or minimise the impacts identified above?		N/A

Conclusions

The outcome of the assessment indicates that the requirements of the new Standards were substantially met. Areas for further development have been identified and set out in an action plan on Appendix B for management consideration.

Appendices

Appendix A – Report on Public Sector Internal Audit Standards

Appendix B – Action Plan

Background Papers:

[The Accounts and Audit \(England\) Regulations 2011](#)

[Public Sector Internal Audit Standards.](#)

Adrian Rowbotham
Chief Finance Officer

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Public Sector Internal Audit Standards Report – May 2014

CONTENTS PAGE:

	Page
1. Introduction	2
2. Background	2
3. Purpose of the PSIAS	4
4. Summary of Key Elements within the Standards	4
5. Definition of Internal Audit.	5
6. Key Aspects of the PSIAS	7
7. Details of Attribute Standards	7
8. Details of Performance Standards	11
9. Conclusion	14
10. Recommendation	14

Appendix – PSIAS Action Plan

Public Sector Internal Audit Standards Report – May 2014**1. Introduction**

- 1.1 This report deals with the outcome of the assessment of the Internal Audit Function against the New Public Sector Internal Audit Standards (PSIAS), which came into effect on 1 April 2013. The report identifies the degree of compliance by the Audit Function with the new mandatory standards and relevant actions required by the Shared Services Partnership to be fully compliant with the standards. Management is requested to consider and agree the proposals, or suggest amendments as appropriate. For the purposes of this report, the position referred to within the standards as Chief Audit Executive (CAE), which refers to the person with lead professional responsibility for the internal audit function, is currently performed by the Audit Risk and Anti-Fraud Manager (ARAFM). The exact title within the public sector for the lead audit officer is not prescribed within the standards, but is usually titled, Chief Internal Auditor, or Head of Internal Audit, in most public sector organisations, including local authorities.

2. Background

- 2.1 New mandatory Internal Audit Standards for the public sector came into effect from 1 April 2013. The standards provide a comprehensive and consistent framework for internal audit across the UK public sector. A summary report, for information purposes, on the new standards was sent to Management Team and the Audit Committee/Board in June 2013, ahead of this comprehensive assessment to determine the Function's compliance with the new standards.
- 2.2 The new standards were issued by the "Relevant Internal Audit Standards Setters" in the public sector; CIPFA, HM Treasury, the NHS, the Scottish, Welsh and Northern Ireland Governments. The PSAIS replaces the CIPFA Code of Practice for Internal Audit in Local Government 2006.
- 2.3 This ground breaking development (the PSIAS) encompasses the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as set out below.
- 2.4 To facilitate implementation of the standard, current procedures and practices within the Audit Function have been assessed against the Practice Notes and Self-Assessment Toolkit issued by CIPFA. The results of this assessments and relevant actions to comply with the standards are also set out below.

Public Sector Internal Audit Standards Report – May 2014

2.5 The Council's Internal Audit Service

Sevenoaks District Council and Dartford Borough Council entered into a shared services agreement in 2010 for the provision of an Internal Audit Service. The assessment and proposals in this report is intended to address the Audit Service as a single entity, but with relevant adjustments made to comply with individual Council's customs, traditions and policies, or procedures where appropriate.

Executive Summary:

The new PSIAS sets out mandatory requirements which all Public Sector Internal Audit Functions are required to comply with. This ground breaking development is intended to standardise the internal audit process across the UK Public Sector and improve the quality and effectiveness of the audit function in assisting the Council to deliver its objectives more effectively. The self-assessment of the Council's shared service internal audit service against the new standards indicates that there is substantial degree of compliance with the new standards. However, there are some key aspects which require further development or action. A summary of the key points are as follows:

- **Closer Working With Management** – whilst the independence of the internal audit function is re-emphasised, greater emphasis is placed on the effectiveness of the function. Hence internal audit must work closely with senior management to facilitate the achievement of the Council's objectives and delivering value for money.
- **Definition of Internal Audit** - The new definition of internal audit acknowledges that the internal audit service can also provide consultancy to management, in contributing towards the achievement organisation's goals and objectives. However, this work must be separated from statutory assurance requirement and must be defined.
- **Internal Audit Charter** - The Council's Internal Audit Charter would require updating to reflect the mandatory requirements of the PSIAS.
- **Responsibilities of the Chief Audit Executive (CAE)** - The PSIAS specify the responsibilities, qualifications and status of the CAE (see 1.1 above), as the professional head of the service; and that the CAE should not report at a level lower than the Corporate Management Team. Although most of the responsibilities of the CAE are included in the Audit, Risk and Anti-Fraud Manager's JD, there is a need to review the position of the ARAFM in order to determine fitness for purpose; including the position of the function within the organisation and its existing structure. (see para 7.2, 7.3 and point 3 of the action)
- **Quality Assessment and Improvement Planning** - There is a new requirement for an internal and an external quality assessment process. The external assessment should be conducted by a suitably qualified and independent external assessor. The external assessment would incur an additional cost to the Council.

Public Sector Internal Audit Standards Report – May 2014

- **Proficiency, Capability and Performance** - some aspects of the team's performance will require further development to improve individual proficiency, capability and effectiveness. This is also address on the action plan.
- **Engagement Planning** - internal audit engagement brief should not only be risk based, but should also include value for money considerations as standard, where appropriate, and agreed with relevant stake holders.
- **Annual Governance Statement** – non-conformance with the PSIAS is required to be reported in the Council's AGS

3. Purpose of the PSIAS**3.1** There are four key objectives of the PSIAS

- Define the nature of internal auditing within the UK Public Sector
- Set basic principles for carrying out internal audit in the UK Public Sector
- Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
- Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

4. Summary of Key Elements within the Standards**4.1** The standards recognise that a professional, independent and objective audit service is one of the key elements of good governance in local government. To this effect, the standard emphasised the need for internal audit to be “effective” in delivering its engagement responsibilities. An effective internal audit service is required to understand the whole of the organisation and should possess the following key characteristics:

- Understand its position with respect to the organisation's other sources of assurance and plan its work accordingly
- Be seen as a catalyst for improvement at the heart of the organisation
- Add value and assist the organisation in achieving its objectives, and
- Be forward looking – knowing where the organisation wishes to be and aware of the national agenda and its impact

Public Sector Internal Audit Standards Report – May 2014

5. Definition of Internal Audit.

5.1 A key aspect of the standard is the new definition of internal audit, as follows:

5.2 *Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.*

5.3 The above replaces the old definition within the previous CIPFA Code of Practice 2006 which is now no longer applicable:

5.4 *Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.*

5.5 Comparative Analysis with Previous Definition - The key differences are:

- a. Greater emphasis is placed on “independence” of the audit activity or function. The previous requirement was on “independence” of the audit “opinion”. The new requirement is “independence” of the audit activity.
- b. Implications: There is a need to assess where internal audit sits within the organisation in order to determine whether it sufficiently meets the requirement for independence and whether it is of sufficient status and seniority to be effective in delivering an informed and objective assurance function. This is covered in more details below (**see 7.2 below**)
- c. There is greater emphasis on consultancy, in addition to the standard assurance requirements and also “adding value” in improving an organisation's operations. Consultancy was not mentioned in the previous definition of internal audit, but it is expected that this would be driven by management. This would involve training staff to a level of proficiency not previously required for the average internal audit staff. The level of proficiency required to deliver consultancy at an effective corporate level, would be at Chartered Internal Auditor Level; Full Accountancy Qualification, or equivalent.
- d. There is also greater emphasis for the internal audit service to work towards assisting management to deliver the organisation's objectives.

Public Sector Internal Audit Standards Report – May 2014

Again this would require internal auditors to be more innovative than previously the case. Internal audit is in a unique position to affect the delivery of more effective organisational objectives, by utilising intelligence obtained of organisational risks, controls and activities in a co-ordinated and joined up way, to facilitate improvement proposals, or innovative solutions to identified problems or goals.

- e. There is also greater emphasis on utilisation of inherent skills to improve the organisation's risk management, control and governance processes. Although, these skills already exist at managerial level, the team as a whole would need some development to facilitate this across the board. In the short term, some key skills could be transferred to staff that are amenable to developing their expertise, via in-house training and development, for staff who would benefit from such opportunities and are prepared to engage in developing their skills further.
- f. The overall implication of the new definition of internal audit is that the service can no longer be viewed simply as a function which only delivers regulatory assurance; but that it can also legitimately engage in consultancy which can generate innovation and contribute more directly towards organisational improvement and achievement of organisational objectives. This was previously implicit in the old standards, but now carries a more explicit implication. However, in addition to developing staff, there would be a need to separate statutory assurance requirements (which should be separately budgeted for) from consultancy activities. Also a proposal and approval process would need to be specified.

5.6 Key attributes of independence:

5.6.1 The effectiveness of Internal Audit and the reliance which key stakeholders places on it (Audit Committee, External Audit etc.) hinges on its independence; or perceived independence. The key attributes contributing to real or perceived independence are cited as follows:

- Status of the Chief Audit Executive (CAE)/ARAFM.
- Position of the Audit Function within the organisation.
- Access to records and information for the Auditors in fulfilling their responsibilities.
- The proficiency, objectivity and diligence with which Auditors conduct their work.
- The existence of an independent Audit Committee.
- Adherence and degree of compliance to the PSIAS.

Public Sector Internal Audit Standards Report – May 2014

The internal self-assessment to the Standards indicates that the Audit function is substantially compliant with the requirements for independence. However, the position of the CAE or equivalent and the position of IA function within the organisation require further review. For e.g. currently the role of CAE is performed by the Audit, Risk and Anti-Fraud Manager, whose status is not quite at the same level as implied in the Standards. Thus this is an area for further development and has been addressed in the action plan. (See action Plan 3)

6. Key Aspects of the PSIAS

There are two key aspects of the Standards:

- 6.1 **Attribute Standards** – these apply to the type of organisation, for example, local authorities, as well as to individual auditors who are providing the internal audit service in local authorities.
- 6.2 **Performance Standards** – these describe the nature of the internal audit service provided. It also set the criteria against which the performance of an internal audit function can be measured.

7. Details of Attribute Standards

There are four key attribute standards as follows:

7.1 Purpose, Authority and Responsibility – Standard 1000

- 7.1.1 The standard requires the purpose, authority, scope and responsibilities of the internal audit service to be set out in an Internal Audit Charter, which should recognise the mandatory nature of the new standards, including the independence of internal audit. The Chief Audit Executive (Head of Internal Audit) must review the Charter annually and present it to senior management and the Board (The Audit Committee/Audit Board) for approval.
- 7.1.2 Following the initial review, a new Charter has been drafted for both Councils within the partnership, which takes account of the bespoke needs of each Council. The SDC Charter has already received MT and Committee approval. The DBC Charter is now ready for SMT approval and accompanies this report. Once approved, it will be presented to the Audit Board in June for their consideration.

7.2 Independence and Objectivity – Standard 1100

- 7.2.1 The Standard require Internal Audit to be independent and for internal auditors to be objective in the approach and conduct of their work. The

Public Sector Internal Audit Standards Report – May 2014

requirement for independence necessitates organisational and operational independence. It covers both real and perceived. The requirement is that the CAE must report to a level no lower than the corporate management team; and that the CAE should be of sufficient status within the organisation to be effective in meeting the criteria for independence and objectivity. Organisations are required to ensure that the CAE's independence is protected so that conflicts of interest, real or perceived are avoided. To facilitate this the public sector application note states that the Chief Executive (or equivalent) and the Chair of the Audit Committee should be involved in the appraisal of the lead officer for internal audit (See Action Plan 4)

- 7.2.2 Some of the criteria for independence and objectivity are met within existing arrangements. However, the role of the CAE requires review and greater clarity, as indicated above, as the most senior personnel within the audit service is the "Audit Risk and Anti-Fraud Manager", rather than a Head of Service (or equivalent) as required by the new standards. Although most of the key requirements of the CAE are within the scope of the Job Description of the Audit Manager, organisationally, the role is not consistent with that of a Head of Service, or Chief Audit Executive. The ARAFM currently performs the role of CAE as well as that of an audit manager (these roles are required to be separate and distinct) as their responsibilities are professionally separate. The role of the lead audit officer is required to be responsible for the strategic direction of the function, whilst that of an audit manager is to facilitate the operational aspects of the function. Thus there is a need to review the structure in order to determine fitness for purpose; and to ensure that the function sits at the appropriate level organisationally. The CIPFA Statement on the Role of the Head of Internal Audit 2010, states that the Head of Internal Audit must be:

"Sufficiently senior and independent within the organisation's structure to allow them to carry out their role effectively and to be able to provide credible constructive challenge to Management Team"

- 7.2.3 Also some direct reporting is done by lower grade staff to senior management at SDC (though not at DBC) which may impact on the perception of independence. This would need to be reviewed in the light of the standards to determine its appropriateness, or to transparently define the basis and scope of such reporting.

Public Sector Internal Audit Standards Report – May 2014

7.3 Proficiency and Due Professional Care – Standard 1200

- 7.3.1 Much of the attributes of this standard were within the 2006 Code and the CIPFA Statement of the Role of the Head of Internal Audit 2010. A key requirement is that the CAE must be professionally qualified and suitably experienced in internal auditing. The CAE is also required to ensure that the team periodically assess individual auditors against the skills and competencies set out in the relevant job descriptions and person specifications. Internal auditors are required to conduct their work with diligence and proficiency, including compliance with professional code of ethics. All auditors also have a professional responsibility to undertake a programme of continuing professional development (CPD) to maintain and develop their professional competencies.
- 7.3.2 The standard also requires the internal audit function to have appropriate resource to meet its objectives. It should have appropriate numbers of staff, grade, qualifications, personal attributes and experience, in order to meet its objectives and to comply with the PSIAS standards. The current structure of the function is not consistent with the standards (see 7.2.2 above). The CAE role straddles that of a head of service and an audit manager, thus imposing a significant degree of expectations on one individual, as well as a disproportionate amount of the responsibilities and burden of delivering an effective service. It is therefore not the most effective arrangement and is not consistent with professional standards. There is therefore a need to review the structure to ensure to ensure fitness for purpose. (See Action Plan 3)
- 7.3.3 In regards to qualifications, the current internal audit manager has the relevant qualifications, experience and attributes. Two members of the team have relevant professional qualifications. Also opportunities for professional qualification and CPD training are available. But further development would be required for some team members in meeting the requirements, both in relevant competencies and qualifications.
- 7.3.4 There is existing arrangements in place to ensure that all audit work is carried out with due professional care, including guidance and supervision arrangements. The team also has periodic technical meetings, in addition to monthly team meetings, to update staff on technical developments and service improvements. However, the degree of compliance by individual auditors with these arrangements is variable, hence indicating that there is room for further development by individual auditors.

Public Sector Internal Audit Standards Report – May 2014

One of the issues identified during the self-assessment process for the shared service internal audit team, is the impact of isolation on moral and performance for some audit staff who work mainly away from the rest of the team. This is an issue which requires addressing as part of the review process, (although it may not necessarily have a direct impact on compliance with the new standards), in view of its impact on morale, quality and performance. (See Action Plan 8)

7.4 Quality Assurance and Improvement Programme – Standard 1300

7.4.1 The standards require the CAE to develop and maintain a quality assurance and improvement programme (QAIP). This is a new requirement for local authorities. The key objective of this requirement in applying it within the public sector, is aimed at raising standards and consistency in the quality of the internal audit activity across the board. Part of the requirement is that the CAE should ensure that the design of the QAIP could be used to assess conformance with the relevant aspects of the PSIAS.

7.4.2 A key requirement is that the CAE should establish policies and procedures which would enable internal audit staff to comply with the standards in providing a high quality and effective internal audit service. The quality assurance requirement stipulates both internal and external assessments.

7.4.3 **Internal Assessments** – the CAE should ensure that audit work is allocated to staff with the appropriate level of skills and experience; and that audit staff at all levels are appropriately supervised. The audit function has policies and procedures in place, including performance targets, which conforms with good professional practice. The audit team also currently complies with ISO9001 in its working practices. The requirement for internal assessments necessitates an annual review of the team's performance, which is overseen by senior management with an appropriate understanding of the requirement of internal audit objectives. The outcome of this assessment could also form part of the CAE's annual appraisal. (See Action Plan 8)

7.4.4 **External Assessments** – the requirement stipulate an external assessment should be carried out by a suitably qualified independent external assessor, in compliance with the requirements of the standards, every five years. However, it is expected that this would commence following the first full year of implementation of the standards. To this effect, the first assessment could be undertaken after April 1 2014 and every five years thereafter. The work would require an

Public Sector Internal Audit Standards Report – May 2014

external provider, suitably qualified, to be employed to carry out this task at an additional cost to the service. (See action Plan 9)

- 7.4.5 To facilitate the external assessment, at minimum costs, the self-assessment toolkit could be used to carry out an initial assessment, which would then be validated by the external assessor, in line with available supporting evidence. It is suggested that the Institute of Internal Auditors be employed to perform this role in the first year, as the standards are derived from the International IIA Standards.

8. Details of Performance Standards

There are six key Performance Standards as follows:

8.1 Managing the Internal Audit Activity – Standard 2000

- 8.1.1 The standard requires the CAE to effectively manage the Internal Audit Activity to ensure that it delivers its objectives and adds value to the organisation in meeting the Council's key priorities and objectives.
- 8.1.2 In particular, the CAE is required to develop a risk based internal audit plan which has clear links to the audit Charter and the key priorities of the Council. The plan should address the minimum level of coverage required to provide satisfactory assurance and be flexible enough to reflect the changing risks and priorities of the organisation. The plan must distinguish between work required for assurance, consultancy and other work.
- 8.1.3 Current practice within the Partnership internal audit arrangements regarding audit planning and the management of the audit activity is substantially compliant with the new code. The audit plan is risk based and reflects the organisation's key priorities as agreed with senior management, during the planning stage. Account is also taken of other sources of assurance, including external audit arrangements and their work plan. The plan is also endorsed by the relevant Audit Committee/Board and fully reflects available resources. Progress reports are periodically sent to the Audit Committee/Board, via senior management team.
- 8.1.4 An additional benefit within current arrangement is that the CAE is also responsible for co-ordinating risk management across both Councils in the Partnership and therefore is well placed to align audit planning and risk, in developing a risk based internal audit plan.
- 8.1.5 However, the issues raised above would be more effectively strengthened by addressing the position of the CAE, as cited above.

Public Sector Internal Audit Standards Report – May 2014

8.2 Nature of Work – Standard 2100

- 8.2.1 The standard sets out the main areas of the Council, where Internal Audit Activity should focus in order to contribute towards improvements. These include governance, risk management and internal control. Current arrangements meet this requirement and in some cases surpass the requirement as risk management is co-ordinated by the ARAFM.

8.3 Engagement Planning – Standard 2200

- 8.3.1 The standard requires an internal audit brief to be prepared, discussed and agreed with relevant managers. The brief should establish the objectives, scope and timing for the assignment and its resource and reporting requirements. The work should be risk based and includes value for money considerations where applicable.
- 8.3.2 Current arrangements substantially meet the standard. However, to fully comply with the standard, greater emphasis will be placed on value for money considerations going forward. (See Action Plan 11)

8.4 Performing the Engagement – Standard 2300

- 8.4.1 The standard requires the CAE to have systems in place to enable auditors to obtain and record sufficient evidence to support their conclusions, professional judgements and recommendations. Working papers should always be sufficiently complete and detailed to enable an experienced internal auditor with no previous connection with the audit to ascertain what work was performed, to re-perform if necessary and to support the conclusions and judgements reached. All internal audit work should also be subjected to an internal quality control process.
- 8.4.2 Current arrangements substantially meet the standard, in terms of the framework arrangements in place, which also form part of the team's ISO9001 accreditation.
- 8.4.3 However, to fully meet the standard there is a need for further development regarding the competencies of individual auditors to improve their compliance with aspects impacting on sampling, testing and how conclusions are drawn, based on the evidence. Further development would also be required in enabling individual auditors to propose more insightful and practical recommendations which clearly align with Council objectives, rather than with an unattainable perception of best practice. Implementing this standard and the next

Public Sector Internal Audit Standards Report – May 2014

two standards set out below, presents an opportunity to revisit the team's "ways of working" and to consider whether increased use of technology could improve overall performance, by streamlining and automation of some key activities, which could contribute towards quality of service provision, improved performance and value for money. The audit manual will also need to be revised and updated to reflect the new standard. (See action Plan 10)

8.5 Communicating Results – Standard 2400

- 8.5.1 The standard requires the internal audit activity to be communicated to relevant stake holders timely, for the results to be effective. It also requires internal auditors to ensure that all material facts known to them are disclosed in their audit reports which, if not disclosed, could distort their reports or conceal unlawful practice, subject to confidentiality requirements. In addition, the standard also requires that recommendations with a wider impact are reported to the appropriate forum; and also that where relevant, appropriate measures are taken to update risk registers.
- 8.5.2 Further, the CAE is required to provide an annual audit report to the Audit Committee/Board to support the Council's Annual Governance Statement, which must contain an overall assurance opinion, as well as a summary of the work done during the year to support the assurance opinion and any non-conformances with the PSIAS, including disclosure to any impairment of objectivity, real or perceived; and progress of action against improvement plans required by the QAIP
- 8.5.3 Current arrangements substantially meet the standard. However, to fully meet the standard, improvements would need to be made to the annual report to include those aspects set out above (see para 8.5.2) which are currently not reflected within the annual report. This would form part of the revised internal audit manual. (See Action Plan 11)

8.6 Monitoring Progress – Standard 2500

- 8.6.1 The standard requires the CAE to ensure that management actions have been effectively implemented or, if not, that senior management have accepted the risk of not taking action. The CAE must implement a follow-up process for ensuring the effective implementation of audit results, or ensuring that senior management are aware of the consequences of not implementing agreed action points and prepared to accept the risk of such consequences occurring. The CAE is also required to develop escalation procedures, for cases where agreed recommendation have not been implemented by the agreed date; and

Public Sector Internal Audit Standards Report – May 2014

also cases where management accepts risk identified as part of the audit process. The relevant procedures should ensure that the risk of not taking action is understood at a sufficiently senior level within the Council. This would of necessity be executive level, sec 151, SMT and the Audit Committee/Board.

- 8.6.2 Current arrangements substantially meet the above requirements. However, to be fully compliant with the standards some minor adjustments would need to be made to escalating procedures for communicating risk acceptance by service managers, to senior management, and the Audit Committee/Board. This would form part of the updated audit manual. (See 8.6)

9. Conclusion

- 9.1 The new mandatory Public Sector Internal Audit Standards is designed to standardise and improve internal auditing in the public sector. This ground breaking development has been warmly welcomed by the profession across the board, as it is intended to Internal Audit as a Function more dynamic, as well as more effective in assisting organisations within the Public Sector to achieve their objectives and to gain improvements in value for money.
- 9.2 Implementing the standards present a valuable opportunity for the Councils within the Partnership to strengthen their internal audit function and its effectiveness. Thus delivering greater value for money.
- 9.3 The self -assessment of the Council Audit Function against the standards indicate that the current Partnership Internal Audit Service substantially complies with the standards. However, there are some areas for further development which have been addressed in the action plan attached as an Appendix to this report.

10. Recommendation

It is recommended that management consider and support the proposals set out in the attached action plan prior to the report being sent to the Audit Committee/Board for consideration

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PSIAS Action Plan

No	Action Required For Compliance	Lead Officer (s)	Date
1	An authorisation and approval process for conducting consultancy assignment would need to be approved by management, in order to distinguish “consultancy” from regulatory work and to ensure transparency in the commissioning of such assignments. (Para 5.5 f)	Senior Management/Audit Manager	June 2014
2	Review and Revise Internal Audit Charter to fully reflect the requirements of the PSIAS (Para 7.1.2)	ARAFM	Done
3	Review the position of IA within the Council to determine fitness for purpose. In particular, to assess whether the role of the Audit Risk and Anti-Fraud Manger and the Structure of the function are consistent with required standards, including the position of the audit function organisationally. (Paras 5.6, 7.2, 7.3 and 8.1)	Senior Management/ARAFM	ASAP
4	The appraisal process for the ARAFM should be reviewed to incorporate involvement of the Chair of the Audit Committee/Board and the outcome of the quality assessments reviews. (Para 7.2.1 and 7.4.3)	Senior Management	ASAP
5.	To consider current reporting arrangements by internal audit staff at SDC (does not affect DBC), in the light of three above.(7.2.3).	Senior Management/ARAFM	ASAP
6	To review required competencies necessary to fully fulfil the requirements of the new standards and complete a gap analysis of staff capabilities and a development plan for internal auditors. (Para 7.3 and 8.4.3)	ARAFM	ASAP
7	To review current accommodation arrangements for internal audit staff to determine fitness for purpose (7.3.4)	CFO	ASAP

PSIAS Action Plan

No	Action Required For Compliance	Lead Officer (s)	Date
8	It is proposed that the internal quality assessment regime should consist of the self-assessment by the lead audit officer, using the practice guidance template issued by CIFPA, followed by a review of the outcome by management, prior to consideration by the Audit Committee/Board. (Para 7.4.3)	ARAFM/Senior Management	May 2014
9	To introduce an external quality assessment regime to commence in 2014. It is proposed that the Institute of Internal Auditors be approached for the first assessment, as the standards are derived from the International IIA standards. Hence it is expected that the IIA are best placed to determine best practice and compliance. (Para 7.4.4/5)	Senior Management/ARAFM/Audit Committee	By Nov 2014
10 Page 162	<p>To improve and support engagement activities and monitoring, it is proposed to introduce:</p> <ul style="list-style-type: none"> Audit software IDEA and Team Mate. Team Mate or equivalent would necessitate additional costs (business case proposal required). The team already has IDEA, but training will be required to facilitate its use (Para 8.4.3) <p>The internal audit manual should also be revised and updated to ensure compliance with the requirements of the standards.(Para 8.3.2, 8.5.3 and 8.6)</p>	ARAFM	IDEA already purchased. Looking at options for audit management software Manual being updated

ANNUAL GOVERNANCE STATEMENT 2013/14

Audit Committee – 10 June 2014

Report of Chief Finance Officer

Status: For Consideration

Key Decision: No

This report supports the Key Aim of Effective Management of Council Resources

Portfolio Holder Cllr. Ramsay

Contact Officer(s) Adrian Rowbotham Ext. 7153

Recommendation to Audit Committee: It be resolved that the Annual Governance Statement for 2013/14, which accompanies the Council's Accounts, be agreed.

Reason for recommendation: the committee is required to consider the Council's Annual Governance Statement as part of its terms of reference remit, in compliance with statutory requirements.

Introduction and Background

- 1 Sevenoaks District Council is responsible for ensuring that its business is conducted in accordance with the law, proper standards, good governance and that public money is safeguarded and properly accounted for. In discharging this overall responsibility, the Council has to ensure that it has sound systems of internal controls and good governance arrangements in place to facilitate the exercise of its duties. Additionally, the Council is required to continuously review these arrangements and to ensure that the arrangements are considered by an appropriate body of the Council annually. This report sets out the governance arrangement and the system of internal control which operated during 2013/14 and up to the time of the review.

Ownership of the Annual Governance Statement (AGS)

- 2 The Annual Governance Statement is a corporate document which explains the Council's governance arrangements and the controls it employs to manage the risk of failure to achieve strategic objectives. It is owned by all Senior Officers and Members of the Council. The Council's remit in relation to the Annual Governance Statement process is informed by Regulation 4 of the Accounts and Audit Regulations 2011, of which regulation 4.1 requires that:

“The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of

Agenda Item 13

internal control which facilitates the effective exercise of that body's function and which includes arrangements for the management of risk"

- 3 The Council is also required to conduct a review, at least once a year; of the effectiveness of its system of internal control and that the statement accompanies the Council's annual accounts. The Council is further required to conduct this process and the preparation of its annual accounts in accordance with "proper practices", In this context, the Council complied with relevant professional codes and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in the preparation of the AGS. The involvement of the Audit Committee in the process complies with Regulation 4.2, 4.3 and 4.4 (a) of the Accounts and Audit Regulations 2011.

The Annual Governance Statement Process

- 4 In compiling the Annual Governance Statement a shared approach was adopted, involving Chief Officers, Heads of Service, relevant managers, the Internal Audit Manager, Chief Executive (also as Head of Paid Service and Section 151 Officer) and the Monitoring Officer, prior to consideration and endorsement by Senior Management Team on 21 May 2014. Additionally, the statement would be required to be certified by signatories of the Leader of the Council and the Head of Paid Service after approval by the Audit Committee.

Outcome of the Process

- 5 The process confirms that the Council has sound systems of internal control and good governance arrangements in place. The only significant governance issue identified is set out in Paragraph Seven of the Governance Statement. An action plan is attached as Appendix B to address this issue and other areas requiring close monitoring, or further improvements.

Key Implications

Financial

None directly arising from this report.

Legal Implications and Risk Assessment Statement.

No additional legal implication beyond the Council's duty to comply with the Accounts and Audit Regulations 2011 in regard to the AGS process.

The Council is required to produce an Annual Governance Statement to demonstrate that it has effective internal controls and sound governance arrangements in place throughout the financial year. There is a risk that failure to produce the Annual Governance Statement in accordance with statutory requirements would have negative consequences for the Council. The Statement accompanying this report meets statutory requirements and was produced in compliance with proper practices, giving regard to relevant professional guidance. Hence relevant risk is effectively being managed.

Equality Impacts

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
a. Does the decision being made or recommended through this paper have potential to disadvantage or discriminate against different groups in the community?	No	Effective governance of the Council constitutes engagement with all sections of the community and therefore will promote fairness and the potential to promote equality and community wellbeing.
b. Does the decision being made or recommended through this paper have the potential to promote equality of opportunity?	Yes	
c. What steps can be taken to mitigate, reduce, avoid or minimise the impacts identified above?		Impact assessment of community engagement will establish the degree of success and areas for further improvement of current arrangements

Conclusions

The Annual Governance Statement (AGS) was prepared in accordance with relevant professional guidance. It demonstrates that the Council had sound governance arrangements in place during the municipal year 2013/14 and in the period leading up to the preparation of the AGS and the Council's Accounts. An action plan setting out an area of concern and other aspects requiring monitoring or improvements are set out in the action plan attached on Appendix B.

Appendices

Appendix A – The Annual Governance Statement 2013/14

Appendix B – Action Plan 2013/14

Background Papers:

- a) The Accounts and Audit Regulations 2011
[<http://www.legislation.gov.uk/ukxi/2011/817/contents/made>]
- b) Internal Audit Annual Report 2013/14
- c) [Sevenoaks District Council Community Plan 2013 – 2018](#)
- d) [Sevenoaks District Council's Constitution](#)
- e) [Sevenoaks District Council Code of Corporate Governance \(Performance and Governance Committee – 24 June 2008\)](#)

Adrian Rowbotham

Agenda Item 13

Chief Finance Officer

ANNUAL GOVERNANCE STATEMENT 2013/14

1. Background

1.1 The Council is required to produce an Annual Governance Statement (to be published with its financial statements) which sets out its arrangements for delivering good governance within the framework of sound internal controls.

1.2 The Annual Governance Statement (AGS) is a corporate document involving a variety of people charged with developing and delivering good governance including:

- the Leader of the Council and the Chief Executive (Head of Paid Service) as signatories;
- Chief Officers, Heads of service and relevant managers assigned with the ownership of risks and the delivery of services;
- the Chief Executive who is responsible for the administration of the Council's financial affairs under Section 151 of the Local Government Act 1972;
- the Monitoring Officer in meeting her statutory responsibilities of ensuring the legality of Council business;
- the Council's Internal Audit function;
- Members (for example, through the committees such as the Governance, Audit, Scrutiny and the Strategy and Performance Advisory Committees); and
- others responsible for providing assurance, in particular the District Auditor of the external audit service of Grant Thornton, in his role as the Council's External Auditor.

1.3 Thus the AGS, as a corporate document, is owned by all Senior Officers and Members of the Council. A shared approach was taken in compiling the AGS with the objective of engaging all managers integrally involved in the delivery of services covering the whole authority within the process and encouraging a high degree of reflection and corporate learning. This increases the statement's significance and encourages managers to objectively assess their responsibilities.

1.4 The system of corporate governance highlighted in the AGS, together with the system of internal control, is reviewed continually throughout the year as part of routine governance and managerial processes; prime examples being the authority's performance management and risk management frameworks.

1.5 Although corporately owned, the AGS requires internal control assessments/assurance statements from Heads of Service and relevant managers, Chief Officers, the Internal Audit Manager, the Head of Paid Service, the Monitoring Officer and the Section 151 Officer, all of which were obtained as part of this process.

Agenda Item 13

2. Scope of Responsibility

2.1 Sevenoaks District Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law, proper standards, good governance and that public money is safeguarded from waste, extravagance or misappropriation. The Council seek to ensure that its expenditures and activities are transparent and properly accounted for. The Council has a duty under the Local Government Act 1999 to make proper arrangements to secure continuous improvement in the way in which it carries out its functions, having regard to ensuring economy, efficiency, effectiveness and fairness in the exercise of its responsibilities. In discharging this overall responsibility, to ensure its business is conducted in accordance with the law, proper standards and delivering continuous improvements, Sevenoaks District Council is also responsible for ensuring that there is a system of corporate governance which facilitates the effective and principled exercise of the Council's functions and which includes arrangements for the effective management of risk. The Council seeks to conduct these responsibilities within the framework of, high quality service provision to enhance and facilitate community wellbeing and engagement.

2.2 The roles of the Chief Executive (as Head of Paid Service), the Section 151 Officer, and the Monitoring Officer are defined within Part 13 of the Council's Constitution. The Executive Role of Members is defined within Part 4 of the Council's Constitution.

2.3 Officers and Members are expected to conduct themselves in a proper manner in accordance with the Constitution and both are expected to declare interests that may impact on the objectivity of the Council's decision making process. These interests are held on a register and are reviewed on a regular basis by the Monitoring Officer.

2.4 Sevenoaks District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework Delivering Good Governance in Local Government. A copy of the code can be obtained from our Audit, Risk and Anti-fraud Team, or via the Council's website. This statement explains how Sevenoaks District Council has implemented both the code and the requirements of regulation 4(3 & 4) of the Accounts and Audit Regulations (England) 2011 in relation to the publication of an Annual Governance Statement.

3. The Purpose of the Governance Framework

3.1 The governance framework comprises the systems and processes, culture and values, by which the authority informs, directs, manages and monitors its operations, and its activities through which it accounts to, engages with and empowers the community. It enables the authority to evaluate the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

3.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's

policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. It also seeks to maximise available opportunities in achieving good value for money delivering its objectives and priorities.

3.3 The governance framework has been in place at Sevenoaks District Council for the year ended 31 March 2014 and up to the date of approval of the Statement of Accounts. Since 14 May 2013, a new governance framework has been implemented which was formalised in September 2013. The changes were subjected to review during the year and an internal audit review is scheduled in 2014/15 to assess the changes or areas for development which will be considered and determined by full Council if further enhancements are identified.

4. The Governance Framework

4.1 The following represent the key elements of the governance framework within Sevenoaks District Council:

- The Council's objectives to March 2014 were established and set out in the Sevenoaks District Sustainable Community Action Plan 2010-13 and the Corporate Performance Plan. The Community Plan Annual Report to March 2013 was published in May 2013 along with the new Sustainable Community Plan 2013-28 which was approved and adopted by Council and published in May 2013 after partner consultation. The Corporate Plan 2010-13 was also revised and updated in November 2013 as the Corporate Plan 2010-15 setting out the Council's vision going forward. The plans and report can be found on the Council's website, via the following links:

Sustainable Community Action Plan 2013-28 & 2013 Annual Report:

[<http://www.sevenoaks.gov.uk/services/community-and-living/community-plan>]

Corporate Plan 2010-15:

[<http://www.sevenoaks.gov.uk/services/council-and-democracy/the-councils-vision-and-promises>].

- Both of the existing plans and the revised plans were subjected to considerable Member review and challenge by Cabinet, the appropriate Select Committee or the Performance and Governance Committee, the Finance and Resources Group and ultimately by the full Council. Since 14 May 2013, new governance arrangements were put in place, incorporating an Audit Committee, whose terms of reference is consistent with CIPFA standards; Standards Committee, Governance Committee and a Scrutiny Committee in addition to five Cabinet Advisory Committees. Hence the plans will continue to be scrutinised and reviewed under the new arrangements and any changes will be considered and determined by full Council. These plans are also cascaded to individuals within the Council through Service Plans and individual action plans through the appraisal process.

Agenda Item 13

- Policy and decision-making is facilitated through reports from Officers to Cabinet. Each Cabinet Member has responsibility for a specific portfolio and will take decisions on matters relevant to that portfolio. The Select Committee has the opportunity to ‘call-in’ the decisions of Cabinet and recommend changes to decisions or policies. Under the new governance arrangements the new Scrutiny Committee has this power.
- The Council’s Constitution specifies the roles and responsibilities of Members and Officers; and the financial and procedural rules for the efficient and effective discharge of the Council’s business.
- Implementation of established policies, procedures, laws and regulations and good practice is achieved through:

a) Internal Audit

During 2013-14, the Council’s internal audit team worked to an approved annual audit plan and undertook the work in accordance with the new Mandatory Public Sector Internal Audit Standards (PAIAS) 2013 which replaces the CIPFA Code of Practice for Internal Audit in the United Kingdom (revised 2006). The Internal Audit Function has been assessed against the practice guidance notes issued by CIPFA in 2013. The function is found to be substantially compliant with the new standards. Areas for further development have been identified and proposals sent to management for their consideration. A report will be taken to the Audit Committee in June 2014 on the proposals for their consideration. Individual audit reports are produced for relevant management, with copies to the Chief Executive, Section 151 Officer and the relevant Chief Officer. From May 2013 internal audit reports on the progress of internal audit in delivering the assurance plan, went to the new Audit Committee. The quarterly reports highlight the results of individual risk-based audit reviews, while the annual report, which contains the Audit Manager’s overall assurance opinion, evaluates the overall internal control environment as tested through audit work undertaken in the year. The review of the effectiveness of Internal Audit was assessed in May 2013 and March 2014 as ‘effective’ in meeting the requirements of an adequate and effective internal audit service, but with areas for further developments. This was reviewed by the Chief Finance Officer and the Section 151 Officer in May 2014 and was considered by the Audit Committee in June 2014.

The outcome of the review of the effectiveness of internal audit indicates that the arrangements in place for the provision of an internal audit service is “effective” and delivers good value for money, but it does not meet full compliance with the new Public Sector Internal Audit Standards.

As the new audit standards have only been in operation since April 2013, it is therefore unlikely that all the requirements would be met in the first year of implementing the new standards. To this effect, whether objectivity and independence were met in the way the service was delivered; and whether sufficient work was completed to be able to provide an appropriate level of assurance for the Council. On those points the review concluded that the function substantially complies with the new standards and the service was able

to provide an appropriate level of assurance for the Council in 2013/14. Areas for further development within the function were identified and a proposed action plan has been prepared for management consideration.

b) External Audit

External audit service is provided by Grant Thornton. The District Auditor's reports are sent to senior management and Members (via the Audit Committee). Recommendations and comments are considered and discussed with timely actions taken to address agreed recommendations. The Council's current practice was commended in all its recent audit and inspection reports, and unqualified opinions were issued in relation to both financial statements and value for money for 2012-13.

c) Financial Management

A robust budgetary control system is in place and regular monitoring reports are produced for Heads of Services and relevant managers, Chief Officers and Management Team, Cabinet, the Strategy and Performance Advisory Committee, the Finance and Resources Advisory Committee and the Scrutiny Committee. Senior accountants conduct monthly client liaison meetings with responsible budget holders.

d) Performance Management

Monitoring of progress towards the achievement of the Council's promises and objectives is undertaken through the Council's performance management system. Performance is monitored monthly and enhanced with commentaries from senior managers where performance is behind target. Strategic information is regularly reported to the Management Team, Cabinet Members, and Advisory Committees.

e) Arrangements for Partnerships

The Council believes that it can enhance value for money with service delivery through innovative and cost-effective partnership working. The Council engages in extensive discussion and planning to develop efficient working arrangements while protecting quality of services. The Council has developed a comprehensive partnership toolkit to ensure that partnerships incorporate the Council's culture and comprehensive approach to managing risk. Decisions to enter into partnership working are supported by business case and cost-benefit analysis, and are subject to scrutiny and approval by Members. The Council has major partnership projects in place covering the delivery of services relating to Licensing, Revenues and Benefits, Audit and Anti-Fraud, and Environmental Health.

f) Risk Management

The Council's risk management framework underwent a comprehensive review during 2012 -13 which resulted in relevant training delivered to both Officers and Members. Service managers assessed their operational risks for 2013-14, incorporating the new framework. The strategic aspects of the framework have taken account of the new senior management structure which came into effect on 2 September 2013. The revised risk management framework has now been considered by senior management. A revised risk

Agenda Item 13

management strategy has been approved by both Cabinet and the Audit Committee. The refreshed strategic risk register will be sent to the Audit Committee for their consideration in June 2014.

g) Relationships and Ethics

Good co-operative relationships exist between the Council and its external auditors and inspectors and between Officers and Members. Relationships between Officers and Members are guided by a protocol embedded in the Council's Constitution. A written communications protocol has also been established between the Leader and the Chief Executive. The Council has clear Codes of Conduct for Members and Officers embedded within its Constitution, underpinned by a culture of integrity and ethical behaviour. Member conduct is scrutinised by the Standards Committee.

h) Service Delivery by Trained and Experienced People

The Council has a robust recruitment policy and procedures in place. The Council holds Gold and 'Champion' status in the Investors in People (IiP) New Choices scheme, conferred by an external inspection regime in December 2012. The Council was one of the first local authorities nationally to achieve this standard, in its previous inspection, in 2009. Staff appraisals take place annually, including an annual review of service and training plans, training evaluation and recruitment and selection procedures.

i) Monitoring Officer

The Council has a Monitoring Officer to oversee its compliance with laws and statutory obligations. The Monitoring Officer reports to the Council's Standards Committee. Regular meetings between the two Officers representing the three statutory functions (Head of Paid Service including Section 151 Officer and the Monitoring Officer) form part of the Council's governance arrangements. The impact of changes regarding the Council's new senior management structure within this arrangement would form part of the assessment of the review of the new structure (see 7.2.1).

j) Anti-fraud and Corruption

The Council has a fraud and corruption policy, including a whistle-blowing policy, published on its intranet site. The Council also has a dedicated Benefits Fraud Team and a well-publicised 'fraud hotline', available to both staff and members of the public, which allows individuals to report anonymously any suspected cases of fraud and corruption. As part of fraud risk management, all staff and Members are required to complete annual declarations of interests. Appropriate briefings have been made to all staff regarding the Bribery Act 2010. The risks of fraud and corruption are assessed within the strategic risk register and appropriate measures put in place to mitigate these risks.

5. Role of the Section 151 Officer

5.1 Section 151 of the Local Government Act 1972 requires that the Council appoint an individual officer to be responsible and accountable for the administration of its financial affairs. The Scheme of Delegation held within Part 13 of Sevenoaks District Council's Constitution assigned this responsibility to the then Chief Executive designate (Dr Pav

Ramewal) who become Chief Executive from 1 September 2013. Part 13 now identifies the Chief Executive (Dr Pav Ramewal) as having this responsibility. An internal audit review of the new senior management structure is included in the annual internal audit plan for 2014/15 and is due to commence in the first quarter. The audit objectives and scope of the review will be discussed and agreed with the Chief Executive on 29 May 2014, prior to commencement.

5.2 CIPFA has issued a Statement on the Role of the Section 151 Officer in Local Government. This details the governance arrangements and delegated responsibilities considered necessary to facilitate an effective Section 151 Officer. The Council has considered this Statement, and believes that, during the financial year 2013-14, it has complied fully with the governance requirements of this Statement. The Council's Financial Procedure Rules, codified within Appendices D and E of the Constitution, ensure that all the appropriate responsibilities are delegated and reserved to the Section 151 Officer as the Statement recommends. The Governance Committee reviewed the new governance arrangements that were introduced at Annual Council in May 2013. Work was undertaken by the Governance Committee Working Group who reported to the Governance Committee throughout the municipal year and two member surveys were undertaken during that time. The Governance Committee then reported to Council in April 2014 and Council approved certain changes to improve the governance arrangements which were implemented on the 13th May 2014 at Annual Council.

6. Review of Effectiveness

6.1 Sevenoaks District Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review is informed by the outcome of the work of the Council's internal auditors during the year and by Chief Officers who have responsibility for the development and maintenance of the internal control environment. It also considers comments made by the external auditors and other external review agencies and inspectorates. The Council is keen to allow itself to be the subject of external scrutiny and challenge, and to consider recommendations for improvement.

6.2 The External Auditor concluded that, for 2012-13, the Council had effective arrangements in place to ensure value for money was achieved. An unqualified opinion was issued in relation to the Council's financial statements. The Council is not aware of any issues arising in relation to value for money from the current work being undertaken by the External Auditor.

6.3 Internal audit reports and the annual internal audit report are now presented to the Council's new Audit Committee from June 2013. This sets out the Audit, Risk and Anti-Fraud Manager's opinion on individual audits and the overall internal control and governance environment. Any internal audit review judged 'unsatisfactory' or 'unacceptable' is subject to a timely action plan and follow-up audit.

6.4 The opinion of the Audit, Risk and Anti-Fraud Manager in the Annual Audit Report to the Audit Committee for 2013/14 is that the overall control environment within Sevenoaks District Council is effective.

Agenda Item 13

6.5 The Head of Paid Service and Section 151 Officer and the Monitoring Officer periodically review the Constitution, procedures for internal financial control and application of the various Codes of Conduct. An internal audit review of the new senior management structure is included in the annual internal audit plan for 2014/15 and is due to commence in the first quarter. The audit objectives and scope of the review will be discussed and agreed with the Chief Executive on 29 May 2014, prior to commencement.

6.6 The Council continues to review and improve its governance arrangements on a continuous basis. Improvements during 2013/14 include the following:

- New governance arrangements came into force in May 2013 which were finalised and became effective in September 2013. The Governance Committee reviewed the new governance arrangements that were introduced at Annual Council in May 2013. Work was undertaken by the Governance Committee Working Group who reported to the Governance Committee throughout the municipal year and two member surveys were undertaken during that time. The Governance Committee then reported to Council in April 2014 and Council approved certain changes to improve the governance arrangements which were implemented on the 13th May 2014 at Annual Council.
- A new senior management structure was fully implemented from 2 September 2013. An impact assessment of the new structure will be undertaken as part of an internal audit review (see 7.2.1 and 7.2.2).
- Review and enhancement of the Council's Risk Management Framework. The Council's Risk Management Strategy was adopted by Cabinet in April 2014. The revised risk management framework has now been considered by senior management. The revised risk management strategy has been approved by both the Cabinet and the Audit Committee. The refreshed strategic risk register will be sent to the Audit Committee for their consideration in June 2014.
- Ongoing review of savings plans and budget adjustments made to protect services in the circumstances of government grant cuts;
- Extension of Shared Service arrangements to incorporate new areas to improve Value for Money;
- The development, testing and peer review of the Council's Business Continuity and Incident Management Plan, particularly in relation to the successful delivery of the Olympics and Paralympics; and Health and Safety arrangements.
- The Standards Committee, comprising of seven elected Members, ensures that Members adhere to the protocols of Conduct as set out in the Constitution.

7. Significant Governance Issues

7.1 The Council notes the following significant governance issue - as previously reported, there is an on-going regulatory inquiry into the fatal road traffic accident on 13th

September 2010 involving one of the Council's road sweeping vehicles. The coroner's inquest determined the cause of death this being a road vehicle accident. Sympathy was extended to family members. The Council is continuing to assist the Health and Safety Executive with their investigations.

7.2 In addition to the above, the following areas although not considered as "significant issues" of concern were identified during 2013 as areas requiring close monitoring, or further development, within the scope of the Governance Statement and in view of the Council's commitment to continuous improvements were included in the 2012/13 Governance Action Plan, they have subsequently been addressed as detailed below:

1. The Council's new senior management structure fully came into effect in September 2013. An internal audit review of the new senior management structure is included in the annual internal audit plan for 2014/15 and is due to commence in the first quarter. The audit objectives and scope of the review will be discussed and agreed with the Chief Executive on 29 May 2014, prior to commencement.
2. The Council adopted new governance arrangements from the beginning of the 2013/14 municipal year. The Governance Committee reviewed the new governance arrangements that were introduced at Annual Council in May 2013. Work was undertaken by the Governance Committee Working Group who reported to the Governance Committee throughout the municipal year and two member surveys were undertaken during that time. The Governance Committee then reported to Council in April 2014 and Council approved certain changes to improve the governance arrangements which were implemented on the 13th May 2014 at Annual Council.
3. The Council has reviewed the implications of the mandatory elements within the new Public Sector Internal Audit Standards 2013 and how these could be effectively implemented within the Council's governance and assurance framework. The Internal Audit Function has been assessed against the practice guidance notes issued by CIPFA in 2013. The function is found to be substantially compliant with the new standards. Areas for further development have been identified and proposals sent to management for their consideration. A report will be taken to the Audit Committee in June 2014 on the proposals for their consideration
4. The Council's revised strategic risk management framework required senior management endorsement prior to full implementation. The revised risk management framework has now been considered by senior management. The revised risk management strategy has been approved by both the Cabinet and the Audit Committee. The refreshed strategic risk register will be sent to the Audit Committee for their consideration in June 2014.

Certification

Signature: Date:.....

Cllr. Peter Fleming (Leader of the Council & Cllr for Sevenoaks Town & St. John's)

Agenda Item 13

Signature:..... Date:

on behalf of Sevenoaks District Council

Dr. Pav Ramewal Chief Executive and Section 151 Officer August 2014

**Sevenoaks District Council
Governance Action Plan 2013/14**

	Governance Issue	Detailed Action	Lead Officer	Date	Comments
1	Significant Governance Issues There is an on-going regulatory inquiry into the fatal road traffic accident on 13th September 2010 involving one of the Council's road sweeping vehicles. The coroner's inquest determined the cause of death this being a road vehicle accident. Sympathy was extended to family members. The Council is continuing to assist the Health and Safety Executive with their investigations.	Management will continue to monitor and assist the HSE with their investigation and will implement any relevant recommendations arising from the investigation upon its conclusion.	Chief Officer for Environmental Services	Ongoing	Action taken and timescale will depend on the outcome of the HSE report and findings.
2	Issues requiring close monitoring or further development The following areas although not considered as 'significant issues' of concern have been identified as areas requiring close monitoring or further development within the scope of the Governance Statement:				

2.1	New Management Structure The Council's new senior management structure fully came into effect in September 2013.	An impact assessment of the changes will be carried out within a reasonable timescale, to determine the effect of the recent changes in delivering the Council's vision and objectives.	Chief Executive	June 2014	An internal audit review of the new senior management structure is included in the annual internal audit plan for 2014/15 and is due to commence in the first quarter. The audit objectives and scope of the review will be discussed and agreed with the Chief Executive on 29 May 2014, prior to commencement.
2.2	New Governance Arrangements The Council adopted new governance arrangements from the beginning of the 2013/14 municipal year.	The Governance Committee reviewed the new governance arrangements that were introduced at Annual Council in May 2013. Work was undertaken by the Governance Committee Working Group who reported to the Governance Committee throughout the municipal year and two member surveys were undertaken during that time. The Governance Committee then reported to Council in April 2014 and Council approved certain changes to improve the governance arrangements which were implemented on the 13 th May 2014 at Annual Council.	Chief Officer Legal & Governance	June 2014	An internal audit review of the new Governance Arrangements is included in the annual internal audit plan for 2014/15 and is due to commence in the first quarter. The audit objectives and scope of the review will be discussed and agreed with the Chief Executive on 29 May 2014, prior to commencement.

2.3	New Public Sector Internal Audit Arrangements The Council has reviewed the implications of the mandatory elements within the new Public Sector Internal Audit Standards 2013 and how these could be effectively implemented within the Council's governance and assurance framework.	The Internal Audit Function has been assessed against the practice guidance notes issued by CIPFA in 2013. The function is found to be substantially compliant with the new standards. Areas for further development have been identified and proposals sent to management for their consideration. A report will be taken to the Audit Committee in June 2014 on the proposals for their consideration	Audit, Risk and Anti-Fraud Manager	June 2014	Action taken and timescale will depend on the management's response to the proposals and outcome of the June 2014 Audit Committee meeting and recommendations.
2.4	Revised Strategic Risk Management Framework The Council's revised strategic risk management framework required senior management endorsement prior to full implementation.	The revised risk management framework has now been considered by senior management. The revised risk management strategy has been approved by both the Cabinet and the Audit Committee. The refreshed strategic risk register will be sent to the Audit Committee for their consideration in June 2014.	Audit, Risk and Anti-Fraud Manager	June 2014	Action taken and timescale will depend on the outcome of the June 2014 Audit Committee meeting and recommendations.

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DRAFT STRATEGIC RISK REGISTER

Audit Committee – 10 June 2014

Report of Chief Finance Officer

Status: For Decision

Key Decision: No

This report supports the Key Aim of effective deliver of the Council's Vision and Promises

Portfolio Holder Cllr. Ramsay

Contact Officer(s) Bami Cole Ext. 7236

Recommendation to Audit Committee:

Review the Draft Strategic Risk Register and make recommendations for any further amendments or additions to the register.

Reason for recommendation: Review of the Council's Draft Strategic Risk Register by the Audit Committee helps to ensure that a wide range of view points are taken in to account in assessing the risk's the Council faces in delivering the Vision and Promises set out in the Corporate Plan.

Introduction and Background

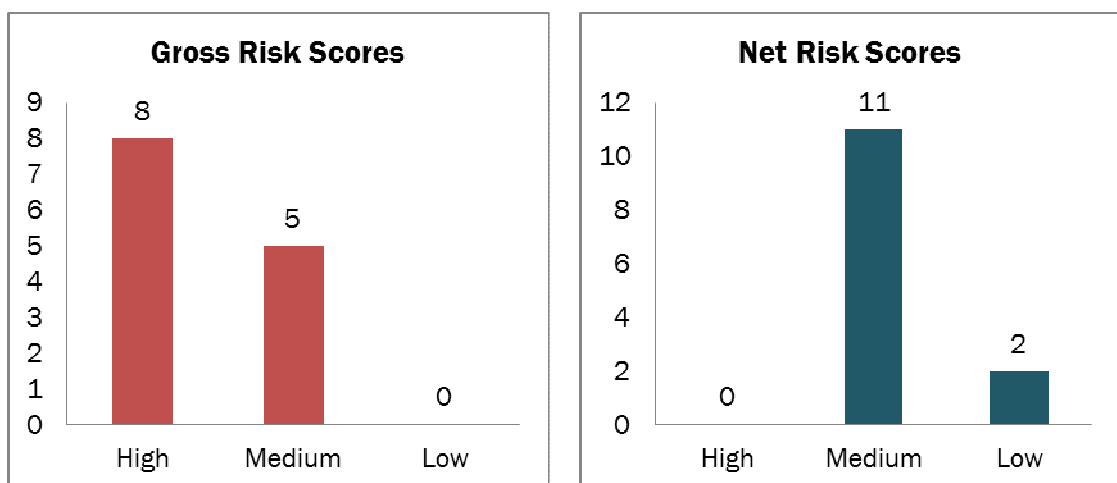
- 1 It is a requirement of the Audit Committee's Terms of Reference to maintain an overview of the effective development and operation of risk management in the Council.
- 2 At the Committee's meeting in January 2014 it considered and approved the revised Risk Management Policy Statement and in March 2014 recommended that the Risk Management Strategy be adopted by the Cabinet, which it do so in April 2014.
- 3 This report provides Members with the opportunity to review and comment on the Council's Draft Strategic Risk Register. The Draft Register has been developed by Officers, taking in the views of the Officers Risk Management Group, Service Managers and Chief Officers. It sets out those risks that Officers consider could prevent the Council delivering the Vision and Promises set out in the Council's Corporate Plan.
- 4 The consideration of the Draft Register by the Audit Committee provides an opportunity for Members to input their views and provides for a more robust assessment of the risks faced by the Council. The views of the Audit Committee

Agenda Item 14

will be taken in to account before Cabinet is asked to review and adopt the Draft Risk Register at a future meeting.

Draft Strategic Risk Register

- 5 Provided as Appendix A to this report is the Council's Draft Strategic Risk Register. The Draft Register has been updated to reflect the introduction of the Council's new Corporate Plan and to ensure that strategic risk management activity is focussed on mitigating and managing the risks associated with the Council achieving the Vision and Promises it sets out.
- 6 The Draft Register sets out 13 strategic risks that Officers consider to have the potential to influence the achievement of the Vision and Promises within the Corporate Plan. For each risk Officers have set out those factors that could cause the risk to occur and the potential effect that these events could have. The Gross risk scores reflect Officers opinion of the likelihood and impact of the risk occurring without any internal controls in place. The Net risk scores take in to account the internal controls that are currently in place and it is therefore the net risk score that gives the current status for each risk. The draft risk scores are summarised in the chart below.



- 7 Members are asked to consider the Draft Register and provide any suggestions for improvements or changes that can be incorporated in to it. Officers will review the comments of the Audit Committee and include them within a revised and updated register as appropriate. Any additional actions that are required to be taken to better mitigate or manage each risk faced will also be documented once the feedback from the Audit Committee has been taken in to account.
- 8 As set out in the Council's Risk Management Strategy Cabinet will be asked to adopt the Strategic Risk Register at a future meeting and a review of the Strategic Risk Register will be brought back to the Audit Committee in six months time, or more immediately if there are new risks arising or there is a significant shift in risk scores.

Other Options Considered and/or Rejected

None.

Key Implications

Financial

Effective risk management reduces the risk of financial loss and better allows the Council to maximise the financial benefit of running efficient services, taking full advantage of opportunities and delivering effective projects.

Legal Implications and Risk Assessment Statement.

A robust risk management framework enhances the Council's ability to minimise waste and improve efficiency and to deliver better services and outcomes for the community.

Equality Impacts

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
a. Does the decision being made or recommended through this paper have potential to disadvantage or discriminate against different groups in the community?	No	
b. Does the decision being made or recommended through this paper have the potential to promote equality of opportunity?	No	
c. What steps can be taken to mitigate, reduce, avoid or minimise the impacts identified above?		

Conclusions

The Council's Draft Strategic Risk Register has been updated to ensure that strategic risk management activity is focussed on mitigating and managing the risks associated with the Council achieving the Vision and Promises sets out in its Corporate Plan. Members are asked to review the Draft Strategic Risk Register and suggest any amendments before the Strategy is considered by Cabinet for adoption.

Agenda Item 14

Appendices

Appendix A – Draft Strategic Risk Register

Background Papers:

Risk Management Policy Statement

<http://cds.sevenoaks.gov.uk/documents/s15122/Risk%20Management%20Update%20-%20Policy%20Statement%20-%20Appendix%20A.pdf>

Risk Management Strategy

<http://cds.sevenoaks.gov.uk/documents/s16844/07%20-%20Risk%20Management%20Strategy%20-%20Appendix%20A.pdf>

Adrian Rowbotham
Chief Finance Officer

Summary

Summary			Links to the Corporate Plan				
ID	Risk	Net Risk Rating	Value for Money	Keep the District Safe	Collect rubbish effectively & efficiently	Protect the Green Belt	Support and develop the local economy
01	Finance	Low	✓	✓	✓	✓	✓
02	Investments & Borrowing	Low	✓				✓
03	Asset Management	Medium	✓			✓	✓
04	Knowledge, capacity & culture	Medium	✓	✓	✓	✓	✓
05	Technology	Medium	✓	✓	✓	✓	✓
06	Information & Data Management	Medium	✓	✓	✓	✓	✓
07	Legal Compliance, Governance & Ethics	Medium	✓	✓	✓	✓	✓
08	National Planning Policy Framework	Medium	✓			✓	✓
09	Capacity of Community Partners	Medium	✓	✓			✓
10	Shared service partners	Medium	✓				
11	Health & Safety (incl. Staff Wellbeing)	Medium	✓	✓	✓	✓	✓
12	Severe weather events	Medium	✓	✓	✓	✓	✓
13	2015 Elections	Medium	✓	✓	✓	✓	✓

Strategic Risks (May 2014)

ID	Risk	Risk Factors	Potential Effect	Links to Corporate Plan	Gross Likely hood	Gross Impact	Gross Risk Rating	Internal Controls	Net Likely hood	Net Impact	Net Risk Rating
SR 01	Finance The ability to deliver a balanced budget Lead Officer: Adrian Rowbotham	<ul style="list-style-type: none"> - Limited opportunity to generate income through the business rates retention scheme and New Homes Bonus - Pressure of funding the local council tax support scheme from revenue support grant - Effect of council tax capping and referendum costs - Low and decreasing level of government support grant - Loss of external funding - Accuracy of budget assumptions - Failure to meet savings targets - Poor financial plans and strategies - Ineffective financial governance - Lack of capacity and skilled professionals within the finance team - Failure to maintain proper financial and budgetary controls 	<ul style="list-style-type: none"> - Poor financial health - Inability to maintain services and deliver Council Vision and Promises - Reputational damage - Negative impact on staff morale and potential recruitment and retention difficulties - Poor outcome for the Audit of Accounts or Value for Money assessment - Potential for increased intervention 	<ul style="list-style-type: none"> - Ability to deliver Value for Money - Ability to work in Partnership to keep the District safe - Ability to collect rubbish effectively and efficiently - Ability to Protect the Green Belt - Ability to support and develop the local economy 	4 Likely	5 Failure to deliver on Promises	20 High	<ul style="list-style-type: none"> - Long term 10 year budget framework - Savings Plan - Strategy and projects in place to aim for self sufficiency through improved use of reserves and income generation - Strong financial and scenario planning over the short, medium and long term - Effective budget setting and financial monitoring processes embedded - Financial and budget risk management process in place - Effective financial governance including reports to FRAC, Cabinet, Audit Committee and Scrutiny Committee - Qualified and experienced officers in post with continued professional development - Annual Internal and External Audit reviews 	1 Very unlikely	5 Failure to deliver on Promises	5 Low

ID	Risk	Risk Factors	Potential Effect	Links to Corporate Plan	Gross Likely hood	Gross Impact	Gross Risk Rating	Internal Controls	Net Likely hood	Net Impact	Net Risk Rating
SR 02	Investments & Borrowing The appetite to invest or prudentially borrow to support a balanced budget and enable the achievement of Council projects Lead Officer: Adrian Rowbotham	- Treasury Management Policy not in accordance with best practice guidance - Appetite for risk within investment strategy to enable the Council to generate target returns - Low rates of bank interest - Lack of credit worthy bodies in which to invest - Appetite to prudentially borrow over the medium to long term - The cost of interest payments - Lack of capacity or skilled professionals to advise on investment and borrowing strategies	- Lack of diversity in investments - Low investment returns - Cost of interest payments - Negative impact on budgets, reserves and the ability to deliver Council projects - Poor financial health - Unable to maintain low increases in council tax levels - Reputational damage - Poor outcome for the Audit of Accounts or Value for Money assessment and potential for increased intervention	- Ability to deliver Value for Money - Ability to support and develop the local economy	4 Likely	4 Serious	16 High	- Annual review of Treasury Management Policy - Treasury Management Policy in accordance with professional guidance - Cabinet approved Investment Strategy - Effective budget setting and financial monitoring processes embedded - Effective financial governance including reports to FRAC, Cabinet, Audit Committee and Scrutiny Committee - Qualified and experienced officer in post with continued professional development - Increased monitoring of Treasury Management Strategy and activity by Members - Professional, external advisers engaged to support the development of strategies and fill skills gaps	2 Unlikely	3 Significant	6 Low

ID	Risk	Risk Factors	Potential Effect	Links to Corporate Plan	Gross Likely hood	Gross Impact	Gross Risk Rating	Internal Controls	Net Likely hood	Net Impact	Net Risk Rating
SR 03	Asset Management The ability to: a) Dispose of surplus land; b) Maintain, purchase or develop new assets; c) Secure tenants for vacant or part-vacant assets Lead Officer: Jim Carrington-West	<ul style="list-style-type: none"> - Lack of finance to deliver asset management plans and maintenance programmes - Lack of capacity to appropriately manage, maintain and invest in the council's assets - Failure to maximise the benefit from asset disposals - Project management skills to ensure cost effective and robust developments - Lack of tenants to occupy vacant or part-vacant assets - Lack of buyers for surplus Council land - Failure to identify partners to take forward projects and initiatives - Failure to adopt effective governance procedures 	<ul style="list-style-type: none"> - Decrease in asset values placing increased pressure on council budgets - Failure to maximise the opportunity to raise income from investment in assets - Increased insurance premiums - Adverse impact on service delivery - Loss of investment or income opportunities - Reputational damage 	<ul style="list-style-type: none"> - Ability to deliver Value for Money - Ability to Protect the Green Belt - Ability to support and develop the local economy 	4 Likely	4 Serious	16 High	<ul style="list-style-type: none"> - Annual review of Asset Management Plan - Asset maintenance budgets reviewed annually - On going strategic review of council owned property - Inventory registers in place - Financial procedure rules and disposal policy in place - Investment Strategy - Professional, external advisers engaged to support the development of strategies and fill skills and capacity gaps 	3 Possible	3 Significant	9 Medium

ID	Risk	Risk Factors	Potential Effect	Links to Corporate Plan	Gross Likely hood	Gross Impact	Gross Risk Rating	Internal Controls	Net Likely hood	Net Impact	Net Risk Rating
SR 04	Knowledge, capacity & culture The management of the Council's human resources to protect the Council's culture, whilst seeking to address gaps in capacity and knowledge Lead Officer: Jim Carrington-West	- Continuing reductions to Council budgets - National and local pay constraint - Employment and retention of high quality staff - Amendments to the Local Government Pension Scheme - Increased demand for services and high levels of work with reduced capacity and resources - Requirement for new skills to deliver the Council's Corporate Plan promises - Lack of capacity and skilled professionals within the Human Resources team to develop policy and support the workforce	- Lack of resources to employ, develop and support the wellbeing of staff - Reduced morale and staff satisfaction - Reduced productivity - Reduced quality of staff and work / services - Unable to retain high quality staff - Increased absence levels - Unable to continue to deliver the range and quality of services currently experienced - Skills gaps that inhibit the ability to deliver Council projects - Reputational damage as an employer and a service provider	- Ability to deliver Value for Money - Ability to work in Partnership to keep the District safe - Ability to collect rubbish effectively and efficiently - Ability to Protect the Green Belt - Ability to support and develop the local economy	4 Likely	4 Serious	16 High	- 10 year budget minimises the need for short notice changes to the workforce - Human Resources Strategy including workforce development plan, recruitment and retention policies - Managing Attendance Policy supported by return to work and staff wellbeing initiatives - Staff Appraisal Scheme and Personal Development Plans - Training and development programmes supported by an adequate budget - Regular Staff Surveys and Investors in People Assessments to benchmark effectiveness as an employer - Management Development programmes to support staff and protect the organisational culture - Ability to engage professional, external advisers to support the organisation and fill skills and capacity gaps	2 Unlikely	4 Serious	8 Medium

ID	Risk	Risk Factors	Potential Effect	Links to Corporate Plan	Gross Likely hood	Gross Impact	Gross Risk Rating	Internal Controls	Net Likely hood	Net Impact	Net Risk Rating
SR 05	Technology The ability to continually develop the Council's information technology to meet the needs of the Council, Members, Officers and the local community Lead Officer: Jim Carrington-West	- Lack of finance to effectively procure and develop IT solutions across the Council - Lack of capacity and skilled professionals to procure, implement and develop IT solutions across the Council - Failure to identify areas where IT solutions could improve service delivery - Failure to implement robust IT security arrangements in existing and new infrastructure and software - Failure to meet the demands of partnership working in the delivery of solutions and on-going IT support - Poor data management preventing the implementation of new services	- Failure to deliver Council objectives - Failure to benefit from the service efficiencies good use of IT would deliver - Failure to maximise the cost savings and value for money efficient use of IT would deliver - Security lapse could compromise the Council IT network and render systems inoperable - Data loss - Reputational damage - Failure to deliver projects within required timescales - Failure to provide adequate day to day support to customers	- Ability to deliver Value for Money - Ability to work in Partnership to keep the District safe - Ability to collect rubbish effectively and efficiently - Ability to Protect the Green Belt - Ability to support and develop the local economy	4 Likely	4 Serious	16 High	- IT Strategy and Action Plan - IT Security Policy - Business Continuity Plan - Robust disaster recovery plans in place - IT Steering Group - Network security measures in place including firewall and access level controls - Risk management and procurement best practice embedded across the Council - Internal Audit review of IT Security - Experienced staff in post - Effective budget setting and financial monitoring processes embedded	3 Possible	3 Significant	9 Medium

ID	Risk	Risk Factors	Potential Effect	Links to Corporate Plan	Gross Likely hood	Gross Impact	Gross Risk Rating	Internal Controls	Net Likely hood	Net Impact	Net Risk Rating
SR 06	Information & Data Management The ability to properly protect, preserve and make best use of the data and information resources that the Council holds Lead Officer: Jim Carrington-West	- Lack of capacity or skills within the workforce to implement a knowledge management system - Lack of IT capacity to support a knowledge and information management system - Increased complexity and cost of the requirements to adhere to the Code of Connection	- Failure to meet the Council's objectives - Failure to continue to deliver high quality services across the Council - Increased costs from recruitment and staff training - Negative impact on the organisations culture and on staff morale - Reputational damage	- Ability to deliver Value for Money - Ability to work in Partnership to keep the District safe - Ability to collect rubbish effectively and efficiently - Ability to Protect the Green Belt - Ability to support and develop the local economy	4 Likely	4 Serious	16 High	- Data Protection policies in place and available to all staff - Training for all staff on Data Protection - IT Strategy, Plan and Steering Group in place - Annual assessment against the Code of Compliance - Robust disaster recovery plans in place Actions Introduce an Information Governance Policy Provide training for all staff on Information Governance	3 Possible	4 Serious	12 Medium

ID	Risk	Risk Factors	Potential Effect	Links to Corporate Plan	Gross Likely hood	Gross Impact	Gross Risk Rating	Internal Controls	Net Likely hood	Net Impact	Net Risk Rating
SR 07	Legal compliance, governance & ethics The ability to recognise and adapt to changes in legislation and to deliver proper governance, scrutiny and internal control to protect the Council from poor practice and mismanagement Lead Officer: Christine Nuttall	<ul style="list-style-type: none"> - Lack of capacity in the workforce to identify and formulate a response to legislative changes - Lack of finance to adjust to changes in legislation - Lack of Member or Senior Management support to deliver service changes in response to new legislation - Breakdown in relationships between Members and Officers - Failure to adhere to changes of legislation - Lack of capacity and skilled professionals within the Legal, Democratic and Internal Audit teams - Lack of financial resources to deliver high quality governance arrangements and adjust to changes of legislation - Existing governance arrangements may not reflect proper arrangements for the oversight of shared service arrangements 	<ul style="list-style-type: none"> - Failure to fulfil statutory duties resulting in government intervention and an increase in legal liabilities - Failure to continue to deliver high quality services - Increase in customer complaints and falling satisfaction levels - Increase in incidences of fraud and error - Failure to maximise the opportunities changes to legislation may bring - Ineffective political and management leadership - Ineffective scrutiny of decision making and performance - Failure to deliver statutory requirements including an up to date constitution, an effective Internal Audit function and an Annual Governance Statement - Reputational damage 	<ul style="list-style-type: none"> - Ability to deliver Value for Money - Ability to work in Partnership to keep the District safe - Ability to collect rubbish effectively and efficiently - Ability to Protect the Green Belt - Ability to support and develop the local economy 	3 Possible	4 Serious	12 Medium	<ul style="list-style-type: none"> - Dedicated in house Legal team with qualified and experienced officers in place - Professional managers within service areas - Council's Constitution including Codes of Conduct, Officer / Member Protocol and Standards regime - Cabinet and Committee Structure including Advisory, Governance, Audit, Scrutiny & Standards Committee's - Experienced Monitoring Officer and Section 151 officers in post - Internal Audit function complies with CIPFA Code of Practice - Risk Management processes embedded - Effective budget setting and financial monitoring processes embedded - Annual review of Committee Terms of Reference 	2 Unlikely	3 Serious	6 Medium

Draft Strategic Risk Register (May 2014)

ID	Risk	Risk Factors	Potential Effect	Links to Corporate Plan	Gross Likely hood	Gross Impact	Gross Risk Rating	Internal Controls	Net Likely hood	Net Impact	Net Risk Rating
SR 08	National Planning Policy The impact adherence to national planning policy has for local planning policy formulation and development management and our ability to deliver the Council's Corporate Plan ambitions Lead Officer: Richard Morris	- The National Planning Policy Framework and the resulting need to review existing local plans - Impact of the review of planning policies on the local community - Further legislative change that may effect the Council's decision making processes - Budget pressures resulting from the need to review and submit new local plans for examination	- Robustness of existing local plans may be challenged - Increased potential for the Council's planning decisions to be based on national rather than local policies - Increased costs from the revision and submission of new local plans - Reputational damage	- Ability to deliver Value for Money - Ability to Protect the Green Belt - Ability to support and develop the local economy	4 Likely	4 Serious	16 High	- Skilled, professional officers in place - Close working with other local planning authorities - Close working with support organisations including the Planning Inspectorate, Planning Advisory Service and the Planning Officers Society - Ongoing review of legal challenges to the adoption of development plans - Ongoing review of appeal decisions - Member and Officer training - Programmed review of the Local Development Scheme - Local Planning and Environment Advisory Committee	3 Possible	4 Serious	12 Medium

ID	Risk	Risk Factors	Potential Effect	Links to Corporate Plan	Gross Likely hood	Gross Impact	Gross Risk Rating	Internal Controls	Net Likely hood	Net Impact	Net Risk Rating
SR 09	Capacity of Community Partners The impact of the recession and reduced public spending on the workloads and budgets of community partners and the voluntary sector Lead Officers: Lesley Bowles / Pat Smith	<ul style="list-style-type: none"> - Reductions in Government funding of statutory partners such as Police and Fire & Rescue Service - Reductions in Council funding limiting the level of grants payable to the community sector - Changes to the way Government grant is distributed inhibiting the delivery of local priorities e.g. Health funding - Reductions in Council grant constraining the funding available for community grants - Reduction in the number of voluntary sector organisations operating in the District as a result of funding difficulties or lack of willing volunteers 	<ul style="list-style-type: none"> - Unable to deliver the priorities and actions set out in the Community Plan - Increased hardship in the District 	<ul style="list-style-type: none"> - Ability to deliver Value for Money - Ability to work in Partnership to keep the District safe - Ability to support and develop the local economy 	3 Possible	3 Significant	9 Medium	<ul style="list-style-type: none"> - Robust budget setting processes in place which considers the benefits of the Council's community grant scheme - Ability to attract external funding to sustain community projects - Strong relationships with local community and voluntary groups - Robust monitoring 	2 Unlikely	3 Significant	6 Medium

ID	Risk	Risk Factors	Potential Effect	Links to Corporate Plan	Gross Likely hood	Gross Impact	Gross Risk Rating	Internal Controls	Net Likely hood	Net Impact	Net Risk Rating
SR 10	Shared service partners The ability to attract new partners to develop shared services and to sustain existing partnerships Lead Officer: Richard Wilson	<ul style="list-style-type: none"> - Lack of Member and Management leadership and support to partnership and shared service activity - Lack of capacity, skills and expertise in the workforce to effectively manage and optimise partnership working opportunities - Lack of financial resources for the investigation and set-up costs that partnership working may require - Lack of Partnership governance arrangements - Lack of potential partner organisations 	<ul style="list-style-type: none"> - Failure to meet the Council's objectives - Unable to sustain the Council's budget - Failure to continue to deliver high quality services - Failure to maximise financial savings and value for money - Reputational damage - Partnership failure - Failure to maintain existing shared service arrangements - Cost of re-establishing an internal service or seeking new partners 	- Ability to deliver Value for Money	4 Likely	3 Significant	12 Medium	<ul style="list-style-type: none"> - Regular Project Board meetings in place for existing partnerships - Reports to Members on partnership working to ensure their support - Strategic Management Team lead in partnership and shared service activity - Effective relationships across Chief Executives and neighbouring Councils - Senior Officers have skills and expertise to deliver effective partnership working - Effective risk management embedded across the organisation - Partnership Agreements in place for existing shared services - Exit Strategies in place for existing partnership arrangements 	3 Possible	3 Significant	9 Medium

ID	Risk	Risk Factors	Potential Effect	Links to Corporate Plan	Gross Likely hood	Gross Impact	Gross Risk Rating	Internal Controls	Net Likely hood	Net Impact	Net Risk Rating
SR 11	Health and Safety The need to ensure that the Council adopts appropriate policies and practices in place to ensure the wellbeing of its staff. Lead Officer: Richard Wilson	- Lack of Health and Safety Policy and guidance for staff - Lack of controls in place for the effective management of Health and Safety - Lack of effective health and safety risk assessments - Lack of awareness of health and safety controls and practices at work	- Poor working practices - Increased absence from work - Work place accidents - Health and Safety Executive inspections and fines - Reputational damage as a service provider and as an employer	- Ability to deliver Value for Money - Ability to work in Partnership to keep the District safe - Ability to collect rubbish effectively and efficiently - Ability to Protect the Green Belt - Ability to support and develop the local economy	4 Likely	4 Serious	16 High	- Health and Safety Policy - Health and Safety Guidance - Health and Safety Risk assessments - Regular review and monitoring of risk assessments - Health and Safety training - Accident recording, monitoring and action planning - CIEH qualified Officers to undertake risk assessments - Occupational health service	2 Unlikely	3 Significant	6 Medium

ID	Risk	Risk Factors	Potential Effect	Links to Corporate Plan	Gross Likely hood	Gross Impact	Gross Risk Rating	Internal Controls	Net Likely hood	Net Impact	Net Risk Rating
SR 12	Severe weather events The lack of capacity to limit the impact on residents and services of increasingly frequent severe weather events Lead Officer: Richard Wilson	- Inadequate or untested emergency plan in places - Failure to implement emergency plans in response to any given event - Lack of capacity or specialist skills within the workforce to co-ordinate and respond to a major emergency - Inadequate controls on major emergency hazards	- Disruption to the community and to community services - Inability to maintain Council services - Excessive non-recoverable expenditure on response - Loss of Council information - Reputational damage	- Ability to deliver Value for Money - Ability to work in Partnership to keep the District safe - Ability to collect rubbish effectively and efficiently - Ability to Protect the Green Belt - Ability to support and develop the local economy	3 Possible	4 Serious	12 Medium	- Emergency Planning Officer Group - Expertise to formulate and co-ordinate the Council's response - District Major Emergency Plan (including the Business Continuity Plan) in place, regularly updated, enhanced and tested - Community Risk Register - IT Disaster Recovery Plan - Collaborative arrangements with other Category 1 and 2 responders, Town and Parish Councils, the voluntary sector and others are in place - Access to support resources from across the Council, including from Direct Services - Applied learning from experience of prolonged flooding incident	3 Possible	3 Significant	9 Medium

One-off event

ID	Risk	Risk Factors	Potential Effect	Links to Corporate Plan	Gross Likely hood	Gross Impact	Gross Risk Rating	Internal Controls	Net Likely hood	Net Impact	Net Risk Rating
SR 13	2015 Elections The ability to deliver a new election methodology and the potential impact of a change of Government at a national level and new Members or Members in different roles at a local level Lead Officer: Christine Nuttall	- Failure to successfully deliver Individual Electoral Registration programme - Complex 2015 Election process with potential for increased demand on resources - Change in Government resulting in change of approach to policy making or funding relating to local government - Change of Membership at a local level that results in a change to the Council's Vision and Promises - Failure to balance political aspirations with the regulatory and budgetary framework in which the Council operates	- Legal Challenge - Government Intervention - Lack of clarity on the future direction of the Council - Negative impact on the relationship between Officers and Members - Negative impact on maintaining a sustainable budget - Reputational damage	- Ability to deliver Value for Money - Ability to work in Partnership to keep the District safe - Ability to collect rubbish effectively and efficiently - Ability to Protect the Green Belt - Ability to support and develop the local economy	3 Possible	4 Serious	12 Medium	- Highly skilled Elections team with arrangements and resources in place to deliver Individual Electoral Registration - Officers in post and processes in place to identify and respond to changing Government demands and legislation - Council Constitution - Council Vision and Promises agreed by Council and adaptable to change - Robust financial and budget management in place	2 Unlikely	3 Significant	6 Medium

STATEMENT OF ACCOUNTS 2013/14 – MEMBER WORKING GROUP

Audit Committee – 10 June 2014

Report of Chief Finance Officer

Status: For Decision

Key Decision: No

Portfolio Holder Cllr. Ramsay

Contact Officer(s) Adrian Rowbotham Ext. 7153

Recommendation to Audit Committee: That a Member Working Group be set up to review the 2013/14 Draft Statement of Accounts.

Introduction

- 1 Until 2009/10 it was a requirement of The Accounts and Audit Regulations 2003 that Members' approve the Draft Statutory Statement of Accounts by 30 June following the financial year end and that the Audited Statutory Statement of Accounts be approved by Members by 30 September.
- 2 In 2010/11 these requirements changed and now only the Audited Statutory Statement of Accounts have to be approved by Members by 30 September.
- 3 As the Statement of Accounts are very detailed, the Chairman has suggested that a small working group should be established to review the draft during July.
- 4 The working group should have the authority to recommend changes to the Statement of Accounts ensuring that they still adhere to the statutory regulations, and would report to the September Audit Committee.
- 5 A working group was established last year to review the 2012/13 Draft Statement of Accounts and recommended changes to the Foreword and presentational changes to facilitate better comparison of information between years. Members of last years working group were Cllr Grint, Cllr Fittock, Cllr Mrs Bayley, Cllr Mrs Cook and Cllr Ramsay.

Key Implications

Financial

None directly arising from this report.

Legal Implications and Risk Assessment Statement.

Agenda Item 15

None directly arising from this report.

Equality Impacts

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
a. Does the decision being made or recommended through this paper have potential to disadvantage or discriminate against different groups in the community?	No	N/A
b. Does the decision being made or recommended through this paper have the potential to promote equality of opportunity?	No	
c. What steps can be taken to mitigate, reduce, avoid or minimise the impacts identified above?		

Appendices

None

Background Papers:

None

Adrian Rowbotham
Chief Finance Officer

ANNUAL SELF-ASSESSMENT REVIEW OF THE EFFECTIVENESS OF THE AUDIT COMMITTEE 2013/14

Audit Committee – 10 June 2014

Report of the: Chief Finance Officer

Status: For Consideration

Key Decision: No

This report supports the Key Aim of Effective Management of Council Resources

Portfolio Holder Cllr. Ramsay

Contact Officer(s) Bami Cole, Ext. 7236

Recommendation to Audit Committee: That Members approve the Annual Self-assessment Review of the Effectiveness of the Audit Committee 2013/14.

Introduction and Background

- 1 It is considered good governance practice to have a process for evaluating a committee's performance. Members of this committee have accepted the underlying principals requiring the Audit Committee to measure the robustness of its own performance, not least, because of its oversight role for Internal Audit, Risk Management, Governance and Internal Control. Current governance arrangements for Local Councils issued by CIPFA in compliance with the Accounts and Regulations 2011 require that the Audit Committee be assessed annually, in order to determine its effectiveness and identify areas for further development.
- 2 This report puts forward proposals for assessing the achievements for the Audit Committee for the year 2013/14, its first full year of operation. The reasons for measuring the Committee's achievements and details of how this can be done are highlighted below.

Details of the Process

- 3 The process incorporates the recommended self-assessment checklist taken from the CIPFA guide "Audit Committees – Practical Guidance for Local Authorities" (Dec 2005).
- 4 The self-assessment checklist (attached as an Appendix to this report) has been amended where necessary to reflect local needs or customs. To facilitate and expedite the process, the checklist has been completed as far as possible drawing from the work of the Committee in relation to its terms of reference using the evidence available from the work of the Committee during 2013/14. The checklist incorporates the following eight key issues that the Committee is required to measure its achievements against.

Agenda Item 16

- **Terms of Reference** – Does it comply with best practice?
- **Internal Audit Process** – Is there sufficient oversight by the Committee?
- **External Audit Process** – Is there sufficient involvement?
- **Membership** – Does it comply with good practice requirements?
- **Meetings** – Frequency and robustness
- **Training** – Is it fit for purpose?
- **Administration** – Is the Committee supported by relevant officers?
- **Compliance** – With Public Sector Internal Audit Standards (PSIAS)

- 5 In addition to the above, a separate questionnaire is sent to each member of the Committee in order to obtain their personal views on the workings of the Committee and their own personal contribution to the work of the Committee. The result of this questionnaire will also be used to improve relevant aspects of the working of the Committee where appropriate.

Next Steps

- 6 The Committee is requested to go through the checklist as a group during the meeting and consider the details highlighted and make any additional comments or changes it deems necessary.
- 7 On completion of the checklist, areas for further development could be transferred into an action plan identifying the key areas for further development and relevant timescales. The action plan would then be taken to Council for agreement.

Key Implications

Financial

This report has no financial implications.

Legal Implications and Risk Assessment Statement

This report has no additional legal implications.

Value for Money and Asset Management

An effective Audit Committee will contribute towards the overall management of the Council and would help mitigate against poor value for money in service provision.

Equality Impacts

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
a. Does the decision being made or recommended through this paper have potential to disadvantage or discriminate against different groups in the community?	No	
b. Does the decision being made or recommended through this paper have the potential to promote equality of opportunity?	No	
c. What steps can be taken to mitigate, reduce, avoid or minimise the impacts identified above?		N/A

Conclusions

The outcome of the review indicates that the Audit Committee substantially meets the requirements of existing CIPFA code and therefore is making a valuable contribution towards effective governance and the management of business risk within the Council.

Appendices

Appendix A – Self-Assessment Checklist

Background Papers: CIPFA guide “Audit Committees – Practical Guidance for Local Authorities” (Dec 2005)
<http://moderngovwebpublic.bromsgrove.gov.uk/documents/s956/Appendix%20A%20CIPFA%20Audit%20Committee%20Guide.pdf>

[The Accounts and Audit \(England\) Regulations 2011](#)

[Public Sector Internal Audit Standards.](#)

Adrian Rowbotham
Chief Finance Officer

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Self-assessment Checklist – Assessing the Effectiveness of the Audit Committee

ISSUE	YES	NO	N/A	COMMENT
1. Terms of Reference				
1.1 Have the Committee's terms of reference been approved by full Council?	✓			
1.2 Do the terms of reference follow the CIPFA model	✓			
2. Internal Audit Process				
2.1 Does the Committee approve the strategic audit approach and annual programme?	✓			
2.2 Is the work of Internal Audit reviewed regularly?	✓			
2.3 Are summaries of quality questionnaires from managers reviewed?	✓			These are currently reviewed annually in the Annual Internal Audit Report.
2.4 Is the Annual Audit Report, from the Head of Audit, presented to the Committee?	✓			
3. External Audit Process				
3.1 Are reports on the work of External Audit and other inspection agencies presented to the Committee?	✓			
3.2 Does the Committee input into the external audit programme?	✓			The Committee has opportunities to influence the external audit programme through attendance of the external auditor at its meetings.
3.3 Does the Committee ensure that officers are acting on and monitoring action taken to implement recommendations?	✓			The process for this was agreed at the meeting in March 2014.
3.4 Does the Committee take a role in overseeing:				These are part of the Committee's standard terms of Reference
• Risk Management strategies	✓			
• Annual Governance Statement	✓			
• Anti-fraud arrangements	✓			
• Whistle-blowing strategies	✓			

ISSUE	YES	NO	N/A	COMMENT
4. Membership				
4.1 Has the membership of the Committee been formally agreed and a quorum set?	✓			
4.2 Is the Chair free of executive or scrutiny functions?	✓			
4.3 Are members sufficiently independent of the other key Committees of the Council?	✓			
4.4 Have all members' skills and experiences been assessed and training given for identified gaps?				Members assessed themselves regarding their training needs. Relevant training is made available to accommodate member's requests. In addition, certain key essential training is made available to comply with regulatory requirements. For example, Risk Management and Ethics
4.5 Can the Committee access other committees as necessary?	✓			
5. Meetings				
5.1 Does the Committee meet regularly?	✓			At least 4 times a year
5.2 Are separate, private meetings held with the external auditor and the internal auditor?				There are arrangements in place to facilitate a meeting with the External Auditor if necessary. A separate meeting with the Audit Manager is not currently held. But the Chairman meets jointly with the Audit Manager and the Chief Finance Officer.
5.3 Are meetings free and open without political influences being displayed?	✓			
5.4 Are decisions reached promptly?	✓			
5.5 Are agenda papers circulated in advance of meetings to allow adequate preparation by members?	✓			

ISSUE	YES	NO	N/A	COMMENT
5.6 Does the Committee have the benefit of attendance of appropriate officers at its meetings?	✓			Other officers attend as and when necessary, or on request of the Chairman
6. Training				
6.1 Is induction training provided to members?	✓			An initial induction training was provided at the 1 st meeting of the Committee in June 2013.
6.2 Is more advanced training available as required?	✓			Training needs assessment has been undertaken and a delivery method agreed.
7. Administration				
7.1 Does the authority's S151 Officer or deputy attend all meetings?	✓			The Chief finance Officer attends all meetings.
7.2 Are the key officers available to support the Committee?	✓			
8. PSIAS				
8.1 Has the Committee been advised of the requirements of the New Mandatory Internal Audit Standards?	✓			
8.2 Have proposals for compliance with the new standards been considered by the Committee?				These will be sent to the Committee at the June meeting

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Questionnaire for the Members of the Audit Committee - Responses

Question	Response
1	How do you think the Audit Committee has performed over the course of the year? a. Worked effectively. b. Reasonably well, considering low level of expertise of some members. c. I have thoroughly enjoyed the work which we undertook; there were times when I was not sure , other times that I was convinced that my thinking was right and at all times I valued the work of the Officers who contributed to a meaningful year's efforts.
2	Do you think the Audit Committee has addressed the correct subjects? If not, what subjects would you like to see included in its agenda? a. Need to concentrate on issues around the finance and operational delivery of services. Are we getting value for money? b. Yes, so far, but probably not all the ones we should have. c. The audit committee's focus is ensuring best value for money, cutting costs without negative impact on quality of services and reducing costs as much as possible in a time of austerity. I believe that we worked hard to focus on and address these priorities.
3	What is your view on the quality of the reports received? a. Very good. b. Excellent. c. As always, the quality and depth of the reports were always spot on and I much valued the input of the Officers' when clarification or further explanation was needed.
4	Is the level of detail correct? a. Yes. b. In most cases, yes. c. There were times when I felt a little bogged down by technicalities, but always when seeking an explanation, the officers were happy to break down jargon into layperson's language; this greatly assisted me in understanding the sometimes complex information detailed in accounts and reports.
5	What improvements would you like to see in reports? a. n/a b. Impossible to answer as this varies from one subject to another. c. I am struggling to find an area to comment on, except proofreading which would be beneficial; as the reports were timely and as I mentioned previously, when there were a lot of details, then these were readily explained by the officers present. Bami is always so helpful and willing to explain to those of us who are not as au fait as he is in this area.
6	Is it helpful to have Grant Thornton present at 3 meetings? a. Twice a year should be adequate - Once to present audit, once to outline future work programme.

Questionnaire for the Members of the Audit Committee - Responses

		<p>b. No – one p.a. would probably be enough, with a report at the 2nd (and/or 3rd if they must).</p> <p>c. I found Grant Thornton's expertise and presence both useful and insightful in allowing me to understand the processes of auditing and financial administration. Not that I now fully understand, anyway. I feel that I was just beginning to grasp important concepts, but now I have moved onto another committee.</p>
7	<p>a) Do you think your personal contribution has been effective?</p> <p>b) What steps do you think could be taken to improve your personal contribution further?</p>	<p>a. Never enough.</p> <p>b. But of course (otherwise I wouldn't keep coming!)</p> <p>c. I am not so sure. However, I thoroughly enjoyed the experience of being on this committee</p> <p>a. Would have to burden the Officers with more pre-Committee questions.</p> <p>b. More time in my personal life to devote to reading reports more thoroughly and researching before meetings. I am fortunate that I can think on the go, but this does not excuse doing the homework.</p> <p>c. I sadly missed some of the training sessions due to my day job and sometimes, other commitments. But definitely training in small doses is always useful. I would benefit from attending sessions when these are available, as I do not have a financial background and for me it is doubly difficult, unless I have the opportunity to learn, practice, make mistakes and learn from those!</p>
8	Any other comments	<p>a. None.</p> <p>b. I will miss this - as I am being moved to another committee.</p> <p>c. I wish to thank all the Officers for their commitment, their time, their patience, their willingness to always offer support and for putting up with my ignorance , most often than not!! You are great assets to SDC. Thank you for making my learning and my time on the committee a much valued experience.</p>

May 2014

Audit Committee 2014/15 –Work Plan

	10 June 2014	9 September 2014	13 January 2015	17 March 2015
Internal Audit (Irregularities to be reported confidentially as & when necessary)	Internal Audit 2013/14 - Annual Report Implementation of Audit Recommendations Review of effectiveness of Internal Audit New Audit Standards – Full Report	Internal Audit 2014/15 – 1 st Progress Report Implementation of Audit Recommendations	Internal Audit 2014/15 – 2 nd Progress Report Implementation of Audit Recommendations	Internal Audit 2013/14 – 3 rd Progress Report Internal Audit Plan
Risk Management	Risk Management Plan including Strategic Risk Register			Risk Management Strategy
Accounts and External Audit	Statement of Accounts 2013/14 – set up Member Working Group External Audit - Annual Audit Plan External Audit – Audit Committee Update	Statement of Accounts 2013/14	External Audit – Annual Audit Letter External Audit – Housing Benefit Grant 2013/14	

	10 June 2014	9 September 2014	13 January 2015	17 March 2015
Other	Annual Fraud report Annual Governance Statement Review of the Effectiveness of the Audit Committee Audit Committee Terms of Reference	CIL		