

12 January 2016 at 7.00 pm

Conference Room, Argyle Road, Sevenoaks
Despatched: 04.01.16



Audit Committee

Membership:

Chairman, Cllr. Grint; Vice-Chairman, Cllr. Brookbank
Cllrs. Clack, Dyball, Edwards-Winsler, Layland, McArthur, Purves and Reay

Agenda

	Pages	Contact
Apologies for Absence		
1. Minutes To agree the Minutes of the meeting of the Committee held on 8 September 2015, as a correct record	(Pages 1 - 6)	
2. Declarations of Interest Any declarations of interest not already registered.		
3. Actions from Previous Meeting	(Pages 7 - 8)	
4. Responses of the Council, Cabinet or Council Committees to the Committee's reports or recommendations a) Statement of Accounts 2014/15 - Outcome of External Audit (Cabinet 15 October 2015, Minute 31)	(Pages 9 - 10)	
5. External Audit - Housing Benefit Subsidy 2014/15	(Pages 11 - 12)	Adrian Rowbotham Tel: 01732 227153
6. External Audit - Annual Audit Letter 2014/15	(Pages 13 - 22)	Adrian Rowbotham Tel: 01732 227153
7. Statement of Accounts 2015/16 - Preparation Update	(Pages 23 - 28)	Helen Martin Tel: 01732 227483
8. Internal Audit 2015/16 - 2nd Progress Report	(Pages 29 - 46)	Bami Cole Tel: 01732 227236
9. Report on Internal Audit Recommendations Outstanding	(Pages 47 - 58)	Bami Cole Tel: 01732 227236

- | | | |
|-----------------------------------|-----------------|--|
| 10. Internal Audit Charter | (Pages 59 - 72) | Bami Cole
Tel: 01732 227236 |
| 11. Anti-Fraud Team Update | (Pages 73 - 76) | Bami Cole,
Tel: 01732 227236,
Glen Moore
Tel: 01322343240 |
| 12. Work Plan | (Pages 77 - 78) | |

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.)

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

Should you need this agenda or any of the reports in a different format, or have any other queries concerning this agenda or the meeting please contact Democratic Services on 01732 227247 or democratic.services@sevenoaks.gov.uk.

AUDIT COMMITTEE

Minutes of the meeting held on 8 September 2015 commencing at 7.00 pm

Present: Cllr. Grint (Chairman)
Cllr. Brookbank (Vice Chairman)
Cllrs. Clack, Dyball, Edwards-Winsler, Layland, Purves and Reay
Cllr. Searles was also present.

15. Minutes

Resolved: That the minutes of the Committee held on 23 June 2015 be agreed and signed as a correct record.

16. Declarations of Interest

There were no additional declarations of interest.

17. Actions from Previous Meeting

The actions from the previous meeting were noted.

18. Responses of the Council, Cabinet or Council Committees to the Committee's reports or recommendations

There were none.

19. Statement of Accounts 2014/15 - Outcome of External Audit

The Chairman welcomed Mr. Andy Mack and Mr. Geoffrey Banister from Grant Thornton, the Council's External Auditors, to the meeting.

The representatives of Grant Thornton introduced the report which explained their findings on the 2014/15 Statement of Accounts, which were to be signed off by the end of September 2015. Mr. Mack advised that the external auditors found that the Statement gave a true and fair view of the Council's financial position and had been properly prepared in accordance with the Code of Practice. Grant Thornton hoped to sign off the Accounts the next day with an unqualified audit opinion. An unqualified opinion had also been given on the Council's Value for Money arrangements, confirming that the Council had strong arrangements in place. He thanked Officers for their help during the course of the audit.

Mr. Mack highlighted that the Finance Team understood the financial position of the Council well. The Council had good arrangements in place for financial management, including long-term financial planning. Financial decisions were taken for the long term.

Agenda Item 1

Audit Committee - 8 September 2015

Innovation, such as the new investment strategy, was central to the financial sustainability of the Council. This reflected good practice.

However Grant Thornton had identified a number of disclosure and presentational errors in the draft statements, which increased the time spent on the audit and led to an increase in the audit fee. Mr Mack also highlighted that by 2018 the Statement of Accounts would have to be approved two months sooner. In his opinion the Finance Team was good but their capacity was overstretched.

The Chief Finance Officer advised that the Audit Committee working group had considered the Statement of Accounts in July 2015 which resulted in some changes to the foreword. A review of the Finance Team was already planned and would include a look at the resources and skills required to produce an improved Statement of Accounts for 2015/16, noting that the Council had the smallest Finance Team in Kent. A report on the changes being implemented would be reported to the Committee in January 2016.

In response to questions Members were advised by Grant Thornton that the accounts could be streamlined by de-cluttering but still ensuring that all necessary information was still present, also by reviewing de minimis levels, for example for accruals. This assessment would be best carried out in the next two to three months. Some sections of the accounts could also be produced separately, in advance, in order to assist in the earlier preparation of the accounts.

The Portfolio Holder for Finance considered the Finance Team high quality. He asked why criticism of the notes had not been made in previous years and asked whether the comments would affect the fee in future years. Mr. Mack advised that the misstatements had only arisen this year. Although the fees for the 2014/15 audit had risen from £57,541 to £64,000, reflecting the additional work, this would not affect future fees. The Committee noted the fee increase with concern and hoped the audit would be carried out for the planned fee next year.

The Committee thanked the Finance Team for their extremely hard work in preparing the Statement of Accounts, and thanked Grant Thornton for their audit work and their report.

The Committee were also asked to agree that the Chairman of the Audit Committee sign the representation letter to Grant Thornton for the Financial Statements for the year ended 31 March 2015 found at Appendix B to the report.

Public Sector Equality Duty

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

Resolved: That

- a) the Statements of Accounts for 2014/15 be approved;
- b) the audit letter of representation be approved; and

Audit Committee - 8 September 2015

- c) Cabinet be advised that pending a review of the Team, the Finance Team may require additional resources for the preparation of the 2015/16 Statement of Accounts.

20. Internal Audit 2015/16 - 1st Progress Report

The Audit, Risk and Anti-Fraud Manager presented a report that detailed the progress of the Internal Audit Team in delivering the Annual Internal Audit Plan for the year 2015/16 and the outcome of the final Internal Audit reports issued since the meeting of the Audit Committee on 23 June 2015.

The Audit, Risk and Anti-Fraud Manager tabled an [updated status report for the 2015/16 Internal Audit Plan](#). There were 7 planned internal audit reviews in progress with 1 final report issued, 3 draft reports, 1 feedback in progress, 2 fieldworks in progress and 1 brief issued. Two further investigations were at the draft report stage. He advised that progress compared very favourably to last year.

Action 1: The Audit, Risk and Anti-Fraud Manager to provide Committee Members with information on the sums spent on Community Grants and a projection going forward referred to in the final Internal Audit reports.

In response to a question, Officers explained that costs for consultancy staff had risen for the year due to the number of planning applications and the new Economic Development & Property Team. Consultants would only be appointed when specialist knowledge was required. Agency staff were particularly required for the Revenues & Benefits Team until the Universal Credit reforms were introduced.

The Chairman asked whether Members felt a working group would be appropriate to allow more detailed analysis of Internal Audit reports. The Committee agreed that a working group was not necessary. It was noted that the Committee would look in detail at any report which produced a finding lower than Satisfactory.

The Audit, Risk and Anti-Fraud Manager explained that, in coming to their final opinions, the Audit Team would discuss draft reports with the relevant Officers to come to an agreement on facts, but that audit opinions were independently determined by Internal Audit. The opinions in the two final reports had not changed from the draft stage but some details had been amended.

Public Sector Equality Duty

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

Resolved: That the report be noted.

21. Report on Internal Audit recommendations outstanding

The Audit, Risk and Anti Fraud Manager presented a report that updated Members on the progress of implementation of recommendations agreed with Management from Internal Audit reviews, for actions due up until 31 July 2015. The report highlighted the recommendations which were due and where implementation dates had been revised or,

Agenda Item 1

Audit Committee - 8 September 2015

where agreed, recommendations had not been implemented due to change in circumstances.

A Member enquired whether priority in the implementation of recommendations was based on the risk related to the failure to act. The Audit, Risk and Anti Fraud confirmed that it was, though they would try to get low risk changes implemented soon if they could be brought in quickly.

Public Sector Equality Duty

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

Resolved: That

- a) the information in Appendix A be noted; and
- b) the reasons for delayed implementation and revised dates for implementation provided by Management as set out in Appendix B to the report be noted and endorsed.

22. Risk Management Training

The Audit Risk and Anti-Fraud Manager gave a [presentation](#) to Members on risk management which covered the generic principles, the Council's framework and the Committee's terms of reference. The Council's definition of risk management was those activities required to identify, assess, control and monitor exposure to uncertainties which might impact upon the achievement of the Corporate Plan priorities. The Council's policy was that risk could not be eliminated but could be managed to achieve those priorities. Risk was divided into Strategic Risk and Operational Risk but Operational Risk would only be reported to the Committee if it was thought the risk could have a significant impact upon the reputation or finances of the Council.

23. Draft Strategic Risk Register

The Audit Risk and Anti Fraud Manager presented a report which gave Members the opportunity to review and comment on the Council's Draft Strategic Risk Register. The Draft Register had been developed by Officers, taking into consideration the views of the Officers' Risk Management Group, Service Managers and Chief Officers. It set out the risks that Officers considered could prevent or hinder the effective delivery of the Vision and Promises set out in the Council's Corporate Plan. A replacement [summary of the Draft Strategic Risk Register](#) was tabled for Members' consideration. Following the initial analysis 8 high risks and 4 medium risks had been identified but these had all been reduced to medium risks after existing controls had been taken into account.

The Chief Finance Officer advised that the Council's finances, borrowing and shared services were all considered medium risks. However the Council needed to accept risks and it was a matter of measuring risk against return.

Action 2: The Audit Risk and Anti Fraud Manager to include the risk matrix key in future risk management reports.

Audit Committee - 8 September 2015Public Sector Equality Duty

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

Resolved: That the Draft Strategic Risk Register be agreed with no further recommendations, amendments or additions.

24. Members' Allowance Scheme Monitoring

The Chief Finance Officer introduced a report which explained that it was the Committee's role to monitor the implementation of the Members' Allowance Scheme. The scheme was last agreed by Council on 18 February 2014 and the report set out the allowances paid in 2014/15. Basic allowances were paid to all 54 Members, but 3 asked not to receive the full amount, while travel expenses were claimed by 46% and the IT allowance was claimed by 63%. Members' claims were processed by the Democratic Services Team with questions of interpretation referred to the Chief Executive or Monitoring Officer. No issues were found during the year.

Public Sector Equality Duty

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

Resolved: That the report be noted.

25. Work Plan

The work plan was noted. It was agreed that additional reports on updating on the outstanding recommendations from the external review of Internal Audit and the External Auditor Relationship and Future Appointments would be brought to the Committee on 15 March 2016. Reports on the Internal Review of Internal Audit, External Audit – Annual Audit Plan and Update, establishment of a Statement of Accounts 2015/16 Member Working Group, the Annual Governance Statement 2015/16 and an Anti-Fraud Team report would be brought to the meeting in Summer 2016.

THE MEETING WAS CONCLUDED AT 8.57 PM

CHAIRMAN

ACTIONS FROM THE MEETING HELD ON 08.09.2015			
Action	Description	Status and last updated	Contact Officer
ACTION 1	The Audit, Risk and Anti-Fraud Manager to provide Committee Members with information on the sums spent on Community Grants and a projection going forward referred to in the final Internal Audit reports.	<p>The agreed budget for Community Grants is £54,790.</p> <p>This has not changed for the last two years and is also the figure going forward for 2016/17.</p> <p>This above, does not include grants to the citizen advise bureau, which amounts to £98,540. (21.12.2015)</p>	<p>Bami Cole</p> <p>Ext. 3023</p>
ACTION 2	The Audit Risk and Anti Fraud Manager to include the risk matrix key in future risk management reports.	This will be updated in the next report to the Committee. (21.12.2015)	<p>Bami Cole</p> <p>Ext. 3023</p>

This page is intentionally left blank

Item 4(a) - Statement of Accounts 2014/15 - Outcome of External Audit

At its meeting on 8 September 2015 the Audit Committee resolved that Cabinet be advised that, pending a review of the Team, the Finance Team may require additional resources for the preparation of the 2015/16 Statement of Accounts. Cabinet considered this on 15 October 2015, relevant minute extract below:

Cabinet - 15 October 2015 (Minute 31)

- a) Statement of Accounts 2014/15 - Outcome of External Audit (Audit Committee 8 September 2015, Minute 19)

The Audit Committee had resolved to advise Cabinet that pending a review of the Team, the Finance Team may require additional resources for the preparation of the 2015/16 Statement of Accounts. The Chief Finance Officer advised that this followed concerns raised by Grant Thornton about the capacity of the team to deliver the accounts in the required shorter timescales in years to come. He further advised that the Head of Finance had been working on this and a review of the whole Finance Team was currently taking place including looking at the skills required to produce the accounts. Other options were also being investigated such as bringing in temporary expertise for certain elements of the accounts process. Grant Thornton Audit fees were reducing so that could be a possible source of funding if required.

Resolved: That it be noted.

This page is intentionally left blank

EXTERNAL AUDIT - HOUSING BENEFIT SUBSIDY 2014/15

Audit Committee - 12 January 2016

Report of Chief Finance Officer

Status: For Information

Key Decision: No

Portfolio Holder Cllr. Searles

Contact Officer Adrian Rowbotham Ext. 7153

Recommendation to Audit Committee: That the report be noted.

Introduction

- 1 Grant Thornton, as the Council's external auditor, is required to certify certain grant claims submitted by the Council. This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.
- 2 Only one claim was certified for 2014/15, the Housing Benefit Subsidy Claim, relating to expenditure of £30m.

Audit Outcome

- 3 Housing Benefit Subsidy is a complex claim which was qualified but not amended.
- 4 Errors were identified in the 2014/15 return; however the number continues to reduce each year. This reflects the measures taken to update the system, increase training and the quality assurance process. Although the impact of these errors on the value of the overall claim was relatively minimal, it is important to claimants that their benefit is calculated correctly. The Department for Work and Pensions (DWP) stipulates high standards of accuracy resulting in any claims being incorrect by as little as 1p are classified as errors and additional testing is then required on a larger sample.
- 5 The audit fee for grant claims in 2014/15 is £16,460 (subject to confirmation). This is less than the £19,000 charged in 2013/14, £20,638 charged in 2012/13 and £51,662 charged in 2011/12.

Agenda Item 5

- 6 The following table shows an analysis of where errors found resulted in adjustments to the grant claim:

Cell description	Cell Total £	Sample No.	Sample £	Error No.	Error £	Error %	Adjustmen t made £
Underpaid benefit - calculation of the Local Housing Allowance (LHA) rate: error in calculation of employed earnings	7,197,264	60	188,580	1	-0.41	0.00%	-14
Rent Allowances - Eligible Overpayments (Current Year)	435,072	63	8,292	1	-63	-0.01%	-3,481

Key Implications

Financial

The financial implications are included elsewhere in the report.

Legal Implications and Risk Assessment Statement.

There are no legal implications.

The work carried out by the external auditors provides a thorough examination of the grant claim processes of the Council. Any significant issues found are reported to Members.

Equality Assessment

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

Appendices None

Background Papers: None

Adrian Rowbotham
Chief Finance Officer

EXTERNAL AUDIT - ANNUAL AUDIT LETTER 2014/15

Audit Committee - 12 January 2016

Report of Chief Finance Officer

Status: For Information

Key Decision: No

Portfolio Holder Cllr. Searles

Contact Officer Adrian Rowbotham Ext. 7153

Recommendation to Audit Committee: That the report be noted.

Introduction and Background

- 1 Andy Mack and Geoffrey Banister, from Grant Thornton, would like the opportunity to present the Annual Audit letter 2014/15 (attached at the Appendix) to Members.
- 2 Grant Thornton were appointed as the Council's external auditors to replace the Audit Commission with effect from 1 November 2012. This followed a procurement exercise to outsource the work of the Commission's in-house audit practice into five regional contracts.

Annual Audit letter 2014/15

- 3 The purpose of this letter is to summarise the findings arising from the work carried out for the year ended 31 March 2015 and to communicate key messages to the Council and external stakeholders, including members of the public.
- 4 The work carried out during the year consisted of:
 - Audit of the accounts (financial statements).
 - Value for Money.
 - Whole of Government Accounts.
 - Certification of housing benefit grant claim.
- 5 The recommendations included in the Appendix were also presented to the Audit Committee on 8 September 2015.

Agenda Item 6

Key Implications

Financial

There are no financial implications.

Legal Implications and Risk Assessment Statement.

There are no legal implications.

Equality Assessment

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

Appendices

Appendix - Annual Audit letter 2014/15

Background Papers:

None

Adrian Rowbotham
Chief Finance Officer

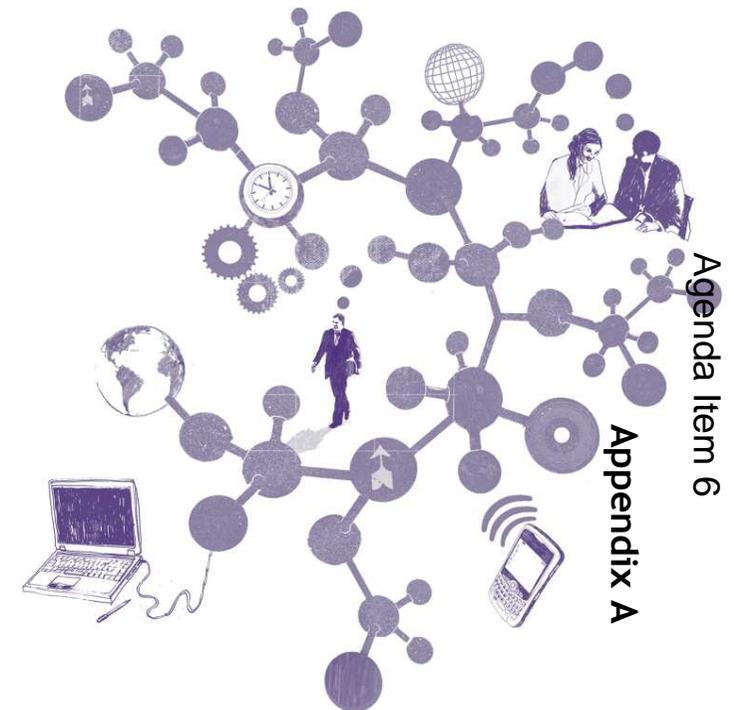
The Annual Audit Letter for Sevenoaks District Council

Year ended 31 March 2015

October 2015

Andy Mack
Director
T 020 7728 3299
E andy.l.mack@uk.gt.com

Geoffrey Banister
Manager
T 020 7728 3023
E geoffrey.c.banister@uk.gt.com



Agenda Item 6

Appendix A

Contents

Section	Page
1. Key messages	3
Appendices	
A Key issues and recommendations	5
B Summary of reports and audit fees	6

Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Sevenoaks District Council ('the Council') for the year ended 31 March 2015.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued in June 2015 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and Public Sector Audit Appointments Limited.

Financial statements audit (including audit opinion)

Page 17

We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 8 September 2015 to the Audit Committee. The key messages reported were:

We recognise that officers have worked hard to support us during the audit and to address points raised by our review. The quality of the working papers and documents supporting the balances within the financial statements were of a reasonable standard and we did not identify any adjustments affecting the Council's reported financial position.

Whilst the above is pleasing, the Council was unfortunately unable to provide a complete set of draft financial statements by the agreed date at the start of the audit. In addition, there were a high number of disclosure and presentational errors in the draft statements which the Council has corrected in the revised set of financial statements. Recommendations arising from our work are listed in Appendix A on page 5 and the Council has prepared an action plan to strengthen its closedown arrangements in 2015/16.

We issued an unqualified opinion on the Council's 2014/15 financial statements on 9 September 2015, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

Key messages continued

Value for Money (VfM) conclusion	<p>We issued an unqualified VfM conclusion for 2014/15 on 9 September 2015.</p> <p>The Council continues to have strong arrangements in place and as part of the Council's ambition to become financially self-sustainable it has started to purchase investment assets in 2014/15.</p> <p>On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.</p>
Whole of Government Accounts	<p>We have completed our work on the Whole of Government Accounts and have no issues which we wish to highlight for your attention.</p>
Certification of housing benefit grant claim	<p>Our work on the Council's 2014/15 housing benefit grant claim is in progress</p>
Audit fee	<p>Our fee for 2014/15 was £64,000, excluding VAT which was increased from our planned fee for the year due to the extra time taken during the audit. Further detail is included within appendix B.</p>

Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2014/15 audit.

No.	Recommendation	Priority	Management response/ responsible office/ due date
1.	Ensure all journals are approved electronically by an officer that has not been involved in the preparation process.	High	<p>The risk of mis-appropriation of funds within codes is small due to the following processes already in place.</p> <ol style="list-style-type: none"> Journals requested by non-Finance staff are agreed by Finance. End of year accruals are authorised by the relevant Chief Officer before being agreed by Finance. The budget monitoring reports require comments for any variances over £10,000 and are analysed on a line-by-line basis by the Finance Team. <p>Random checks will now be carried out to reduce the opportunity to mis-appropriate funds within codes. This will involve the Chief Finance Officer and Head of Finance completing monthly checks. This will ensure that journals completed by each member of the Finance Team are checked on a regular basis.</p> <p>Responsible office: Head of Finance Due date: 15/09/2015</p>
2.	Improve the timeliness of the financial statements preparation process. This will be particularly important given the Department for Communities and Local Government's proposals to move the sign off deadline to 31 July by 2018	High	<p>It is intended to bring the 2015/16 annual accounts process forward by a further week as we move towards the earlier deadline.</p> <p>Responsible office: Head of Finance Due date: 31/01/2016</p>
3.	As recommended for the last two years the Council should build into the financial statements preparation process a more thorough comprehensive quality assurance review to identify errors.	High	<p>A review of the resources and skills required will be carried out to identify the current gaps to reduce the chances of issues arising in future years. Changes will be in place for the 2015/16 annual accounts.</p> <p>Responsible office: Head of Finance Due date: 31/12/2015</p>
4	Improve the accuracy, completeness and disclosures of the notes to the financial statements.	High	As 3 above.

Appendix B: Reports issued and fees

We confirm below the fees charged for the audit and non-audit services.

Fees

	Per Audit plan £	Actual fees £
Council audit	57,541	64,000
Grant certification on behalf of Public Sector Audit Appointments Limited (estimated)	16,460	Work in progress
Total audit fees	£74,001	

The extra fee reflects delays in the preparation of the draft financial statements as well as the number of errors in the draft financial statements which resulted in considerable additional audit time and resources. The final fee is subject to approval by Public Sector Audit Appointments Ltd.

Reports issued

Report	Date issued 2015
Audit Plan	June
Audit Findings Report	September
Certification Report	To follow
Annual Audit Letter	October

Fees for other services

Service	Fees £
Audit related services	Nil
Non-audit related services	Nil



© 2015 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

grant-thornton.co.uk

This page is intentionally left blank

STATEMENT OF ACCOUNTS 2015/16 - PREPARATION UPDATE

Audit Committee 8 January 2016

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. Grint

Contact Officer Helen Martin Ext. 7483

Recommendation to Audit committee: That the report be noted.

Reason for recommendation: To provide members with information regarding the Statement of Accounts process for 2015/16.

Introduction and Background

1. Audit Committee in September 2015 was advised that a report on the changes being implemented in the Finance Team would be reported to this Committee. This report explains the changes that are taking place in Finance to produce an improved Statement of Accounts for 2015/16
2. In December, Strategic Management Team gave their approval to a restructure within the Finance Team. Copies of the existing and new structure are attached as Appendix A. The approved structure includes a new post of Principal Financial Accountant and the post holder will take responsibility for certain elements of the final accounts, particularly those relating to the proposed trading company. Recruitment for this post commenced at the beginning of January. A new financial systems team has been created to focus on input to the accounting system and support for users. This should release more of the accountants time to undertake financial accounting.
3. Kent County Council (KCC) terminated the contract for the Finance Trainee seconded to Sevenoaks at the end of December because the post holder was successful in achieving a permanent post at KCC. It is not appropriate to recruit to the trainee vacancies in the new structure until the position of existing employees has been resolved. However, the work that would have been undertaken by the trainee at this time of year was critical to the organisation, and SMT have approved the appointment of an interim

Agenda Item 7

accountant to undertake the work until recruitment of a permanent member of staff can begin.

4. In addition to the restructure some other measures will be implemented for 2015/16 to improve the Statement of Accounts including:
 - The timetable has been re-scheduled to provide additional time for quality control measures to be undertaken before 30th June. This quality control will involve both internal and external resources. The timetable will also shorten the time allowed for final accounts completion in preparation for closedown in 2017/18
 - CIPFA will again be engaged to assist in the calculation of accounting entries required for fixed assets. The CIPFA toolkit for final accounts has been ordered and this will help to double check the integrity of the notes supporting the main tables.
 - The accruals advisory limit will be retained at £500 as a larger limit may result in an aggregate position that materially under or overstates income and expenditure for the year. Due to the shorter timetable there will have to be greater use of estimated figures for these accruals.
 - The part of the statement of accounts that involves the major statements and tables of notes will be prepared using Excel which, combined with using the CIPFA toolkit will reduce discrepancies arising from rounding errors.
5. In previous years it has been the practice for Chief Officers to request approval for specific unspent budgets to be carried forwards at the Finance Advisory Committee in May. This timescale does not fit with the earlier closedown requirements and in future Finance Advisory will consider requests and make recommendations to Cabinet on carry forwards as part of the review of reserves in February.
6. The arrangements put in place should enable the Statement of Accounts to be produced to the quality expected.

Key Implications

Financial

Some additional costs may be incurred in producing the statement of accounts, particularly in the light of any recruitment difficulties in critical areas leading to a requirement to obtain external resources.

Legal Implications and Risk Assessment Statement

It is a legal requirement that the authority produce an annual statement of accounts.

Equality Assessment

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

Conclusions

That Member note the action being taken regarding the \Statement of Accounts for 2015/16

Appendices

Appendix - Current and Approved structures in finance team

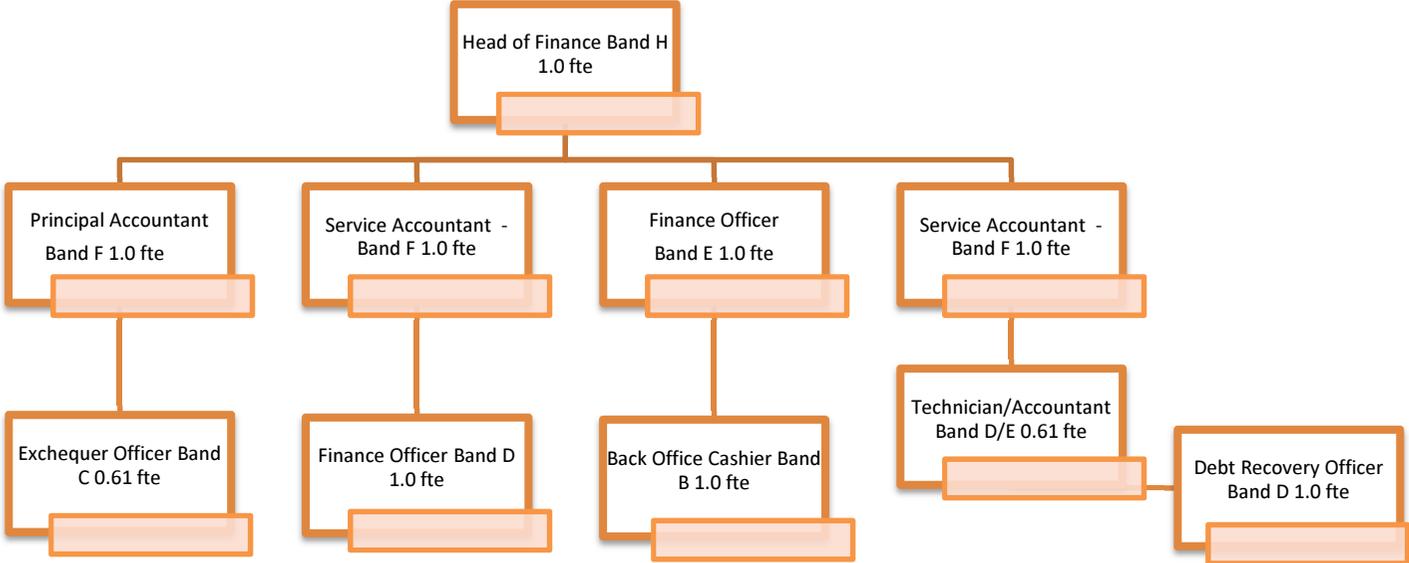
Background Papers:

None

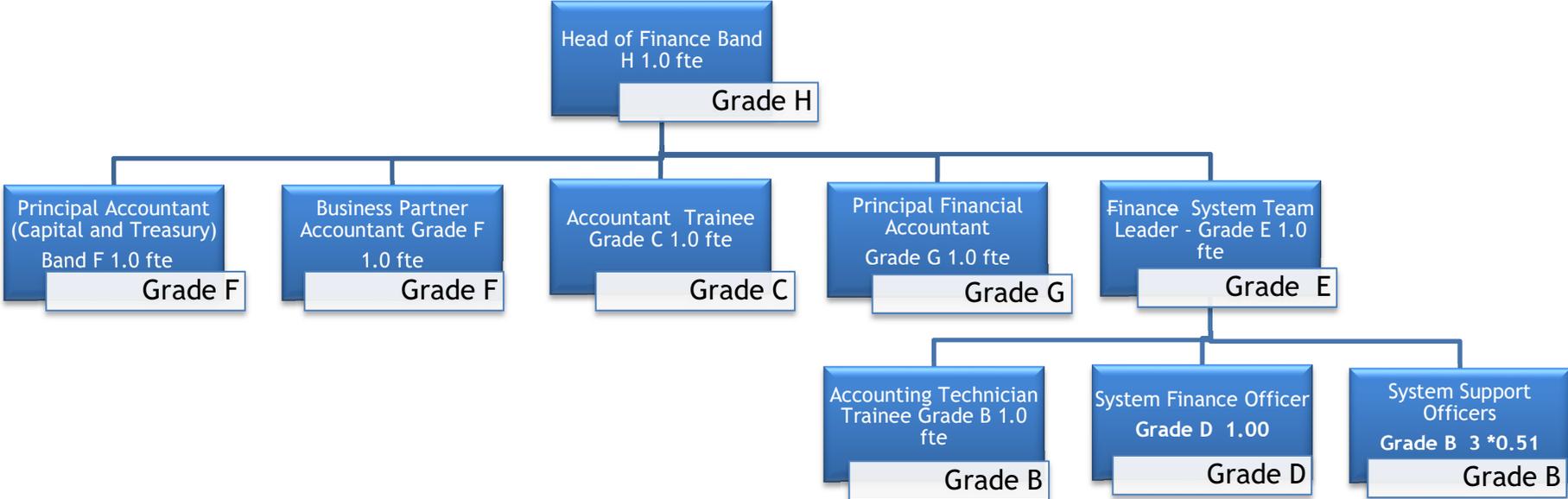
**Adrian Rowbotham
Chief Finance Officer**

This page is intentionally left blank

Appendix: Finance Team Current Structure



Finance Team Agreed Structure December 2015



INTERNAL AUDIT 2015/16 - SECOND PROGRESS REPORT

Audit Committee - 12 January 2016

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. Searles

Contact Officer(s) Bami Cole, ext.7236

Recommendation to Audit Committee: That Members

- a) note the contents of the report and the progress made by the Internal Audit Team in delivering the 2015/16 Annual Internal Audit Plan; and
- b) approve the amendments to the Internal Audit Plan 2015/16 as set out in Appendix A to the report.

Reason for recommendation: The Audit Committee is required to review the progress of the Internal Audit Plan and approve amendments to the Annual Plan in compliance with its terms of reference.

Introduction

- 1 This report provides details of the progress of the Internal Audit Team in delivering the Annual Internal Audit Plan 2015/16 and outcomes of final Internal Audit reports issued since the meeting of the committee in September 2015.
- 2 The Internal Audit function is a key process of the Council's overall governance arrangements. Its key purpose is to conduct independent reviews of the Council's system of internal controls and to provide an assurance to both Senior Management and Members regarding the effectiveness of such systems. In fulfilling his duty and responsibilities, the Audit, Risk and Anti-Fraud Manager, is required to report the progress made in delivering the assurance requirements to the Audit Committee, in accordance with regulatory requirements and relevant professional standards.

Summary of Issues Raised Within the Report:

- 3 A summary of progress made towards delivering the assurance requirements for 2015/16 is attached as Appendix A to this report, which sets out details of the reviews agreed by the Audit Committee in March 2015. Members may note that thirteen reviews have commenced, four have been finalised, four at draft report stage and the remaining five are at various stages of completion. This is equivalent to 57% of the original plan. Comparatively, this is a significant improvement to last year's out-turn, as could be seen on Appendix A.

Amendments to the Audit Plan

- 4 Members are advised that the Internal Audit plan 2015/16 has been amended to take account of existing capacity and to reflect the assurance priorities for the rest of the municipal year. Some productive capacities have been lost, partly due to carrying vacancies and the need to train and develop new staff into their roles. To this effect, it is necessary to carry forward five reviews. Senior management have approved the proposed amendments to the plan as set out below.
- 5 Details of the amendments are set out on Appendix A. In particular, the following items are proposed to be deferred to next year's assurance plan; Items 3, 7, 8, 9 and 18. However, prior to inclusion, they would be subjected to the annual risk assessment and a review of assurance needs and priorities, as part of the annual planning process.
- 6 Members are advised that the proposed changes to the plan will not have a material impact on the level of assurance that could be provided in 2015/16; as the proposals take account of assessed risks and assurance needs.
- 7 A revised resource plan is attached as Appendix B and shows how Internal Audit resources will be used for the rest of the period.
- 8 Appendix C sets out details of the final reports which have been issued since the last meeting of this committee. It also provides a brief summary of the findings and recommendations agreed with service management, to address any areas for further improvements required to strengthen internal controls. Further details on any of the issues raised on the report summaries would be provided to Members of this Committee on request.

Internal Audit Resources

- 9 Members will be pleased to note that since the last meeting, the recruitment to fill the two vacancies was completed successfully and the team is now at full establishment. The new team is now working cohesively towards delivering the Council's assurance requirements. With the team now at full establishment and the employment of a qualified Principal Auditor, the team is now much better placed to take forward its transformation programme. To this effect, the development day, which was agreed as part of the internal audit improvement plan, will take place on Friday 18 December 2015.

- 10 An experienced professional facilitator has been recruited to facilitate the day. The Audit, Risk and Anti-Fraud Manager has worked closely with the facilitator and the team, to develop a programme which will energise the team to deliver the following key expected outcomes:
- To obtain a thorough understanding of added value
 - To develop ways to add value to the Assurance function
 - To identify innovative ways to improve the Assurance function
 - To consider views (already obtained) from clients about their requirements from the Assurance function and to deliver on client's expectations
 - To review the recommendations from the PWC external review and the views of clients
 - To obtain an understanding of what makes a successful team and how the team matches up
 - To obtain a thorough understanding of what each team member can contribute now and in the future
 - To developed an action plan for the future success of the team, which will be shared with senior management

Progress of Internal Audit Improvement Plan

- 11 The Internal Audit improvement plan is progressing well. The Chair and vice-chair receive regular updates at meetings with the Chief Finance Officer and the Audit, Risk and Anti-Fraud manager. A full report will be sent to the March Audit Committee.

Key Implications

Financial

- 12 Not Applicable.

Legal Implications and Risk Assessment Statement.

- 13 No additional legal implication beyond the Council's duty to comply with the Accounts and Audit Regulations 2015.
- 14 The Council is required to comply with the requirements of the Accounts and Audit Regulations 2015, regarding its arrangements for Internal Audit, in order to ensure fitness for purpose and taking into account the Public Sector Internal Audit Standards and professional guidance. The recent recruitment of two new staff now brings the team up to full establishment. Hence the team is now better placed to deliver on the Council's assurance requirements and mandatory guidance. Training and development needs have been identified, to enable all staff to be equipped with the relevant skills required to perform their roles effectively.

Agenda Item 8

Equality Impacts

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

Sustainability Checklist

- 16 Not Applicable.

Conclusions

- 17 This report sets out progress of the Internal Audit Team in delivering the Council's assurance requirements for 2015/16 and provides a summary of final reports issued since the meeting of the Audit Committee in September 2015. The team is also making steady progress in implementing the improvement action plan agreed by the Audit Committee in June 2015.

Appendices

Appendix A - Progress Against 2014/15 Plan

Appendix B - Revised Resource Plan

Appendix C - Summary of Final Reports Issued

Appendix D - Audit Opinions - Definitions

Background Papers:

[Internal Audit Annual Plan for 2015/16](#)

New Public Sector Internal Audit Standards 2013

<http://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards>

[Audit Committee Report 23 June 2015](#)

Accounts and Audit Regulations 2011

<http://www.legislation.gov.uk/uksi/2011/817/contents/made>

Adrian Rowbotham
Chief Finance Officer

PROGRESS AGAINST 2015/16 INTERNAL AUDIT PLAN				Status at 17/12/15			
		Final report issued	Draft report issued	Feedback process in progress	Fieldwork in progress	Brief issued	Possibly defer or cancel
1	Payments Kiosk			x			
2	Payroll		x				
3	Implementing CIL						x
4	Key Financial Systems					x	
5	Council Tax/NDR						
6	Council Tax Housing Benefit						
7	Procurement & Contracting						x
8	Agency Staff, Contracting & Consultants						x
9	Environmental Health						x
10 10b	Dunbrik (a) (Special Project) Dunbrik (b) (Regulatory)	x					
11	Organisational Effectiveness and HR Strategy		x				
12	Projects Regarding Additional Income		x				
13	Peer Service Review Process	x					
14	Members Allowance					x	
15	Corporate Fraud Post DWP Proposals		x				
16	IT Systems						
17	Community Grants	x					
18	Economic Development						x
19	Section 106 & Affordable Housing						
20	Planning Pre-Applications				x		
21	Corporate & Service IT Applications	x					
22	Car Parks				x		
23	Electoral Service						
	Total	4	4	1	2	2	5
	COMPARATIVE POSITION Jan 2015	3	0	8	3	0	2

This page is intentionally left blank

SDC - REVISED TO RESOURCE PLAN FOR 2015/16

	DAYS PLANNED
Total Remaining Days for Year 2015/16 (Dec 2015 to March 2016)	274
LESS Unavailable Days:	
Bank holidays and authorised leave	50
Staff development & training	15
Sick leave	8
Total	73
AUDIT DAYS AVAILABLE	201
Remaining days to complete WIP	30
Planned Direct Audit Days	110
Fraud, irregularity and special projects	15
Contract audit	2
Systems advice & information	10
General administration/Board reporting/service development/Audit Planning/risk management/joint working	20
Audit Management and supervision	14
Total Days	201

This page is intentionally left blank

**Review of Workshop Enhancements at
Dunbrik 2015/16**

Issued 16 October 2015

Opinion: Control Framework - Good (Previous review - N/A)
Compliance with Framework - Good (Previous review - N/A)

The purpose of this review was to provide an assurance regarding the effectiveness of the proposals for developing the vehicle workshop and its income potential. Key areas examined were the new MOT facilities, income generation and marketing.

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

- 1) Risk that the Council may not comply with Drivers and Vehicle Agency Standards (DVSA) or good practice.
- 2) Risk that aspired income generation may not be met.
- 3) Risk that facility replacement may incur unforeseen problems.
- 4) Risk that fraud and corruption may go undetected (without a fair and open process regarding the approval of the new operation followed by the evaluation and selection of potential equipment suppliers and installation).
- 5) Risk that opportunities to achieve or demonstrate efficiency or value for money may not be maximised (increased income may not be achieved and therefore not vfm)
- 6) Risk assessments may not be undertaken and risks not adequately managed.

Audit testing results indicated that controls were fully met in four of the aspects examined, whilst two aspects were partially met in relation to compliance (Risks 2&3).

The opinion of the auditor was that the framework of controls regarding the effectiveness of the proposals for developing the vehicle workshop and its income potential was “good”. Additionally, compliance with the framework was also found to be “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 following two advisories recommendations were agreed with Management to address the areas where controls were partially met. These relate to risks 2 and 3.

- Following discussions and advice given by Internal Audit at the time of the review, the Head of Direct Services has drafted a Service Capacity and Limitations, Performance Monitoring and Marketing Strategy document.

- Following discussions it was agreed that the project specific risk assessment carried out covers the area of unforeseen problems. Due to the nature of the project, close management of the risk assessment will be required. This will enable management to take appropriate action to ensure successful delivery of the project.

Review of Peer Service 2015/16

Issued 20 November 2015

Opinion: Control Framework - Satisfactory (Previous review - N/A)
Compliance with Framework - Satisfactory (Previous review - N/A)

The purpose of this review was to provide an assurance on the peer review system as a means of improving the quality, performance and customer-focus of Council services together with evaluating the arrangements in place for undertaking peer reviews at the Council.

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

- 1) Risk that the peer review system may not function effectively as means of achieving the Council's vision and priorities.
- 2) Risk that the peer review process may fail to be a sound mechanism for the engagement of staff and the continuous improvement of Council services.
- 3) Risk that that lessons may not be learned and are not incorporated into future planning, streamlining and improvement of the peer review process.
- 4) Risk that the opportunity to share and market the peer review system to other.

Audit testing results indicated that controls were fully met in three of the aspects examined, whilst one aspect was not met in relation to the peer review framework (Risk 1).

The opinion of the auditor was that the framework of controls for the Peer Review system was "satisfactory". Additionally, compliance with the framework was also found to be "satisfactory". This meant that controls exist to enable the achievement of service objectives, obtain good corporate governance and mitigate against significant foreseeable risks. There were instances of failure to comply with the control process were identified and opportunities still exist to mitigate further against potential risks.

The following eight recommendations were agreed with Management to address the areas where controls were not met. These relates to risks 1,3 & 4.

- An amended peer review plan should be put in place which recognises slippage to date and which revitalises the programme and clearly

reschedules the completion dates for remaining reviews. This should incorporate a peer review follow-up plan in addition to the main plan which clearly indicates when follow-up reviews are to be undertaken.

- The peer review questionnaire/assessment form, particularly the Corporate Priorities section should be re-visited in tactical terms, to more clearly communicate and connect the Council's strategic vision and priorities (which have both tangible and intangible elements) to the operational level.
- The peer review questionnaire/assessment form should be amended, particularly in the Performance and Equalities section, to be more user-friendly to service team members and to be able to appropriately and effectively capture their input in addition to that of the service manager.
- Clear guidance to service-managers should be issued on responding to and completing all of the information fields on the peer review questionnaire/assessment form, particularly the Best Practice column and Review Team Conclusion and Notes section fields. Additionally, guidance should also be also issued on completing the Fully, Partially and Not Met assessment fields.
- Additional guidance and support on facilitating focus groups with service team members should be created, also further guidance supplementing the existing guidance to services on undertaking and leading reviews of other services should be produced. Consideration should be given as to whether clearer advice could be built into the current guidance of templates etc. as to how these can be completed.
- Consideration to be given regarding guidance for the progression of action plans, including the introduction of a mechanism to ensure actions are followed up.
- The management information and corporate action arising from completed peer reviews should be clearly defined and documented in peer review guidance and communicated to service managers. Consideration should be given to the regular involvement and participation, in feedback terms, of both SMT and SMG to service managers on a regular basis on peer reviews processes and outcomes.
- Consideration should be given to broadening this area with the development of customer needs and define external and internal.

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

Review of Senior Management & Organisational Changes 2214/15

Issued 27 November 2015

Opinion: Control Framework - Good (Previous review - N/A)
Compliance with Framework - Good (Previous review - N/A)

The purpose of this review was to provide an assurance regarding the effectiveness of the Senior Management & Organisational Changes, in delivering on the Council's vision and priorities, following the restructure in September 2013. The Council reviewed and approved the proposed changes within the organisational structure and provided delegated powers to make the required Constitutional amendments to implement the changes at the

Appendix C

May 2013 Annual Council, with a request to return the changes back for review and ratification after they had been effected.

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

- 1) Risk that all key 'pre change' responsibilities have not been allocated to a reasonable senior officer within the new structure; or insufficient evidence of ownership of new responsibilities.
- 2) Risk that Service plans do not reflect the depth of activities or responsibilities within the new structure.
- 3) Risk that appropriate risk assessments have not been undertaken in order to identify and manage business risks within the new senior management areas.
- 4) Risk that ineffective performance monitoring arrangements leading to inability to achieve the Council's key priorities and objectives.
- 5) Risk that the Council may not comply with relevant legislation, the local plan and good practice.
- 6) Risk that timetables, deadlines and milestones may not be met.
- 7) Risk of a financial impact (poor performance/reporting).
- 8) Risk that fraud or corruption may be undetected.
- 9) Risk that ineffective decision making due to inaccurate or incomplete information.
- 10) Risk that opportunities to achieve or demonstrate efficiency or value for money may not be maximised.
- 11) Risk that measuring achievement against targets may be ineffective.
- 12) Risk that risk assessments may not be undertaken and risks not adequately managed.

Audit testing results indicated that controls were fully met in all of the aspects examined, except risk 8 which was partially met in relation to effectiveness.

The opinion of the auditor was that the framework of controls for the Peer Review system was "good". Additionally, compliance with the framework was also found to be "good". This meant that 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. Also the framework of controls is substantially being complied with and the risk management process is considered to be good.

The following recommendation was agreed with Management to address the areas where controls were not met. This relates to risk 8.

- We recommend that the outstanding annual declaration of interest forms are completed and filed as soon as possible. If necessary that senior management assistance should be obtained to facilitate completion.

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

Review of Corporate & Service IT Applications 2015/16

Issued 4 December 2015

Opinion: Control Framework - Good (Previous review - N/A)
Compliance with Framework - Good (Previous review - N/A)

The purpose of this review was to provide an assurance in regard to the Council's key corporate and service IT applications. The review has sought to identify all key corporate and service systems across the Council and review their functionality and performance, in order to assess their ability to meet service objectives and organisational vision and priorities.

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

- 1) Risk that the Council may not comply with the Data Protection Act 1998 and related requirements policies, procedures or good practice.
- 2) Risk that the Key corporate and service applications may not create and stream innovation in the organisation so as to achieve organisational vision and priorities.
- 3) Risk that that the Key corporate and service applications may not fully integrate/interface effectively with existing or new IT systems, or with IT systems external to the Council.
- 4) Risk that system security and resilience may not be adequate or effective.
- 5) A risk assessment may not be undertaken and risks not adequately managed.

It was identified that all five controls tested were fully compliant. The review identified the following key aspects, that organisational momentum built up by recent business continuity and resilience exercises for key corporate systems should be maintained and supported by senior management and that whilst key corporate and service applications are sufficient to deliver on council strategy and priorities over the next five years, this will not be the case post 2020.

The opinion of the auditor was that the framework of controls for the Council's key corporate and service IT applications was "good". Additionally, compliance with the framework was also found to be "good". This meant that 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. This is matched with the framework of controls substantially being complied with and a risk management process also considered good. Only minor errors or omissions identified and with proposals offered to address these.

Appendix C

The following nine recommendations were agreed with Management to enhance controls. These relate to risk 4.

- Legal agreements to let office space and premises should include a clause stating that, in the event of a denial of premises or similar business continuity incident, those organisations entering the lease should be responsible for their own relocation otherwise if the Council is responsible then a business impact assessment of their services should be carried out and included in the Council business continuity plan.
- An annual testing plan or similar forward annual activity-schedule for business continuity testing and key events is created as an appendix to the main business continuity plan.
- The proposed enhanced desk-top test of business continuity arrangements to restore critical services (including critical IT services) after a major incident occurs, should be undertaken by the Council within the next 12 months and before 01.07.16.
- Business continuity assessment forms should be completed annually by all services at the Council alongside completion of annual service plans and related planning processes.
- The requirement to address any business continuity or resilience issues or implications, should be made a dedicated information-field in the standard council business case proforma document.
- As part of the move towards a completely paperless office in this area, a standard form should be designed and placed on Insite which will automatically record on the Supportworks system, in embedded terms, who in IT Services has reviewed and approved the form and also the date of the approval of the form. The same principle is also applied to documenting the deletions of accounts.
- Consideration should be given to setting an operational target of 3-5 working days for disabling access to leaver user accounts and consideration is given to closer liaison and developing a joint procedure with the Facilities Department in addition to existing arrangements with HR so as to identify leavers at an early point via the return of staff security badges and access swipe cards.
- The effectiveness and functionality of the UNIFORM and PARKING GATEWAY systems should be formally reviewed for their capacity to deliver on the future needs of the Council.
- The role, appropriateness and potential uptake of apps should be considered for all key/essential customer facing services at the Council.

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

This page is intentionally left blank

DEFINITIONS OF AUDIT OPINIONS

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 risks examined 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 risks examined are medium or low. Opportunities for further developments exists requiring constructive proposals for management consideration
Un-satisfactory	... limited controls are in place but there are gaps in the process, which leave the service exposed to foreseeable risks. Hence further	... there is an urgent need to introduce additional controls and improve compliance with existing controls, to reduce the risk exposure to the Council.

	development in framework is needed to make the system effective.	
Minimum requirement	Control requirements are patchy and unreliable	Testing results identified one or more high risk
Un-acceptable	... 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.	... 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. 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”
Minimum requirement	No evidence of controls exit	Testing results identified one or more very high risk

REPORT ON INTERNAL AUDIT RECOMMENDATIONS OUTSTANDING

Audit Committee - 12 January 2016

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. Searles

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 set out in Appendix B to the report.
-

Introduction

- 1 This report updates Members on progress of the implementation of Internal Audit Recommendations agreed with management, and to report on outstanding recommendations due for implementation by 30 November 2015.
- 2 The report also informs the Committee where implementation dates have been revised, or where agreed recommendations have not been implemented.

Summary of Issues Raised Within the Report

- 3 Appendix A provides a summary of the reports for which management had agreed recommendation implementation dates, for the period to 30 November 2015. 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 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 agreed recommendations where management have advised Internal Audit that implementation of the actions agreed has initially been delayed from the date originally stated. Enquires with

Agenda Item 9

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 dates. However Internal Audit will continue to monitor progress where appropriate and report back to the Audit Committee as necessary.

Key Implications

Financial

6 This report has no financial implications.

Legal Implications and Risk Assessment Statement

7 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. Members' consideration of this report will facilitate the Council's ability to manage such risks.

Value for Money and Asset Management

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

Equality Impacts

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

Conclusions

10. 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**

This page is intentionally left blank

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
Section 106 Agreement 2013/14 (5)	19/12/13	1	4	0	0	0
Contract Management 2013/14 (1)	18/2/14	0	0	1	0	0
Council Tax/NNDR 2013/14 (2)	26/2/14	0	2	0	0	0
IT Security 2013/14 (4)	21/7/14	0	4	0	0	0
Building Control 2014/15 (2)	23/10/14	0	2	0	0	0
Data Protection & Records Management 2014/15 (4)	12/1/15	0	4	0	0	0
Shared Service Recharges 2013/14 (3)	12/1/15	3	0	0	0	0
Risk Management 2014/15 (11)	9/2/15	0	11	0	0	0
Procurement & Contracting 2014/15 (3)	16/2/15	1	2	0	0	0
Council Tax/NDR 2014/15 (2)	5/2/15	1	1	0	0	0
Performance Management	9/3/15	1	4	0	0	0

APPENDIX A

& Data Quality 2014/15 (5)						
Dunbrik 2014/15 (1)	20/3/15	0	0	1 (Rec 1)	0	0
Key Financial Systems 2014/15 (1)	5/5/15	0	0	1	0	0
Repair & Maintenance Arrangements 2014/15 (13)	5/5/15	2	8	3 (recs 1, 4 & 10)	0	0
Agency Staff, Contracting & Consulting 2014/15 (1)	24/6/15	0	1	0	0	0
Community Grants 2015/16 (5)	24/6/15	3	1	1	0	0
Peer Service Review 2015/16	20/11/15	8	0	0	0	0
Senior Management & Organisational Changes 2014/15	27/11/15	1	0	0	0	0

Agenda Item 9

‘OVERDUE’ RECOMMENDATIONS WHERE IMPLEMENTATION HAS BEEN DELAYED

Audit: Contract Management Arrangements 2013/14

Recommendation	Priority/ ranking	Original response	Previous response	Latest position + (source)
<p>1. The Principal Legal Executive should request the appropriate officers place the standard clauses on the Procurement internet page.</p> <p>Review of the Contracts Procedure Rules should be a joint project between Legal Services and the Audit & Risk Team, to provide input from both areas of expertise into the revised Procedure Rules.</p>	<p>Low</p>	<p>Agreed Action: As above. The review of the CPRs is currently in progress.</p> <p>Responsible Officer: Principal Legal Executive</p> <p>Audit, Risk and Anti-Fraud Manager</p> <p>Recommendation Implementation Date: 31st May 2014</p>	<p>Some progress has been made and I have identified some drafts from other authorities that can be utilised. Revised deadline summer 2015.</p> <p>Principal Legal Executive - 2/2/15</p> <p>Audit Manager Comment The Principal Legal Executive has advised that he is working on producing an Officers Guide which will incorporate the key aspects to facilitate an effective procurement process. The guide will be reviewed by the Audit Manager following completion, to ensure that it complies with audit requirements. Further progress would be reported to the Committee at the next meeting.</p>	<p>Recent and proposed organisational, changes within Legal Services, has impacted on capacity. Hence this recommendation has been escalated to the Procurement Working Group for further consideration.</p> <p>Audit Manager Comment In view of latest management update, Internal Audit will continue to liaise with management and advise the Board further at the next meeting in March 2016.</p>

Audit: Dunbrik 2014/15

Recommendation	Priority/ ranking	Original response	Latest position + (source)
<p>1. To improve efficiency and reduce labour costs, consideration should be given</p> <p>Ideally to implement a direct debit system. If this were introduced one letter should be sufficient to advise the customer one month before expiry of the permit that upon renewal the payment will be taken by direct debit. A reminder letter should be sent to customers who opt to pay by alternative methods one month before expiry of the permit.</p> <p>Second reminder letters and subsequent letters addressed to ‘the occupier’ should be dispensed with.</p> <p>I.T. to investigate establishing on line payments in addition to the kiosk being enabled to facilitate chip and pin, cheque and cash receipts mapped to the TASK finance codes.</p>	<p>Low</p>	<p>Agreed Action: Agreed</p> <p>Responsible Officer: Head of Direct Services</p> <p>Recommendation Implementation Date: Ongoing</p>	<ul style="list-style-type: none"> • The introduction of a direct debit system as well as on-line payments and mapping to finance codes will be linked to the introduction of a software option allowing automated renewals and reduced back office processes. A reminder letter is being sent to customers paying by card or cheque to arrive one month before expiry of the permit. • The second reminder letter and subsequent letters addressed to ‘the occupier’ have been dispensed with. • I.T. has confirmed informally that an on-line payment system is viable. • To date there have been few opportunities to investigate software options. However we hope to progress this recommendation during the next six months. <p>Head of Direct Services - 25/9/15</p> <p>Audit Manager Comment In view of latest management update, Internal Audit will continue to liaise with management and advise the Committee further at the meeting in June 2016.</p>

Agenda Item 9

<p>Head of Direct Services and the Finance and Admin Manager to investigate software options to automate and streamline permits management in place of using Excel spreadsheets in order to enhance service resource that could be allocated to other areas within the service.</p>			
---	--	--	--

Audit: Key Financial Systems 2014/15

Recommendation	Priority/ ranking	Original response	Latest position + (source)
<p>1. Processes and procedures should be formulated and circulated to all relevant staff in respect of the TMBC Building Control Partnership and the kiosk.</p>	<p>Medium</p>	<p>Agreed Action: As Above</p> <p>Responsible Officer: Head of Finance</p> <p>Recommendation Implementation Date: End of October 2015</p>	<p>Both of the items are substantially completed. The kiosk procedures are being reviewed to see if an alternative cash-up arrangements will be less resource hungry. Work on the procedures for Building Control, are awaiting further information from our partners on VAT requirements.</p> <p>Head of Finance - 21/12/15</p> <p>Audit Manager Comment In view of latest management update, Internal Audit will continue to liaise with management and advise the Committee further at the next meeting in March 2016.</p>

Audit: Repair & Maintenance Arrangements 2014/15

Recommendation	Priority/ ranking	Original response	Previous response	Latest position + (source)
<p>1. Key access, holding and numbering arrangements is reviewed to ensure all keys held and related locations are current, accurate, complete, accessible and clearly marked to enable expeditious entry.</p> <p style="text-align: center;">Page 56</p>	<p>Medium</p>	<p>Agreed Action: Action as outlined in the recommendation above.</p> <p>Responsible Officer: Property & Facilities Manager</p> <p>Recommendation Implementation Date: 30.06.15</p>	<p>The Building Services Engineer is currently working on organising the keys. It has become a larger project than anticipated due to the amount of keys available. As this will take longer, we have agreed a revised implementation date to of September 2015</p> <p>Property & Facilities Manager -13/7/15</p>	<p>This project is 75% complete, but has been put on hold until the new year due to staff shortages. A revised implementation date has been set for the end of February 2016.</p> <p>Property & Facilities Manager - 9/12/15</p> <p>Audit Manager Comment In view of latest management update, Internal Audit will continue to liaise with management and advise the Committee further at the next meeting in March 2016.</p>

<p>4. Consideration should be given to setting of targets, or similar indicators for the raising of both emergency and non- emergency orders</p>	<p>Low</p>	<p>Agreed Action: Action as outlined in the recommendation above.</p> <p>Responsible Officer: Property & Facilities Manager</p> <p>Recommendation Implementation Date: 30.06.15</p>	<p>This is still in progress, but due to operational reasons is taking a bit longer than anticipated. Hence a revised implementation date has been agreed for end of September 2015.</p> <p>Property & Facilities Manager -13/7/15</p>	<p>Unfortunately due to staff shortages it has not been possible to trial the system. A revised implementation date has been set for the end of February 2016.</p> <p>Property & Facilities Manager - 9/12/15</p> <p>Audit Manager Comment In view of latest management update, Internal Audit will continue to liaise with management and advise the Committee further at the next meeting in March 2016.</p>
<p>10 Repairs and maintenance cost centres, account codes are reviewed to ensure where different cost centres and codes are used the narrative descriptions used are similarly clear and distinct from one another and duplication is avoided. The use of contingency as an appropriate description could be explored.</p>	<p>Low</p>	<p>Agreed Action: Action as outlined in the recommendation above with implementation taking place across the next financial year.</p> <p>Responsible Officer: Property & Facilities Manager</p> <p>Recommendation Implementation Date: 30.06.15</p>	<p>As with 4 above, this is also work in progress. Revised implementation date has been agreed to end of September 2015.</p> <p>Property & Facilities Manager -13/7/15</p>	<p>This is still in progress and it is hoped to be completed by the end of February 2016.</p> <p>Property & Facilities Manager - 9/12/15</p> <p>Audit Manager Comment In view of latest management update, Internal Audit will continue to liaise with management and advise the Committee further at the next meeting in March 2016.</p>

Audit: Community Grants 2015/16

Recommendation	Priority/ ranking	Original response	Latest position + (source)
<p>5. Appropriate arrangements which are consistent from a corporate perspective are put in place to regularly monitor and measure organization/customer feedback for community grants.</p>	<p>Low</p>	<p>Agreed Action: As above</p> <p>Responsible Officer: Health and Community Services Manager /Head of Transformation & Strategy</p> <p>Recommendation Implementation Date: 01.10.15</p>	<p>The Health and Community Services Manager and the Head of Transformation and Strategy have agreed that they will create and launch a short feedback survey from January 2016 that will be sent to applicants for all of the small grant schemes.</p> <p>Head of Transformation & Strategy - 21/12/15</p> <p>Audit Manager Comment In view of latest management update, Internal Audit will continue to liaise with management and advise the Board further at the next meeting in March 2016.</p>

REVISED INTERNAL AUDIT CHARTER

Audit Committee - 12 January 2016

Report of Chief Finance Officer

Status: For Consideration

Key Decision: No

Portfolio Holder Cllr. Searles

Contact Officer Bami Cole, ext. 7189

Recommendation to Audit Committee: That Members consider the contents of the report and approve the revised Internal Audit Charter.

Reason for recommendation: The Audit Charter sets out the purpose, authority and responsibility of the Council's Internal Audit Service. It is therefore a key document affecting the effectiveness of Internal Audit. The Audit Committee is required to approve amendments to the Charter, as part of its terms of reference remit, to oversee the effectiveness of the Council's Internal Audit Service.

Introduction and Background

- 1 Members of this Committee last approved the revised Internal Audit Charter in January 2014, which was amended to reflect the new Public Sector Internal Audit Standards, which came into effect on 1 April 2013. This updated version incorporates recommendations made within the PWC external quality review report in 2014, in order to comply fully with current best practice. The Internal Audit Charter is a key document, which details the way Internal Audit will conduct or govern itself, in fulfilling its assurance remit. In particular, it sets out the Purpose, Authority, Scope and Responsibilities of Internal Audit.
- 2 A copy of the updated Charter is attached as an Appendix. Members may note that whilst there are generic elements within the shared services with Dartford Borough Council, a separate Internal Audit Charter has been created for each partner within the shared service. Hence this version of the Charter relates entirely to Sevenoaks District Council, in order to reflect the culture, customs and traditions of Sevenoaks District Council.
- 3 The Charter has been approved by senior management. Members are requested to consider and approve the Charter.

Agenda Item 10

Key Implications

Financial

Not Applicable

Legal Implications and Risk Assessment Statement.

No additional legal implication beyond the Council's duty to comply with the Accounts and Audit Regulations 2015 in regard to its arrangements for Internal Audit.

The Council is required to have adequate and effective Internal Audit arrangements in place. The revised Internal Audit Charter sets the basis of the arrangement and reflects relevant regulatory and professional standards.

Equality Assessment

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

Conclusions

This report presents the revised Internal Audit Charter which set out the purpose, authority and responsibility of the Council's Internal Audit service and reflects current best practice. Members are requested to approve the Charter.

Appendices Appendix - Revised Internal Audit Charter

Background Papers:

- a) The Accounts and Audit Regulations 2011
<http://www.legislation.gov.uk/uksi/2015/234/regulation/2/made>
- b) The Public Sector Internal Audit Standards 2013
<https://www.gov.uk/publications/public-sector-internal-audit-standards>
- c) [Sevenoaks District Council's Constitution](#)

Adrian Rowbotham

Chief Finance Officer

SEVENOAKS DISTRICT COUNCIL

Internal Audit Charter

Revised to Reflect the Requirements of
the Public Sector Internal Audit Standards
2013



Internal Audit

INTERNAL AUDIT CHARTER

	Page
1. Introduction	2
2. Purpose	2
3. Professionalism	2
4. Authority	3
5. Organisational Relationships	3-4
6. Independence and Objectivity, Including Arrangements for Consultancy Work	4-5
7. Responsibility	5-6
8. Relationship with Anti-Fraud Activity	6-7
9. Arrangements for Undertaking Work Outside the Annual Audit Programme	7
10. Internal Audit Plan	7
11. Reporting and Monitoring	7-8
12. Quality Assurance and Improvement Programme (QAIP)	8
13. Organisational Relationships	9
13.1 Relationship with the Management	9
13.2 Relationship with Those Charged with Governance	9
13.3 Management Team	9
13.4 Elected Members	9
13.5 Relationship with External Audit	9-10
13.6 Amendments to Charter	10

1. Introduction

- 1.1 This Charter establishes the purpose, authority and responsibility of the Internal Audit Function for Sevenoaks District Council. The Internal Audit Service is a partnership agreement between Sevenoaks District Council and Dartford Borough councils. However, this version of the Charter is specific to Sevenoaks District Council. The Charter is prepared in compliance with the Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013.
- 1.2 Definition of Internal Audit – The new PSIAS defined Internal Audit 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”.

2. Purpose

- 2.1 Internal Audit provides assurance to management on the effectiveness of the controls in place to mitigate the risks of organisational objectives not being achieved. The assurance will be based on independent and objective opinion that involves an impartial examination, evaluation and reporting on the adequacy and effectiveness of the control environment. Internal Audit will give an assessment of how controls contribute to the economic, efficient and effective use of resources. In addition to its statutory role, Internal Audit may engage in consulting activity on behalf of management, in accordance with protocol agreed by senior management, in pursuant of the objectives of the Council. The engagement of consulting activities would be separate and distinct from its statutory assurance responsibilities.

3. Professionalism

- 3.1 The Internal Audit activity will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards); as set out in the sector specific requirements of the Public Sector Internal Audit Standards (PSIAS). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of Internal Auditing and for evaluating the effectiveness of the Internal Audit activity's performance.
- 3.2 The IIA's Practice Advisories, Practice Guides, and Position Papers will also be adhered to, including the CIPFA Statement on the Role of the Head of Internal Audit 2010 as applicable, to guide operations. In addition, the Internal Audit activity will adhere to the Policies, Procedures, Practices and Customs of the Council and the Council’s Internal Audit Standard and Quality Operating Procedures Manual.

4. Authority

- 4.1 The requirement for an Internal Audit Function for local authorities is implied by Section 151 of the Local Government Act 1972 (S151), which requires that authorities “make arrangements for the proper administration of their financial affairs.” Regulation 5(1) of the Accounts and Audit (Amendment) Regulations 2015 specifically requires “A relevant authority must undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards or guidance”.
- 4.2 The nominated S151 Officer, who is responsible for making arrangements for the proper administration of the Council’s financial affairs at Sevenoaks Council, is the Chief Executive. The Council’s responsibility relating in relation to Regulation 5 of the Account and Audit Regulation 2015 discharged by the Internal Audit Function on behalf of the Section 151 Officer.
- 4.3 In addition to the above, Regulation 5(2) of the Accounts and Audit Regulations (2015) also requires that any officer or member of the Council must, if required to do so for the purposes of an Internal Audit:-
- a) Make available such documents and records; and
 - b) Supply such information and explanations; as is considered necessary to conduct the Internal Audit and in this regulation
 - c) “documents and records” also includes information recorded in an electronic form.
- 4.4 This Audit Charter recognises the mandatory nature of the PSIAS and has sought to comply with its requirements.

5. Organisation

- 5.1 The Public Sector Internal Audit Standards requires that the “Chief Audit Executive reports to the Board”.
- 5.2 In the context of the shared internal audit service for Sevenoaks District Council the “Chief Audit Executive” is the Audit, Risk and Anti-Fraud Manager.
- 5.3 In the context of the shared service for the Council “the Board” is “the highest level of governing body charged with responsibility to direct and/or oversee the activities of the management of the audit activity concerned”. In this context, “the Board” refers to the Sevenoaks District Council Audit Committee
- 5.4 For the purposes of this Charter and the PSIAS Standards “Senior Management” refers to the Strategic Management Team at Sevenoaks.
- 5.5 The Strategic Management Team currently consists of the Chief Executive, Seven Chief Officers and the Head of Transformation and Strategy

- 5.6 The Strategic Management Team at Sevenoaks is responsible for directing the Council's high level strategy and policies of the Council as agreed by the Cabinet and Council; and is guided by the Council's Constitution, policies and Procedures.
- 5.7 The Audit, Risk and Anti-Fraud Manager will report formally to the Audit Committee of the Council and administratively to the Chief Finance Officer.
- 5.8 The Audit, Risk and Anti-Fraud Manager will communicate and interact directly with the Audit Committee, including in executive sessions and between meetings as appropriate; and will also have direct access to the Head of Paid Service within the scope of his professional responsibilities.
- 6. Independence and Objectivity, Including Arrangements for Consultancy Work**
- 6.1 The Internal Audit activity will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.
- 6.2 Internal Auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair Internal Auditors' judgment or which may give rise to perceptions of impairment. Whilst the Audit, Risk and Anti-Fraud Manager co-ordinates the Council's risk management strategy, he does not have ownership of the risks associated with individual service areas or operations, except those aspects of the Council's operations which are within the proper remit and scope set out in the Public Sector Internal Audit Standards.
- 6.3 Internal Auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity, or process being examined. Internal Auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests, or by others in forming judgments.
- 6.4 Internal Audit is involved in the determination of its priorities in consultation with those charged with governance. Internal Audit has direct access and freedom to report in its own name to management and members and particularly to those charged with governance.
- 6.5 The Internal Audit Service may be called upon to conduct some consultancy work, as required by senior management or the Board. Where this becomes necessary, appropriate measures will be taken to ensure transparency and the maintenance of objectivity and independence. In particular the protocol set out in 6.6 below will be implemented

Agenda Item 10

- 6.6 Consultancy work will require the work to be initially commissioned and agreed by a member of the Strategic Management Team, including the express approval of the Section 151 Officer. The Chairman of the Audit Committee will also need to be informed prior to commencing the work and the scope and outcome of such work would be reported to the next Audit Committee. Any auditor or auditors participating in consultancy work would be prohibited from auditing those areas.
- 6.7 To further safeguard audit independence, the Audit, Risk and Anti-Fraud Manager will confirm to the Audit Committee of the Council at least on an annual basis, the measures taken to ensure organisational independence of the Internal Audit Function.
- 6.8 In addition, all auditors at the Council are required to complete an annual declaration of interest form, to ensure that the allocation of audit work avoids any potential conflict of interest that could arise out of undertaking work relating to the audit plan, or other areas of Internal Audit work.
- 6.9 Where possible, audits are rotated within the team so as to avoid over-familiarity and complacency.
- 6.10 Notwithstanding the above, Internal Audit will, if deemed appropriate, review systems under development, or offer advice and guidance on aspects of risk, governance and control, for systems under development or new projects, without prejudicing its ability to subsequently independently audit such systems.
- 6.11 Accountability for the response to the advice and recommendations of Internal Audit lies with management, who either accept and implement the advice, or formally reject it where they can put forward a more effective alternative, or acceptance of any identified risks.
- 6.12 The conduct of an audit, or the provision of advice by an Internal Auditor, does not in any way diminish the responsibility of line management for the proper execution and control of their activities; including the management of the business risks associated with the service (s) under their remit and the prevention of fraud and irregularity.

7. Responsibility

- 7.1 The scope of Internal Auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Council's governance, risk management and internal control processes in relation to the Council's defined goals and objectives. Internal control objectives considered by Internal Audit include, but are not limited to:
- Consistency of operations or programs with established objectives, policies, goals and performance targets.
 - Effectiveness and efficiency of operations and deployment of resources.
 - Compliance with significant policies, plans, procedures, laws and regulations.
 - Reliability and integrity of management and financial information processes, including the means to identify, measure, classify and report such information.

- Safeguarding of assets from Fraud, Irregularity and Mismanagement.

7.2 Internal Audit is responsible for evaluating all processes within the 'audit universe' of the Council including governance processes, management information and risk management processes. Internal Audit may also assist the Audit Committee in evaluating the quality, or outcome of External Auditor work, where the Board requires independent advice, or guidance, regarding aspects of the outcome of the work of the external auditors, or the implications of such work for the Council's internal control, governance or risk.

7.3 Based on its activity, Internal Audit is responsible for reporting significant risk exposures and control issues identified during audit work to the Board and to Senior Management, including fraud risks, governance issues and other matters needed, or requested by the Board.

8. Relationship with Anti-Fraud Activity

8.1 The Audit, Risk and Anti-Fraud Manager is responsible for the Council's Fraud and Corruption Strategy and Whistle Blowing Policy. The Council's Anti-Fraud Strategy incorporates the arrangements for Internal Fraud and External Fraud; and is also guided by the CIPFA Code of Practice for Managing the Risk of Fraud 2014.

8.2 Internal Audit is responsible for investigating internal whistle blowing incidences and fraud or irregularity allegations relating to Officers and Members. The Audit, Risk and Anti-Fraud Manager has a duty to report all proven fraud outcomes over £10K to the External Auditors.

8.3 The Audit, Risk and Anti-Fraud Manager is the Council's named key contact for the National Fraud Initiative (NFI) and Internal Audit liaises with the National Fraud Initiative (NFI) for data matching, which is aimed at identifying potential fraud for further investigation.

8.4 There is a dedicated investigations team which specialises on Benefits Fraud investigations and Housing Tenancy Fraud which also sits within the Audit, Risk and Anti-Fraud Team. The work of the Benefits Fraud investigations team is guided by the Council's Benefits Fraud Prosecution Policy and incorporates both pro-active and re-active methodologies. From 1 February 2016, the Department for Works and Pensions (DWP) will be taking over the responsibility for Benefits Fraud Investigations. Existing Benefits Fraud Investigations staff will be eligible to be transferred over to the DWP. Following consultation with Investigations staff, the Council has created an in-house Investigations Team, which consists of the majority of the existing experienced investigations team officers. The new team will focus on residual fraud work not transferred to the DWP, particularly around council tax exemptions and discounts which will not transfer over to the DWP.

8.5 In addition, Internal Audit's planned work includes evaluating internal controls for their effectiveness in preventing or detecting fraud, which is considered to be a standard risk in the majority of audits on the Annual Internal Audit Plan. Internal

Agenda Item 10

Audit therefore considers the risks and exposures, which may allow fraud or corruption to occur within the Council's key financial systems.

- 8.6 However, it should be noted that managing the risk of fraud is ultimately the responsibility of management at the Council. Auditors will however be alert in all their work to risks and exposures that could allow fraud or corruption, as well as seeking to identify indications that fraud and corruption may have been occurring. In such circumstances more effective controls will be proposed for management considerations and where appropriate, a special investigation will also be undertaken.

9. Arrangements for Undertaking Work Outside the Annual Audit Programme

- 9.1 Any work undertaken outside the Annual Audit Programme, other than whistle blowing investigations, or irregularity investigation, will require approval from Senior Management and should be reported to the Board.
- 9.2 Where such work is necessary, the scope, remit and resources requirement will be agreed with Senior Management prior to commencement.
- 9.3 The protocol for consultancy work is set out on paragraphs 6.5 and 6.6.

10. Internal Audit Plan

- 10.1 At least annually, the Audit, Risk and Anti-Fraud Manager will submit a risk based Annual Internal Audit Plan to the Audit Committee for review and approval, following agreement with Senior Management. The Internal Audit plan will incorporate the audit reviews and resource requirements to provide an appropriate level of assurance for the relevant period. The Audit, Risk and Anti-Fraud Manager will communicate the impact of resource limitations and significant interim changes to senior management and the Audit Committee as necessary during the year.
- 10.2 The Annual Internal Audit Plan will be developed based on an analysis and prioritisation of the audit universe, using a risk-based methodology, including input of Senior Management and the Audit Committee. Prior to submission to the Audit Committee for approval, relevant parts of the plan will be discussed with appropriate Senior Officers of the Council, prior to Strategic Management Team approval.
- 10.3 Any significant deviations from the approved Internal Audit Plan will be communicated through the periodic activity reporting process to the Audit Committee following approval by Strategic Management Team.

11. Reporting and Monitoring

- 11.1 The Audit, Risk and Anti-Fraud Manager, as the designated Chief Audit Executive, will submit the following reports to the Audit Committee in compliance with Internal Audit functional reporting requirements:-
- The Internal Audit Charter and Internal Audit Strategy ;

- Annual risk-based Audit Plan and resource requirements;
- Periodic progress reports at each Committee Meeting showing performance against the Annual Internal Audit Plan and relevant Performance Indicators;
- Summary report on the outcome of audit reviews;
- Full details of any reviews requested by the Audit Committee or Chairman of the Committee;
- Progress of Internal Audit Recommendations;
- Confirmation annually that the organisational independence of Internal Audit is maintained;
- The Internal Audit Annual Report, with an overall opinion on the adequacy and effectiveness of the risk management, governance and control environment within the Council;
- The outcome of the Annual Internal Quality Assessment on the effectiveness of the Internal Audit Activity and the Quality Assurance Improvement Programme (QAIP);
- Progress on implementing any actions from the External Quality Assessment;
- Outcome of special investigations, whistle blowing investigations, or irregularity investigations.

11.2 A written report will also be prepared and issued by the Audit, Risk and Anti-Fraud Manager, or designee, following the conclusion of each Internal Audit engagement and will be distributed as appropriate to relevant managers within the Council.

11.3 The Internal Audit report will include management's response and corrective action taken, or to be taken, in regard to the specific findings and recommendations. Management's response, whether included within the original audit report or provided subsequently by management of the audited area, should include a timetable for anticipated completion of corrective actions to be taken; and an explanation for any corrective action that will not be implemented.

11.4 The Internal Audit activity, via the lead auditor, will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

12. Quality Assurance and Improvement Programme (QAIP)

12.1 The Audit, Risk and Anti-Fraud Manager is responsible for conducting an annual self-assessment of the quality of the arrangements and performance of the Internal Audit Activity and an assessment of compliance with the Public Sector Internal Audit Standards and this Charter. The outcome of these assessments will be communicated to Senior Management, prior to presenting to the Audit Board.

12.2 In addition, the Audit, Risk and Anti-Fraud Manager will communicate to Senior Management and the Board on the Internal Audit activity's Quality Assurance and Improvement Program (QAIP), including results of ongoing annual internal assessments and external assessments conducted at least every five years.

13. Organisational Relationships

13.1 Relationship with the Management

13.1.1 The Audit, Risk and Anti-Fraud Manager, as the designated Chief Audit Executive, is responsible for directing the work of the Audit Function and the reporting of the outcome of Internal Audit engagement activities to relevant operational management.

13.2 Relationship with Those Charged with Governance

13.2.1 The Audit, Risk and Anti-Fraud Manager has direct access to the Section 151 Officer; Head of Paid Service; Chair of the Audit Committee, or equivalent and is able to report directly on any relevant internal control issues or concerns.

13.3 Management Team

13.3.1 The Audit, Risk and Anti-Fraud Manager is also able to report to Strategic Management Team and individual Chief Officers as considered appropriate.

13.4 Elected Members

13.4.1 The role of Members with regard to Internal Audit is addressed within the terms of reference of the Audit Committee.

13.4.2 Although the Annual Internal Audit Plan and Annual Internal Audit Report are approved by the Section 151 officer, both documents are required to be endorsed by the Audit Committee, prior to implementation or adoption by the Council.

13.4.3 Internal Audit will report to the Audit Committee on the work of Internal Audit periodically through the year. These reports are set out above in section 9.1

13.5 Relationship with External Audit

13.5.1 The Audit, Risk and Anti-Fraud Manager will participate in liaison protocol meetings with the Council's External Auditors to:

- foster a co-operative and professional working relationship;
- reduce the incidence of duplication of effort;
- ensure appropriate sharing of information;
- co-ordinate the overall audit and assurance effort.

13.5.2 In particular the Audit, Risk and Anti-Fraud Manager will:

- discuss the Annual Internal Audit plan with External Audit to facilitate External Audit planning;
- make all Internal Audit working papers and reports available to External Audit;
- receive copies of relevant External Audit communications with management;

- gain a knowledge of the External Audit work programme and methodology;
- provide liaison, where appropriate, between External Audit and management for the purpose of resolution of differences.

13.6 Amendments to Charter

13.6.1 Amendments of this charter are subject to the approval of the Strategic Management Team and the Audit Committee.

This page is intentionally left blank

ANTI-FRAUD TEAM UPDATE REPORT

Audit Committee - 12 January 2016

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. Searles

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

Recommendation to Audit Committee: That Members note the content of the report, the work of the Anti- Fraud Team between April 2015 and November 2015 and the proposed re-structure of fraud investigation resources in February 2016.

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 the details of the activities of the Anti-Fraud Team during the period April 2015 and November 2015 and updates the Committee on the progress of the proposed re-structure of the team in February 2016 caused by the creation of the Single Fraud Investigation Service (S-FIS) within the Department for Work & Pensions (DWP).
- 2 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 April 2015 and November 2015 are attached as an Appendix to the report. The Appendix also includes details of the proposed re-structure of Sevenoaks District Council's fraud investigation services in light of the creation of the Single Fraud Investigation Service.

Agenda Item 11

Key Implications

Financial

4 Not applicable.

Legal Implications and Risk Assessment Statement.

5 The Council is required to have effective arrangements in place to counter, or minimise the risk of fraud incidences against the public purse. This report demonstrates the impact of the Council's existing counter fraud arrangements and its decision to set up an effective in-house anti-fraud team to deal with any residual fraud which will not be transferred over to the DWP, following the implementation of the single fraud investigation service. Management believes that this arrangement will facilitate the Council's responsibility to mitigate the risk of fraud incidences within its remit.

Equality Assessment

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

Sustainability Checklist

7 Not Applicable

Conclusions

8 This report sets out the achievements of the Anti-Fraud Team between April 2015 and November 2015 and outlines the proposed re-structure of the Anti-Fraud Team in light of the creation of the Single Fraud Investigation Service.

Appendices

Appendix - Anti-Fraud Update Report

Background Papers:

None.

Adrian Rowbotham
Chief Finance Officer

Anti-Fraud Team Update Report - December 2015

1. Introduction

This report sets out the achievements of the Council's Anti-Fraud Team between April 2015 and November 2015 and provides an update on the proposed re-structure of the Council's fraud investigation resources in light of the creation of the Single Fraud Investigation Service (S-FIS).

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

The Anti-Fraud Team is having another very successful year in detecting Housing Benefit Fraud and retrospective Council Tax Benefit Fraud. Resources have had to be diverted away from this work to prepare the authority for the transfer of benefit fraud work to S-FIS, however, the team are on course to match the record breaking figures attained last year. To date, fraud to the value of £330,285 has been discovered (£315,096 Housing Benefit and £15,189 Council Tax Benefit). Six benefit fraudsters have been successfully prosecuted and penalties totalling over £17,000 have been issued in line with the Council's Sanctions and Prosecution policy.

On 01.02.2016 Sevenoaks District Council loses all powers in respect of benefit fraud investigation and jurisdiction will pass to the Single Fraud Investigation Service (under the control of the Department for Work & Pensions).

Council Tax Support, Discounts & Exemption Fraud

The Anti-Fraud Team, to date, has discovered £29,181 in Council Tax Support Fraud and £6,671 in Single Person Discount Fraud. This means that the team has already discovered more Council Tax Support Fraud than it did in the whole of 2014/15 (£20,184).

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 is designed to 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 final transfers of benefit fraud work from local authorities to DWP will be completed by 01.03.2016, with all benefit fraud work at Sevenoaks District Council ceasing officially on 29.01.2016.

Sevenoaks District Council has carefully reviewed its fraud investigation service in the light of the creation of S-FIS and decided to create a new Counter Fraud Team to cover areas which will not fall under the jurisdiction of the Single Fraud Investigation Service. The new team, which will be smaller than the current Anti-Fraud Team (1 FTE Counter Fraud Manager & 2 FTE Counter Fraud Officers), will be specifically responsible for investigating all external related local government fraud, in particular Council Tax Support Fraud and Council Tax Discounts & Exemption Fraud. All internal fraud matters will remain under the jurisdiction of the Internal Audit Department and be co-ordinated by the Audit Manager. The Counter Fraud Team will move into Revenues & Benefits and have a main base at Argyle Road, Sevenoaks. Although re-locating to Sevenoaks, the team will retain hot desks and the ability to interview suspects at the Civic Centre in Dartford. Where deemed appropriate, officers from the new Counter Fraud Team will assist the Internal Audit Section in internal investigations.

Audit Committee 2015/16 -Work Plan

	12 January 2016	15 March 2016	Summer 2016	Autumn 2016
Internal Audit (Irregularities to be reported confidentially as & when necessary)	Internal Audit 2015/16 - 2 nd Progress Report Report on Internal Audit recommendations outstanding Internal Audit Charter	Internal Audit 2015/16 - 3 rd Progress Report Report on Internal Audit recommendations outstanding Internal Audit Plan Internal Audit Strategy External Review of Internal Audit - Update	Internal Review of Effectiveness of Internal Audit Report on Internal Audit recommendations outstanding	Internal Audit 2016/17 - 1 st Progress Report Report on Internal Audit recommendations outstanding
Risk Management		Risk Management Strategy		
Accounts and External Audit	External Audit - Annual Audit Letter External Audit - Housing Benefit Subsidy 2014/15 Statement of Accounts 2015/16 - Preparation Update	External Auditor Relationship and Future Appointments	External Audit - Annual Audit Plan and Update Statement of Accounts 2015/16 - Establishment of Member Working Group Annual Governance Statement 2015/16	Statement of Accounts 2015/16

	12 January 2016	15 March 2016	Summer 2016	Autumn 2016
Other	Anti-Fraud Team Update	Review of the Effectiveness of the Audit Committee Annual Report to Council	Anti-Fraud Team Report 2015/16	