

## AUDIT COMMITTEE

Minutes of the meeting held on 19 July 2018 commencing at 7.00 pm

Present: Cllr. Grint (Chairman)

Cllrs. Ball, Layland and Searles

Apologies for absence were received from Cllrs. Clack, McArthur, Purves, Reay and Williamson

Cllr. Scholey was also present.

1. Minutes

Resolved: That the minutes of the meeting of the Audit Committee held on 17 April 2018 be agreed and signed as a correct record.

2. Declarations of Interest

No additional declarations of interest were made.

3. Actions from Previous Meeting

The actions were noted.

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

There were none.

5. Audit Committee Terms of Reference

The Chief Finance Officer presented a report on the terms of reference for the Audit Committee agreed at the Annual Council meeting on 15 May 2018.

Members discussed the extent to which the Audit Committee could cover Quercus 7 and Quercus Housing. Representatives from Grant Thornton advised that Members should consider if the companies were on the risk register. The Chief Finance Officer advised that the companies were on the risk register and reported to the Trading Board. The Chief Finance Officer agreed to carry out research on the topic.

*Action 1: The Chief Finance Officer to investigate the Audit Committees' remit in relation to Quercus 7 and Quercus Housing.*

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Resolved: That the Audit Committee Terms of Reference be noted.

### 6. Statement of Accounts 2017/18

The Committee welcomed Sarah Ironmonger, the Engagement Lead and Sebastian Evans, the Audit Manager from the Council's External Auditors, Grant Thornton to the meeting.

The Head of Finance presented a report on the Statement of Accounts 2017/18. He explained the changes from the previous year, including an accelerated timetable for completing the Statement of Accounts and a new standard of responding to all queries within one day. A Member working group had reviewed the draft Statement of Accounts in detail and provided notes which were included at Appendix C to the report. The Audit Findings in Appendix A suggested 3 adjustments however none would affect accounts.

The representatives of Grant Thornton explained their findings when considering the Statement of Accounts, which were to be signed off by the end of July 2018. They noted that despite staff changes and working to an accelerated timetable the Finance Team had managed to deliver the accounts on time and to a high standard. They advised of a late change of one line in a disclosure note which was [tabled](#) at the meeting. An unqualified audit opinion would be provided the week following the meeting with accounts being signed at the Committee Meeting. Members were advised that Grant Thornton had found no underlying issues in their accounts. The Member working group was thanked for looking over the accounts with a special thanks to Councillor McArthur for standing in as the Chair of the working group at late notice.

When considering concerns relating to pension liability the Grant Thornton representatives advised members should not be concerned about pension liability as the figure of £91m provided was only a technical deficit. The last triennial valuation provided by the actuaries reported a £21.6m deficit with a payment schedule that is included in the 10-year budget assumptions.

The Chairman summarised the findings of the Statement of Accounts, which praised Sevenoaks District Council in value for money, having a sound financial plan and arrangements in place for long term financial sustainability. No significant risks had been identified.

Resolved: That

- a) the Statement of Accounts 2017/18 be approved.
- b) the letter of representation (Appx B) be approved and signed by the Chairman
- c) the work and progress made by the External Audit Team and Internal Audit Team be commended. A special thanks be given to Alan Mitchell the Head of Finance

**7. Counter Fraud and Compliance Report 2017/18**

The Fraud Manager presented the report which set out the work conducted by the Counter Fraud & Compliance Team during 2017/18.

The Counter Fraud & Compliance Team has been specifically located with the Council's Revenues and Benefits Service so that an additional level of protection would be introduced within the Council's Council Tax and Business Rates collection sections. These were the main focus areas as they were the areas which provided the highest levels of funding for the Council.

Members were advised that the report showed the tangible successes achieved by the Fraud Team, however the Fraud Manager stressed that there were also intangible successes including providing value for money, protecting our reputation and increasing customer confidence in the Council Tax and Business Rate Schemes. The Fraud Manager advised that Sevenoaks District Council had continued its investment in the latest credit reference data-matching software which had provided the Fraud Team with referrals for investigation. This software was proving successful and had more than covered its costs through fraud detection.

Members were advised that some data-matching exercises operated a traffic lights system of high, medium and low risks which were investigated accordingly. In response to questions the Fraud Manager advised that phone calls were received from the public through a Fraud hotline. With the Department for Work and Pensions' plan to recommence joint welfare investigations it was hoped that this would create a more seamless investigation service in the future.

Resolved: That Members note the work of the Counter Fraud & Compliance Team carried out during the year ended 31 March 2018.

**8. Annual Self-Assessment Review of the Effectiveness of the Internal Audit Service 2017/18**

The Chief Finance Officer presented the findings of the Audit self-assessment review which highlighted the effectiveness of the Internal Audit function for the year 2017/18. This assessment showed that the Council had an adequate and effective Internal Audit service, which contributed towards the proper, economic and effective use of resources in achieving its objectives. An improvement had been noted since 2016/17 with 49 rather than 45 items out of 55 generally conforming.

Members noted that Audit Service was under-going changes with a new Interim Auditor Manager due to step into the role at the beginning of August. Members wished to express gratitude to Lisa Nyon, the previous Principal Auditor who had been acting up to the Acting Audit, Risk and Anti-Fraud Manager role. They thanked her for her hard work, dedication and for improving the service. Members also considered the future of the Internal Audit Service currently shared with Dartford.

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Resolved: That Members note the conclusion of the Annual Self-Assessment Review of the Effectiveness of the Internal Audit Service 2017/18, that the Council had an adequate and effective Internal Audit service, which contributed towards the proper, economic and effective use of resources in achieving its objective.

### 9. Internal Audit Annual Report 2017/18

The Chief Finance Officer presented the report which set out the achievements of the Internal Audit Team for the period 2017/18, and concluded that the Council's arrangements for internal control and risk management were effective. The opinion was based on the work completed by Internal Audit during the year and other available sources of assurance.

Resolved: That

- a) the work of the Internal Audit Team for 2017/18 be noted; and
- b) the Acting Audit Manager's opinion that the Council had effective internal controls, risk management and governance arrangements in place for delivering its objectives and the management of its business risks, be supported.

### 10. Report on Internal Audit Recommendations Outstanding

The report introduced by the Chief Finance Officer updated Members on the progress of the implementation of Internal Audit Recommendations agreed with management, and reported on outstanding recommendations. The three recommendations listed all related to the Print Room Audit, with delays being due to IT improvements which were currently being addressed.

Resolved: That Members note the reasons for delayed implementation, where the ranking is medium or high, and endorse the revised dates for implementation provided by management, as set out in Appendix A to the report.

### 11. External Review of Internal Audit - Update

The Chief Finance Officer presented a report which was the outcome of the follow-up review of Internal Audit by PricewaterhouseCoopers (PWC), together with an action plan to address the points raised. Following the previous review in 2015 it was intended that a follow up review be undertaken in 2016 however this had been delayed due to the long term absence of the Audit, Risk and Anti-Fraud Manager. PWC found that good progress had been made but further actions were required and an Action Plan to address these issues had been produced.

Resolved: That Members note the finding from the PWC follow-up review and approve the associated action plan in Appendix B.

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### 12. Review of the Effectiveness of the Audit Committee 2017/18

The report assessed the effectiveness of the Audit Committee in 2017/18. The self-assessment indicated that the Committee had conducted itself in compliance with good practice and was therefore effective in delivering its terms of reference remit. Members requested additional training for the Committee.

*Action 2: That Officers bring specific proposals for Member training to the next scheduled meeting of the Committee to allow further discussion of training requirements.*

Resolved: That Members approve the Annual Self-Assessment Review of the Effectiveness of the Audit Committee 2017/18.

### 13. Workplan

The work plan was noted. An update on the Future of the Internal Audit Service was planned for March 2019.

THE MEETING WAS CONCLUDED AT 8.18 PM

CHAIRMAN