

28 January 2020 at 7.00 pm

Conference Room, Argyle Road, Sevenoaks
Despatched: 20.01.20



Audit Committee

Membership:

Chairman, Cllr. McGarvey; Vice-Chairman, Cllr. Mrs. Morris
Cllrs. Barnes, Brown, Firth, Kitchener, London, Pender and Williamson

Agenda

There are no fire drills planned. If the fire alarm is activated, which is a continuous siren with a flashing red light, please leave the building immediately, following the fire exit signs.

	Pages	Contact
Apologies for Absence		
1. Minutes To agree the Minutes of the meeting of the Audit Committee held on 17 September 2019, as a correct record	(Pages 1 - 4)	
2. Declarations of Interest Any declarations of interest not already registered.		
3. Actions from Previous Meeting (if any)	(Pages 5 - 6)	
4. Responses of the Council, Cabinet or Council Committees to the Committee's reports or recommendations (if any)		
5. Member Development - Risk Management	(Pages 7 - 8)	Russell Heppleston Tel: 01732227053
6. External Audit - Annual Audit Letter 2018/19	(Pages 9 - 26)	Adrian Rowbotham Tel: 01732 227153
7. External Audit - Housing Benefit Subsidy 2018/19	(Pages 27 - 32)	Adrian Rowbotham Tel: 01732 227153
8. Internal Audit Progress Report 2019/20	(Pages 33 - 58)	Russell Heppleston Tel: 01732227053
9. Work Plan	(Pages 59 - 60)	

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 227000 or democratic.services@sevenoaks.gov.uk.

AUDIT COMMITTEE

Minutes of the meeting held on 17 September 2019 commencing at 7.00 pm

Present: Cllr. McGarvey (Chairman)

Cllr. Mrs Morris (Vice Chairman)

Cllrs. Barnes, Kitchener, London and Pender

An apology for absence was received from Cllr. Firth

Cllr. Dickins was also present.

15. Minutes

Resolved: That the minutes of the meeting of the Audit Committee held on 18 July 2019 be agreed and signed as a correct record.

16. Declarations of Interest

No additional declarations of interest were made.

17. Actions from Previous Meeting

The Audit Manager advised that he was investigating the possibility of providing figures differentiating between preventative and corrective actions and would incorporate it into the next round of quarterly follow up reports.

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

There were none.

19. Member Development - Public Sector Internal Audit Standards (PSIAS)

The Audit Manager gave a [presentation](#) and briefing for Members on Public Sector Internal Audit Standards (PSIAS).

Resolved: That the Member development be noted.

20. Internal Audit Self-Assessment

The Audit Manager presented the report which provided Members with the outcomes of the internal self-assessment undertaken in August 2019 against the Public Sector Internal Audit Standards (PSIAS). The report also included an update and progress made to date to address the findings from previous internal and external assessments. It was noted that this was the first time that the self-

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Audit Committee - 17 September 2019

assessment had been undertaken using CIPFA's Local Authority Application Note published in February 2019 and since appointing an Interim Audit Manager in August 2018.

Resolved: That the outcomes of the self-assessment attached as Appendix A to the report, and the actions identified, be noted.

21. Members' Allowance Scheme Monitoring 2018/19

The Head of Legal and Democratic Services presented a report which outlined Members' allowances claimed during 2018/19.

From discussion, particularly on whether travel allowance could be claimed for events such as the Local Plan examination, it appeared that some Members were still unclear as to what could be claimed under the allowance scheme. The Head of Legal and Democratic Services said that attendance at such an event to represent constituents (such as attendance at the Local Plan examination) came under ward duties covered in the basic allowance.

Resolved: That the report be noted.

22. Internal Audit Update Report

The Audit Manager presented the report which provided Members of the Audit Committee with an update on the Audit Partnership, including Internal Audit activity, service developments and progress towards delivery of the 2019/20 Audit Plan.

In response to questions the Audit Manager explained the meaning of chargeable work (non-audit projects including background preparation work) and non-chargeable work. Regarding the new structure the Audit Manager advised that the structure went live on 1 August 2019 and that the trainee role had been appointed and interviews were taking place the following week for the Lead Auditor posts. It was noted that business continuity plan testing was taking place the following month. Members queried the actions from the recent GDPR compliance audit regarding the automatic deletion of data, and the promptness of the deletion process of the Council's IT disaster recovery back-up files.

Action 2: The Audit Manager to investigate the timing and process for the deletion of the information from back-up files.

Resolved: That the Internal Audit Update Report attached as Appendix A to the report, be noted.

23. Risk Management Update

The Audit Manager presented the report which provided an update on the Council's risk management arrangements. It included the role and work of the Risk Management Group and summarised the plans to update and enhance the risk management processes over the next year. The report sought to give assurance to

the Audit Committee that the risk management processes were effective and that there was an ongoing programme to enhance and improve the arrangements. In addition, to give Members assurance that strategic risk issues had been identified and were being managed.

The Audit Manager advised that he would be looking to refresh the current framework. It was suggested that it would be good to consider 'opportunities' and their positive effect rather than just negative impacts within the register. In response comments about the format of the risk register, the Audit Manager agreed that having more specific risks triggers in the future would help sharpen the specific risks. He advised that when the risk register was redesigned there would be an opportunity to redefine and make improvements.

Resolved: That

- a) the risk management process be noted; and
- b) the strategic risk register as at Appendix A to the report, be agreed.

24. Work Plan

The work plan was noted.

THE MEETING WAS CONCLUDED AT 8.25 PM

CHAIRMAN

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ACTIONS FROM THE MEETING HELD ON 17 SEPTEMBER 2019

Action	Description	Status and last updated	Contact Officer
Action 1	<p>That the Audit Manager investigate the timing and process for the deletion of the information from back-up files (Minute 22)</p>	<p>Daily back-up are taken every other day, (Monday, Wednesday and Friday) and are retained for one week. Weekly back-ups are taken every Sunday and are retained for 7 weeks (51 days). Back-ups are automatically be deleted after their retention period.</p> <p>Following discussions with the IT Manager and the Data Protection Officer it was agreed that (where applicable) the retention deadlines adopted by data owners should take into account a period of +51 days during which data that may be backed up on Council systems.</p>	Russell Heppleston, Ext. 7053

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MEMBER DEVELOPMENT - RISK MANAGEMENT

Audit Committee - 28 January 2020

Report of Audit Manager

Status For Information

Key Decision No

Portfolio Holder Cllr Matthew Dickins

Contact Officer Russell Heppleston Ext. 7053

 Adrian Rowbotham, Ext. 7153

Recommendation to Audit Committee: The member development to be noted.

Introduction

- 1 At the Audit Committee on 18 July 2019, the Interim Audit Manager presented a Member Development Proposal report.
- 2 The report linked development themes to the Audit Committee's Terms of reference including a training history.
- 3 The Committee approved the following programme for Member development:
 - 17/09/19 - Public Sector Internal Audit Standards (PSIAS)
 - 28/01/20 - Risk Management
 - 26/03/20 - Understanding Local Government Accounts

Key Implications

Financial

There are no financial implications.

Legal Implications and Risk Assessment Statement.

There are no legal implications.

EXTERNAL AUDIT - ANNUAL AUDIT LETTER 2018/19

Audit Committee - 28 January 2020

Report of Chief Officer Finance and Trading

Status For Information

Key Decision No

Portfolio Holder Cllr. Matthew Dickins

Contact Officer Adrian Rowbotham, Ext. 7153

Recommendation to Audit Committee: That the report be noted.

Introduction and Background

- 1 Sarah Ironmonger and Sebastian Evans from Grant Thornton would like the opportunity to present the Annual Audit Letter 2018/19 (Appendix A) to Members.

Annual Audit Letter 2018/19

- 2 The purpose of this letter is to summarise the findings arising from the work carried out for the year ended 31 March 2019 and to communicate key messages to the Council and external stakeholders, including members of the public.
- 3 The work carried out during the year consisted of:
 - Audit of the accounts (financial statements).
 - Value for Money.
 - Certification of housing benefit grant claim.
- 4 The audit of the accounts and Value for Money conclusion were also presented to the Audit Committee on 18 July 2019.

Key Implications

Financial

There are no financial implications.

The Annual Audit Letter for Sevenoaks District Council

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Year ended 31 March 2019
30 August 2019



Contents



Your key Grant Thornton
team members are:

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Sarah Ironmonger

Engagement Lead

T: (0)207 7865 2997

E: sarah.l.ironmonger@uk.gt.com

Sebastian Evans

Manager

T: (0)207 728 3451

E: sebastian.evans@uk.gt.com

Ibukun Oluwasegun

In-charge accountant

T: (0)207 728 3116

E: Ibukun.o.Oluwasegun@uk.gt.com

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Appendices

A Reports issued and fees

Executive Summary

Purpose

Our Annual Audit Letter (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 2019.

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit Committee as those charged with governance in our Audit Findings Report on 18 July 2019.

Our work

Materiality	We determined materiality for the audit of the Council's financial statements to be £1,110,000, which is 2% of the Council's gross revenue expenditure.
Financial Statements opinion	We gave an unqualified opinion on the Council's financial statements on 30 July 2019.
Whole of Government Accounts (WGA)	We completed work on the Council's consolidation return following guidance issued by the NAO.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Executive Summary

Value for Money arrangements	We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Council on 30 July 2019.
Certification of Grants	We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2019. We will report the results of this work to the Audit Committee separately.
Certificate	We certified that we have completed the audit of the financial statements of Sevenoaks District Council in accordance with the requirements of the Code of Audit Practice on 30 July 2019.

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Working with the Council

During the year we have delivered a number of successful outcomes with you. We have worked with you to streamline your processes, shared our insight by providing regular audit committee updates covering best practice.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
August 2019

Audit of the Financial Statements

Our audit approach

Materiality

In our audit of the Council's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the Council's financial statements to be £1,110,000, which is 2% of the Council's gross revenue expenditure. We used this benchmark as, in our view, users of the Council's financial statements are most interested in where the Council has spent its revenue in the year.

We set a lower threshold of £55,000, above which we reported errors to the Audit Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the Statement of Accounts to check it is consistent with our understanding of the Council and with the financial statements included in the Annual Report on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>The revenue cycle includes fraudulent transactions (rebutted)</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Sevenoaks District Council, mean that all forms of fraud are seen as unacceptable 	<p>This risk was rebutted.</p>
<p>Management override of internal controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. You face external scrutiny of your spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have</p> <ul style="list-style-type: none"> • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • where identified, tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management • considered their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. 	<p>Our audit work did not identify any issues in respect of management override of controls.</p>

Significant Audit Risks (continued)

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of land and buildings</p> <p>The Council revalues its land and buildings on a five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£39 million of property, plant and equipment in 2018/19) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.</p>	<p>We have:</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work evaluated the competence, capabilities and objectivity of the valuation expert written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding tested revaluations made during the year to see if they had been input correctly into the Council's asset register 	<p>Our audit work has not identified any issues in respect of valuation of land and buildings.</p>
<p>Valuation of the pension fund net liability</p> <p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£87 million in the Council's balance sheet in 2018/19) and the sensitivity of the estimate to changes in key assumptions.</p>	<p>We have</p> <ul style="list-style-type: none"> updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested within the report. assessed the impact of the McCloud judgement) and considered management's representations and disclosures with respect to this. 	<p>Our consideration of the McCloud ruling identified a difference of opinion with management and an unadjusted misstatement, which was not material to the financial statements. No other issues were noted from our testing.</p>

Significant Audit Risks (continued)

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Group Accounts</p> <p>In 2015, you set up Quercus7 Limited, a subsidiary that will act as a Trading Company. In 2017 this was followed by Quercus Housing Limited, a subsidiary to enable you to provide affordable housing funded from S106 contributions.</p> <p>Quercus 7 began trading in January following its first property acquisition. While Quercus Housing is not currently trading, there is a probability that material capital acquisitions occur before year end in one or both entities.</p> <p>As these subsidiaries continue to expand, the preparation of group accounts will need to be considered going forward.</p>	<p>We have:</p> <ul style="list-style-type: none"> • updated our understanding of the capital and operational activity taking place within Quercus7 and Quercus Housing; • evaluated management’s determination and disclosures over whether group accounts are required or not. <p>Management has assessed that, with respect to Quercus 7 Limited;</p> <p><i>The company has acquired its first commercial property but due to the value of the acquisition group accounts are not required. During the year the company were given credit facilities for business expenses totalling £106,569. Quercus 7 Limited also has secured long term borrowing of £321,866.</i></p> <p>...and with respect to Quercus Housing Limited;</p> <p><i>The company has not traded and has no assets and therefore there is no requirement to produce group accounts. Work undertaken by officers on company business will be charged to the company.</i></p> <p><i>During the year the company were given credit facilities for business expenses totalling £77,679.</i></p> <p>Based on the immateriality of the subsidiaries’ activities and financial position for the year ended 31 March 2019, we agree with management’s determination that these are not material from the perspective of the Council and that group accounts are not required.</p> <p>In June 2019, both entities made significant acquisitions. While these do not impact the 2018/19 statement of accounts (as they occurred after the 31 March 2019 year end), the size of these is likely to crystallise the need for group accounts in 2019/20.</p>	<p>We agreed with management’s determination that the activities of your subsidiaries are not material for the year ended 31 March 2019.</p>

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Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the Council's financial statements on 30 July 2019.

Preparation of the financial statements

The Council presented us with draft financial statements in accordance with the national deadline, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Council's Audit Committee on 18 July 2019.

In addition to the key audit risks reported above, we identified some minor misclassifications which management adjusted. We also identified a difference of opinion with management with respect to the accounting treatment of the McCloud ruling. This difference of opinion engendered an unadjusted misstatement, which was not material to the financial statements. This was reported to the Audit Committee as part of our audit findings.

Annual Governance Statement and Narrative Report

We are required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website in line with the national deadlines.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

Whole of Government Accounts (WGA)

We carried out work on the Council's Data Collection Tool in line with instructions provided by the NAO. We issued an assurance statement which confirmed the Council was below the audit threshold.

Other statutory powers

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts.

Certificate of closure of the audit

We certified that we have completed the audit of the financial statements of Sevenoaks District Council in accordance with the requirements of the Code of Audit Practice on 30 July 2019.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work.

The risks we identified and the work we performed are set out overleaf.

As part of our Audit Findings report agreed with the Council in July 2019, we agreed recommendations to address our findings.

Overall Value for Money conclusion

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 2019.

Value for Money conclusion

Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Governance arrangements over future income generation</p> <p>Income generation forms a key part of your 10-year budget; income from property investment income is planned to increase from £0.735 million per year in 2018/19 to £1.655 million per year in by 2028/29.</p> <p>Alongside the existing Property Investment Strategy, during the year, an Income Generation Group (IGG) (led by the Head of Finance) was set up for the purpose of looking at existing income streams but also as a forum for identifying new opportunities and putting business cases in place for consideration at a Strategic Management Team level.</p> <p>Your financial planning has historically been accurate and robust, and you have a track record of achieving your planned results. Moreover, through the Property Investment Strategy you already have organisational experience of property investment more broadly. However, all forms of income generation carry an element of risk and need to be supported by informed decision making.</p>	<p>We reviewed your project management and risk assurance frameworks to understand how you are identifying, managing and monitoring risks and considered these arrangements against good practice. We also considered the composition, structure and outputs of the IGG and how effective these arrangements are in enabling you to obtain value for money from income generation opportunities.</p>	<ul style="list-style-type: none"> The governance arrangements for Quercus 7 Ltd and Quercus Housing are defined by way of a shareholders agreement and guarantors agreement respectively. Although there were no significant acquisitions during the review period, two significant acquisitions took place after year end, being an Industrial unit in Canterbury, purchased through Quercus 7 for £2.19m in June 2019 and the purchase of 14 flats in Westerham (within the District) for £3.6m in June 2019, with 9 flats to be let by Quercus Housing for affordable housing and 5 flats let by Quercus 7 for private sector rental. Both of these acquisitions were in line with the your strategic aims and in line with your income generation targets. You have also demonstrated that you are willing to consider, but ultimately reject opportunities which fall outside your areas of expertise. During the year, an 'Income Strip' scheme was considered, which would have potentially committed the Council to a long term financing arrangement outside of the Borough. A member group was created to consider this and professional advice sought. The specifics of the arrangement were rejected, for a number of reasons including the level of risk involved in this specific scheme, although future arrangements of this nature have not been ruled out if circumstances support this. The ability to actively consider and reject options shows a level of institutional maturity with respect to income generation. The income generation group is comprised of the Head of Finance, who acts as Chair, and a cross-section of senior management (Corporate Customer Service and Delivery Manager, Corporate Projects; Building Control Partnership Manager; Head of Direct Services; Head of Economic Development and Property.) The first Income Generation Group took place in December 2018, although the Group has not yet met since.

Value for Money conclusion

Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Governance arrangements over future income generation (continued)</p> <p>Part of your wider income generation plans will be delivered through subsidiary companies. In 2015, you set up Quercus7 Limited, a subsidiary that will act as a Trading Company. In 2017 this was followed by Quercus Housing Limited, a subsidiary to enable you to provide affordable housing funded from S106 contributions.</p> <p>Quercus 7 began trading in January following its first property acquisition. While Quercus Housing is not currently trading, there is a probability that significant capital acquisitions occur before year end in one or both entities.</p> <p>Although fully owned by Sevenoaks District Council, the two subsidiaries are legally separate entities. The acquisition strategy set out in the Property Investment Strategy aims to integrate the activities of Quercus7 (although not Quercus Housing, which is funded separately through S106 contributions) into your overall strategy, and so governance and oversight arrangements will need to be effectively integrated to ensure appropriate value for money is being obtained.</p>	<p>As a result of the work we performed, we recommended that as part of the establishment of a terms of reference for the Income Generation Group, the relationship between elected Councillors and officers is clearly defined in such a way that fosters member interest and expertise, but in such a way that is not disproportionately influenced by electoral cycles.</p> <p>Management accepted this recommendation, advising that “As part of the budget process each year, Members are asked for their income generation ideas. Where a Member has particular expertise relating to a specific idea, they may be invited to attend an Income Generation Group meeting to provide additional information on that idea.”</p>	<ul style="list-style-type: none"> • In May 2019, the a local election took place. Members were elected for all wards within the District. Our discussions with management have identified that there are a number of members who have expressed interest in generating ideas with respect to income generation. • Currently, there is no member representation on the Income Generation Group. The extent to which members should have a direct role in management functions with respect to Income Generation is a matter of local judgement; good practice seen elsewhere indicates that there is no ‘one size fits all’ approach. • As part of our publication In Good Company (September 2018) we commented that while Local Authority Trading Companies can represent an effective way of promoting commercialisation in a way that is consistent with a local authorities aims, there is an important balance to be struck to ensure that the governance structure is set up in such a way that member input is fostered positively, but in a sustainable way that is not disproportionately influenced by electoral cycles. • The Income Generation Group does not currently have a formal of terms of reference. Management have already identified the need for this, and there is a plan to have a terms of reference established in time for the group’s next scheduled meeting in July. • It is noted that the Income Generation Group aims to input into the budget setting process for 2020/21. As part of the determination of a terms of reference, management will need to define what the long term approach will be to member involvement.

Agenda Item 6

A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit and confirm there were no fees for the provision of non audit services/

Reports issued

Report	Date issued
Audit Plan	14 March 2019
Audit Findings Report	5 July 2019
Annual Audit Letter	30 August 2019

Fees

	Planned fees £	Actual fees £	2017/18 fees £
Statutory audit	33,230	37,630	43,156
Housing Benefit Grant Certification	17,500	20,500	13,845
Total fees	50,730	58,130	57,001

Audit fee variation

As outlined in our audit plan, the 2018-19 scale fee published by PSAA of £33,230 assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work. These are set out in the following table.

Area	Reason	Fee proposed
Assessing the impact of the McCloud ruling	The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we have reviewed the revised actuarial assessment of the impact on the financial statements along with any audit reporting requirements.	£1,600
Pensions – IAS 19	The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year to reflect this.	£1,200
PPE Valuation – work of experts	As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE valuations across the sector. We have increased the volume and scope of our audit work to reflect this.	£1,600
Total		£4,400

A. Reports issued and fees continued

We confirm below our final reports issued and fees charged for the audit and provision of non-audit services

Fees for non-audit services

Service	Fees £
Audit related services	20,500
- Certification of Housing Benefit Grant	
Non-Audit related services	Nil
None	

Non- audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table above summarises all non-audit services which were identified.
- We have considered whether non-audit services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place.

The above non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor.



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EXTERNAL AUDIT - HOUSING BENEFIT SUBSIDY 2018/19

Audit Committee - 28 January 2020

Report of Chief Officer Finance and Trading

Status For Information

Key Decision No

Portfolio Holder Cllr. Matthew Dickins

Contact Officer Adrian Rowbotham, Ext. 7153

Recommendation to Audit Committee: That the report be noted.

Introduction and Background

- 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 2018/19, the Housing Benefit Subsidy Claim, relating to expenditure of £25.9m.

Annual Outcome

- 3 Housing Benefit Subsidy is a complex claim which was qualified but not amended.
- 4 Errors were identified in the 2018/19 return; however, the number continues to be small. This reflects the measures taken over recent years. 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.

Key Implications

Financial

The financial implications are included elsewhere in the report.



Adrian Rowbotham
Chief Officer Finance and Trading
Sevenoaks District Council
Council Offices, Argyle Road
Sevenoaks
Kent
TN13 1HG

Grant Thornton UK LLP
St John's House
Haslett Avenue West
Crawley
RH10 1HS
T +44 (0)1293 554 130

www.grant-thornton.co.uk

14 January 2020

Dear Adrian

Certification work for Sevenoaks District Council for year ended 31 March 2019

We are required to certify the Housing Benefit subsidy claim submitted by Sevenoaks District Council ('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.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments (PSAA) took on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015. As of 2018/19, the HB COUNT framework has been replaced by the Housing Benefit Assurance Process (HBAP). Although the HBAP framework does not require the auditor to provide a certification letter on the completion of the work, we have summarised the results of the work in this letter in line with the approach taken and style adopted in previous years, noting the fundamental similarities in the nature and scope of the work performed.

We have certified the Housing Benefit subsidy claim for the financial year 2018/19 relating to subsidy claimed of £25.9 million. Further details are set out in Appendix A.

We identified a number of issues from our certification work which we wish to highlight for your attention. Firstly, our initial testing identified errors with respect to the incorrect calculation of income, and with respect to the incorrect application of ineligible service deductions. Second, the issues identified from our work related to only one of the two areas where we identified issues in the previous year. Full details of these areas and the issues identified can be seen in Appendix A. The extrapolated financial impact on the claim was again relatively insignificant to the total subsidy receivable and has been reported to the DWP. An actual adjustment of £28 was made for known errors.

As a result of the errors identified, and the reporting arrangements that formed part of the agreed upon procedures set out in our letter of engagement, we reported our findings to the DWP. The DWP may require the Council to undertake further work or provide assurances on the errors we have identified.

A final fee for the 2018/19 certification was agreed in December 2019. This reflected a £16,000 fee for core testing, and an additional £4,500 fee with respect to follow up work performed on errors identified in the current and prior year.

Yours sincerely

Grant Thornton UK LLP

Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2018/19

Claim or return	Value	Amended?	Amendment value	Comments
Housing Benefits Subsidy Claim	£25,852,654	YES	£28	See below for detailed comments on the issues identified in this year's Claim Form.

Findings from certification of housing benefits subsidy claim

Incorrect Claimant Income – Rent Allowances

In the previous year we identified an error in relation to the calculation of the claimant's earned income within the Rent Allowances section of the Claim Form. Given the nature of the population the Council were required to test 40 cases where the claimant's earned income is included within the Housing Benefit calculation for 2018-19. Testing identified five cases where the Council has not used the appropriate earnings within the benefit calculation. The errors were classified as:

- two cases where the claimant was overpaid (total value £152)
- two cases where the claimant was underpaid
- a further case where there was no impact on the claimant's benefit entitlement

These issues mean that detailed testing will be needed in this area in 2019-20 to determine whether the issues has been adequately resolved.

Incorrect Claimant Income – Non HRA Rent Rebate Earnings

Initial testing of non-HRA Rent Rebate cases identified that the Local Authority has incorrectly calculated earnings for one case, resulting in an overpayment of benefit by £4.02. The authority reviewed all non-HRA Rent Rebate earnings cases and found one further claim to be incorrect, resulting in an underpayment of £0.29. These errors were quantified and amended on the final revised claim form.

Ineligible Service Deduction Incorrectly Applied – Non HRA Rent Rebate Earnings

Initial testing of non-HRA Rent Rebate cases identified that the Local Authority has incorrectly applied ineligible service deduction for one case, resulting in an overpayment of benefit by £6.46. The authority reviewed all non-HRA Rent Rebate earnings cases and found five further claims to be incorrect, resulting in an overpayment of £17.98. These errors were quantified and amended on the final revised claim form.

Recommended actions for officers

We recommend that the Council as part of its internal quality assurance process, should increase its focus or level of testing in respect of the areas where we identified errors from our testing.

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INTERNAL AUDIT UPDATE REPORT

Audit Committee - 28 January 2020

Report of	Audit Manager
Status	For Consideration
Key Decision	No

Executive Summary: The report provides Members of the Audit Committee with an update on the Audit Partnership, including Internal Audit activity, service developments and progress towards delivery of the 2019/20 Audit Plan.

Portfolio Holder	Cllr. Matthew Dickins
Contact Officer	Russell Heppleston, Ext. 7053 Adrian Rowbotham, Ext. 7153

Recommendation to Audit Committee:

- a) That the Internal Audit Update Report (appendix A) is noted
- b) That the projects for Q1 of 2020/21 (detailed in paragraph 3) are agreed

Reason for recommendation: Reporting the outcomes of the internal audit service is a requirement under the Public Sector Internal Audit Standards. As those charged with governance, the Audit Committee is required through its Terms of Reference to provide oversight, support and challenge to gain assurance over the effectiveness of internal control, risk management and governance.

Introduction and Background

- 1 The Audit Committee receives regular updates from the Internal Audit partnership. Principally the focus of these updates is around the progress made to deliver the audit plan, but also to track progress of audit actions, and to consider key insights from internal audit activities.
- 2 Following work over the year to review, update and restructure the service, the impact of the disruption has been reviewed and the audit plan has been re-assessed. As a result, the report (appendix a) includes a proposal to re-schedule some projects into Q1 (April to June) of 2020/21. Doing this creates a greater degree of stability and momentum for the service, and reduces the likelihood and impact of short-term disruption on delivery of the plan.

Agenda Item 8

- 3 Audit Committee are required to agree the schedule as part of the 2020/21 audit plan. The projects for Q1 of 2020/21 are detailed below:

Site	Ref	Title	Q	Month	Quarter 1 (2020/21)																	
					Apr 2020				May 2020				June 2020									
					06	13	20	27	04	11	18	25	01	08	15	22	29					
Dartford	DBC24-19-20	Legal Services - Case Management	Q1	April 20																		
Sevenoaks	SDC20-19-20	Community Safety Partnership	Q1	April 20																		
Sevenoaks	SDC14-19-20	Housing Allocations Policy	Q1	April 20																		
Shared Service	SDC02-DBC06-19-20	Housing Benefits (Systems Mapping)	Q1	May 20																		
Sevenoaks	SDC22-19-20	Purchasing & Stock Management (Dunbrik)	Q1	May 20																		
Shared Service	DBC17-SDC19-19-20	Local Air Quality Management	Q1	May 20																		
Dartford	DBC18-19-20	Contract Management	Q1	May 20																		
Dartford	DBC05-19-20	New Build Capital Programme	Q1	May 20																		
Dartford	DBC02-19-20	Feeder Systems & Journals	Q1	May 20																		
Sevenoaks	SDC03-19-20	Budgetary Control & Monitoring	Q1	May 20																		
Sevenoaks	SDC07-19-20	Scheme of Delegations & Decision Making	Q1	June 20																		
Sevenoaks	SDC21-19-20	Fleet Management	Q1	June 20																		
Sevenoaks	SDC06-19-20	Contract Procedure Rules	Q1	June 20																		
Dartford	DBC15-19-20	Dartford Town Against Crime (DTAC)	Q1	June 20																		

Key

	Reporting
	Fieldwork
	Planning

Key Implications

Financial

The Internal Audit Partnership is responsible for delivering the audit service. Delivery of the plan is already approved within the Council's budget.

Legal Implications and Risk Assessment Statement

There are no legal implications associated with this decision.

The audit plan is risk-based. As such, the projects outlined in the plan have been prioritised based on the outcomes of each risk assessment.

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 provides Members with an update on the Audit Partnership, including Internal Audit activity, service developments and progress towards delivery of the 2019/20 Audit Plan. In addition, the report includes the proposed audit projects scheduled for delivery in quarter 1 (April to June) 2020/21.

Appendices

Appendix A - Internal Audit Update Report
(January 2020)

Background Papers

The previous update was reported to the Audit Committee in September 2019 and is publically available on the Council's [website](#).

Adrian Rowbotham

Chief Officer Finance & Trading

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DARTFORD & SEVENOAKS AUDIT PARTNERSHIP

Internal Audit Update Report

January 2020



Introduction

All local authorities must make proper provision for internal audit in line with the **Local Audit and Accountability Act 2014** and the **Accounts and Audit Regulations 2015** (regulation 5). The latter requires authorities to:

“...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.”

The Regulations state that services must follow the **Public Sector Internal Audit Standards** - a consolidated approach to internal auditing standards across the whole of public sector. They are an expansion of international standards by HM Government, adding elements specific to the UK public Sector. The ‘Standards’ form part of the wider mandatory elements of the International Professional Practices Framework (IPPF) which is applicable to all UK Local Authorities:



These ‘Standards’ mandate the mission of internal audit: ***to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.*** We achieve this by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance for the Council.

The Standards require that the Chief Audit Executive (the Audit Manager fulfils this role for the Council) issues an annual opinion. The Opinion considers **internal control, corporate governance and risk management**. It is a key part of the overall assurance, Members and Officers of the Council draw on when evaluating governance. The Opinion for 2018/19 was reported to Audit Committee in **July 2019**.

This report provides Members with an update on Internal Audit activity, in addition, to setting out current progress as we complete our 2019/20 Audit Plan approved by the Audit Committee in **March 2019**.

Internal Control

Internal control is how the Council ensures achievement of its objectives. In particular, internal control achieves and displays effectiveness and efficiency, reliable financial reporting and compliance with law, rules and policies. It incorporates both financial and non-financial aspects.

We gather evidence to support this part of the Opinion principally through completing the reviews set out in our **audit plan**. As we deliver this work we assess and conclude on the overall level of assurance offered by the controls in accordance with the agreed definitions (see appendix I).

Audit Plan Progress

The Audit Partnership is governed by the principle that resources are split 50/50 across both Partners. Therefore, to calculate the total amount of resources available to each Partner, we take the total available days for the year, and subtract various categories of non-working and non-audit time. The remaining total is split 50/50 to give us a total number of days for the Audit Plan.

The Audit Committee approved our Audit Plan 2019/20 in March 2019. The total chargeable days (850) are split 50/50 for **Sevenoaks** and **Dartford** creating a plan for Sevenoaks of **425** days. We ensure flexibility in how these days are deployed by allocating days to different activities, most of which are planned, but with some available for reactive ad-hoc work.

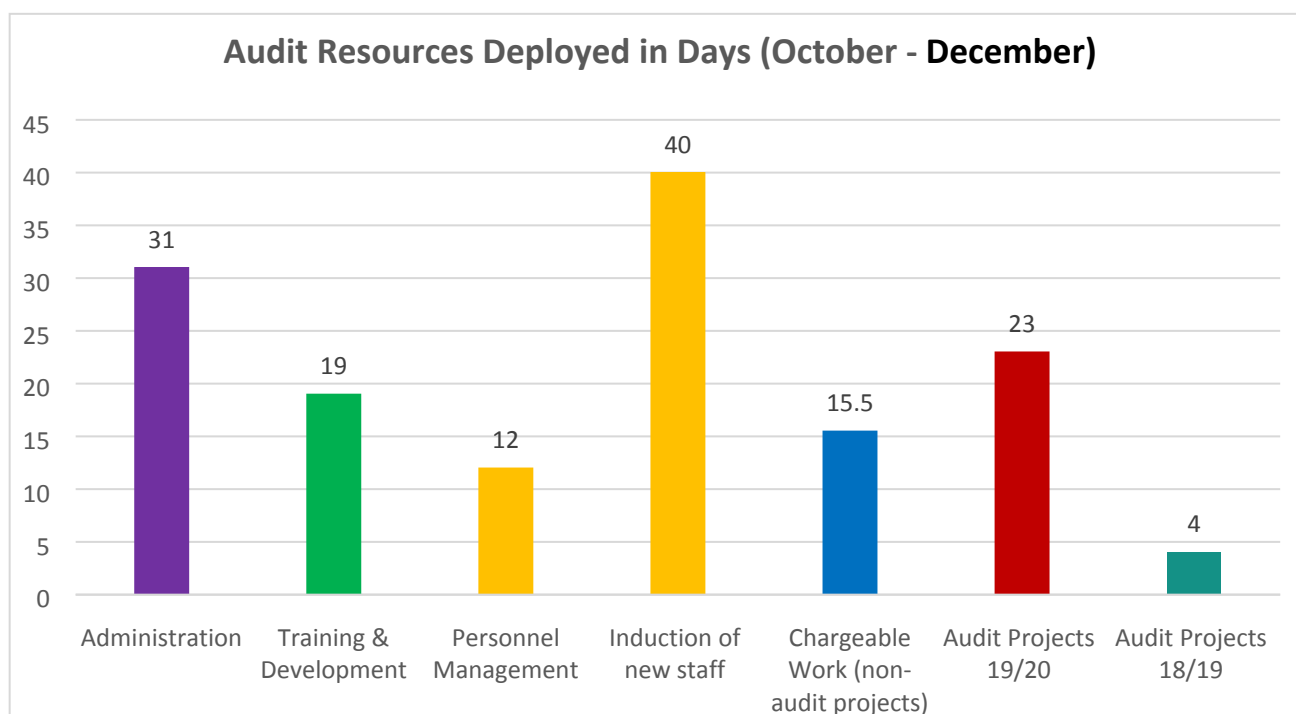
The table below shows the total allocation of **425** audit days for Sevenoaks, and shows how those days have been deployed to date:

Audit Activity		Sevenoaks		
		Planned Total Days 2019/20	Actual Q3 Days (Oct-Dec)	Actual Year to Date (Apr-Dec)
<i>Chargeable work outside of audit projects</i>	Risk Management	10	2	4.5
	Counter Fraud	5	-	2.5
	Member Support/Training/Meetings	10	1	8
	Follow-Up	15	3	7
	Audit Planning	10	1	3
	Advisory & Consultancy	50	8.5	19
<i>Chargeable audit projects</i>	Audit Project Days 19/20	325	23	44.5
	Total Days	425	38.5	88.5
	Audit Project Days 18/19	-	4	57.5

Agenda Item 8

Over the quarter the Partnership continued to operate with 2 auditors. The days deployed therefore are lower than our original assumptions. It does however, show that the team have been working almost exclusively on 2019/20 audit work. The table also includes the **year to date** position, showing that we have used 88.5 days (21%) of the annual 425 days, in addition to a further 57.5 days on completing the projects rolled forward. Combined, this equates to a total of 146 deployed days (34%).

The total available days for the partnership also takes into account **non-chargeable days**. Non-chargeable activities include administration, general management and the ongoing professional development of the team. In order to provide some additional context for the time deployed so far for 2019/20 the graph below shows our chargeable and non-chargeable totals for the period October to November:



Two new members of the team joined us in November, the Trainee Auditor and one of the Lead Auditors. We have therefore designed and delivered an induction and support programme in order to aid their integration into the team. This investment of time was important, and involved the whole team, however, as you can see above, it has utilised a significant number of our available days over the period.

Since our last update we have attended some professional conferences, which has resulted in an increase in 'training' days. There has also been a reduction in admin days since our last update.

Audit Plan: 2020/21

In March 2019, the Audit Committee approved the audit plan for the year. At that time, and knowing that we would be implementing a new structure (which included recruiting into 3 newly defined and vacant posts), we built 100 days into the plan as a vacancy factor. Throughout the year we have reported progress with the restructure alongside delivery of the agreed plan. As part of our last update in September we recognised that there would be a need to review the plan and allocate the projects on the plan in line with the remaining available days for the year.

In order to create a degree of stability and greater momentum for the coming year, the schedule below (which are projects identified as part of the agreed audit plan in March 2019) sets out those projects that will be planned and delivered in Q1 of 2020/21. **Audit Committee are required to agree this schedule as part of the 2020/21 audit plan.** The Committee will receive the annual plan in April 2020, which will include an updated risk assessment and audit universe, and will cover Q2 – Q4 of 2020/21.

We have consulted with Managers and project sponsors to ensure that they are aware of the forthcoming work, and proposed schedule.

Site	Ref	Title	Q	Month	Quarter 1 (2020/21)														
					Apr 2020				May 2020				June 2020						
					06	13	20	27	04	11	18	25	01	08	15	22	29		
Dartford	DBC24-19-20	Legal Services - Case Management	Q1	April 20															
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Sevenoaks	SDC21-19-20	Fleet Management	Q1	June 20															
Sevenoaks	SDC06-19-20	Contract Procedure Rules	Q1	June 20															
Dartford	DBC15-19-20	Dartford Town Against Crime (DTAC)	Q1	June 20															

Key

- Reporting
- Fieldwork
- Planning

Projects removed from the plan

The following projects will be moved off the 2019/20 audit plan, and will be incorporated into the 2020/21 risk-based audit plan:

Site	Title	Rationale
Sevenoaks	Corporate Project Governance - Programme Governance	The council is in the process of reviewing and updating the Terms of Reference and purpose of the Project Steering Group. This review may include a greater emphasis on project governance. Audit currently sit on the group in an advisory capacity.
Dartford	Corporate Project Governance / Dartford Town Centre - Transport & Public Realm Project	This review will be moved into 20/21 to coincide with the later phases of the project, in order to enable the review to include lessons learned from other Corporate Projects.
Dartford	Strategic Asset Management	This review will be re-scheduled once the Council has agreed and formalised the Asset Management Strategy.
Shared Service	Application of Discretionary Powers	This review represented less risk when compared to the other review in the plan for this service area – Housing Benefits.
Sevenoaks	Capital Programme - Monitoring	Timing of this review was dependant on completion of other work in this area, mainly budget control and monitoring (which is scheduled for Q1 20/21).

Audit Work Issued Q3

Previous reports to Committee have included summaries of audit work finalised and issued over the period. We include extracts from the published report as an executive summary and report details on any findings of a **MEDIUM** level risk or higher. The table below shows progress against current audit work:

Ref	Title	Date Issued	Conclusion
2018/19	Homelessness Reduction Act (Shared)	October 2019	Not Rated
2018/19	Private Sector Letting Scheme	November 2019	Limited
2019/20	Pay & Display Income	In progress	Draft Report Issued
2019/20	Accounts Payable (Systems Mapping)	In progress	Feedback
2019/20	Corporate Complaints	In progress	Feedback
2019/20	HR Policy Compliance	In progress	Fieldwork

Summaries

We include below the executive summaries of the reports issued in final since our last update report in September.

Homelessness Reduction Act – Issued in October 2019

This review was not assurance rated, and was conducted as a cross authority risk review. We undertook workshops with Managers from Dartford and Sevenoaks to identify the risks associated with the implementation of the Act. We then tested the effectiveness of the Council's response to each risk.

Based on the results of the review, it is clear to see that both Councils have responded in different ways to the same challenges. Both have taken full advantage of funding options to increase resource, expertise and resilience, however, the uncertainty of any long-term funding means that permanent solutions are difficult to implement.

Closer working with colleagues across the County could help to provide greater development and insight. Our initial workshop for instance enabled the Managers from both Councils to compare and contrast approaches and to explore possible sharing of best practice.

While the challenges around Homelessness remain high on the risk agenda for all Local Authorities, Dartford and Sevenoaks appear to be responding effectively to ongoing demands and challenges.

Agenda Item 8

Private Sector Letting Scheme – Issued November 2019

We concluded, based on the findings of our audit fieldwork, that the controls in place to ensure compliance with the Private Sector Letting Scheme (PSLS) were **Limited**.

The objective of the Private Sector Letting Scheme is to use properties in the private rented sector to help house people in housing need. Along with social housing, and bed & breakfast, the PSLS is a key initiative that helps the Council to more effectively manage its housing register and prevent homelessness.

At the time of scoping our review actions were already being taken by the Service to address control weaknesses, following a complaint. We conducted our own independent testing of properties within the scheme to establish compliance, but also included review of any new controls put in place by the service.

Our compliance testing found cases of missing documentation to evidence that properties had been inspected before being accepted onto the scheme. This included missing gas or electric safety certificates. We were given verbal assurances that each of the properties had been fully inspected, but without the necessary evidence it is not possible to give assurance that they have met the necessary minimum safety regulations and standards.

In order to secure private sector properties, the Council offers a number of incentives. One such incentive is advance rental payments, where the Council will pay rent in advance and then charge the tenant over a 24-month timeframe to repay the advance. A rental agreement is in place to govern the scheme and to set out repayment terms. We tested a sample of ten repayment agreements and found that 70% of the repayments due (up to 1st July 2019) had not been received.

The service has been undertaking corrective actions to improve the controls over the scheme, this included halting the scheme in order to audit each property. The Head of Housing and Health has also advised that the service has already implemented all of the actions arising from the audit. This will be followed up through our standard follow up process, the outcomes of which will be reported to Members on 24 March 2020.

We raised actions resulting from our testing, the priority rankings of these actions were:

Priority Ranking	Number of actions
High	2
Medium	3
Total	5

1 Property Inspections

**High
Priority**

Finding: In 3/10 cases tested, there was no documented evidence on file to confirm the properties had been subject to an independent Health & Safety inspection, as required by the scheme.

Action: Inspect properties in accordance with the scheme and ensure that evidence of safety and condition certificates are retained. Also, that officers receive accredited training to undertake health & safety inspections.

Management Response

Agreed

Comments:

Private Sector Housing Team or other train accredited officers are now undertaking the housing inspections. Reliance is no longer placed on just one officer to undertake this task.

Additional training is being provided to staff involved with housing inspections.

Quality control checks are being undertaken at the following stages of the PSLS application process;

- All supporting paperwork for a PSLS application is confirmed at the application stage.
- Confirmation of all required paperwork is made prior to any payments being made to the landlord.

2 Rent repayments

**Medium
Priority**

Finding: To secure a tenancy for a PSLS applicant The SDC may pay rent in advance on behalf of the applicant. The applicant is then required to pay back the rental advance to the Council.

A sample of ten rental repayment agreements set up in 2018-19 were examined. Some rent repayments were being received on an ad hoc basis instead of regular receipts each month, as per the current repayment agreements. Instalments received as at 1/7/19 based on the ten repayment agreements examined should have been £1604.78. However, the actual payments received, as at 1/7/19 was £480.20. A shortfall of £1124.58 (70%).

Action: a) Analyse repayment figures, and review whether the current repayment agreements are sufficient to enable adequate recovery of payments

b) Monitor and report actual repayments against expected repayments on a regular basis

c) Work with the customer to encourage them to make a contribution to the rent in advance payments so that the Council makes a smaller payments

Management Response

Part a: Agreed

Part b & c: **Proposed alternative** - Bring in direct debit arrangements for PSLS debtors

Comments:

Regular meetings take place between the Finance Team and the Housing Team to discuss the debtor position for each private sector lettings tenant for whom the Council has paid a rental advance.

Potential option is to renegotiate the repayment agreement with the debtor. For example extending the repayment period to more than 24 months so that monthly repayments are smaller and more manageable. Issue 1st and 2nd warnings for debtors who do not make payments by the due date. Also the customer is now being asked to make a contribution to the rental advance payments to reduce the financial payment the Council makes to the landlord.

Finance may consider the introduction of direct debit repayment arrangements for PSLS tenants for whom the Council has paid a rental advance. However the Finance Manager stated these arrangements are still at an early stage of development and it is not possible to give an indication of when the arrangements could be rolled out to the private sector letting scheme.

3 Property procurement system

Medium
Priority

Finding: Following an investigation into a compliant, the service identified a number of actions to improve controls over the Private Sector Letting Scheme. These actions (agreed in May 2019) have been fully implemented. The following finding was identified:

A property procurement system to ensure that the source of all properties are detailed and recorded is now in place.

Action: Implement a property procurement system to ensure that the source of all properties are detailed and recorded and undertake testing to assess the resilience of the procedure

Management Response

Agreed

Comments: All details of property to be recorded on the Locata system.

4 Quality checks & sign off

High
Priority

Finding: Following an investigation into a complaint, the service identified a number of actions to improve controls over the Private Sector Letting Scheme. These actions (agreed in May 2019) have not yet been fully implemented. The following finding was identified:

Cases are not signed off by a manager

Our testing found various areas of non-compliance with the scheme, relating to evidence not being on file. This included no evidence of property inspections and signed repayment agreements.

Action: Implement a quality control check and sign off to ensure that all cases are fully compliant with the scheme and check that it is evidenced and documented on Locata.

Management Response

Agreed

Comments: The quality control checks will be at two stages. Checking the PSLS application for proper supporting paperwork. Checking the Landlords application for their property to be accepted onto the PSLS. An overall check by management of the case notes once application and placement has been completed to ensure all paperwork is in place.

5 Suitability checklist

Medium
Priority

Finding: Following an investigation into a complaint, the service identified a number of actions to improve controls over the Private Sector Letting Scheme. These actions (agreed in May 2019) have not yet been fully implemented. The following finding was identified:

There is no suitability checklist to identify if a client is suitable to be registered on the PSLS

Action: Complete a suitability checklist for all clients prior to being referred to the PSLS.

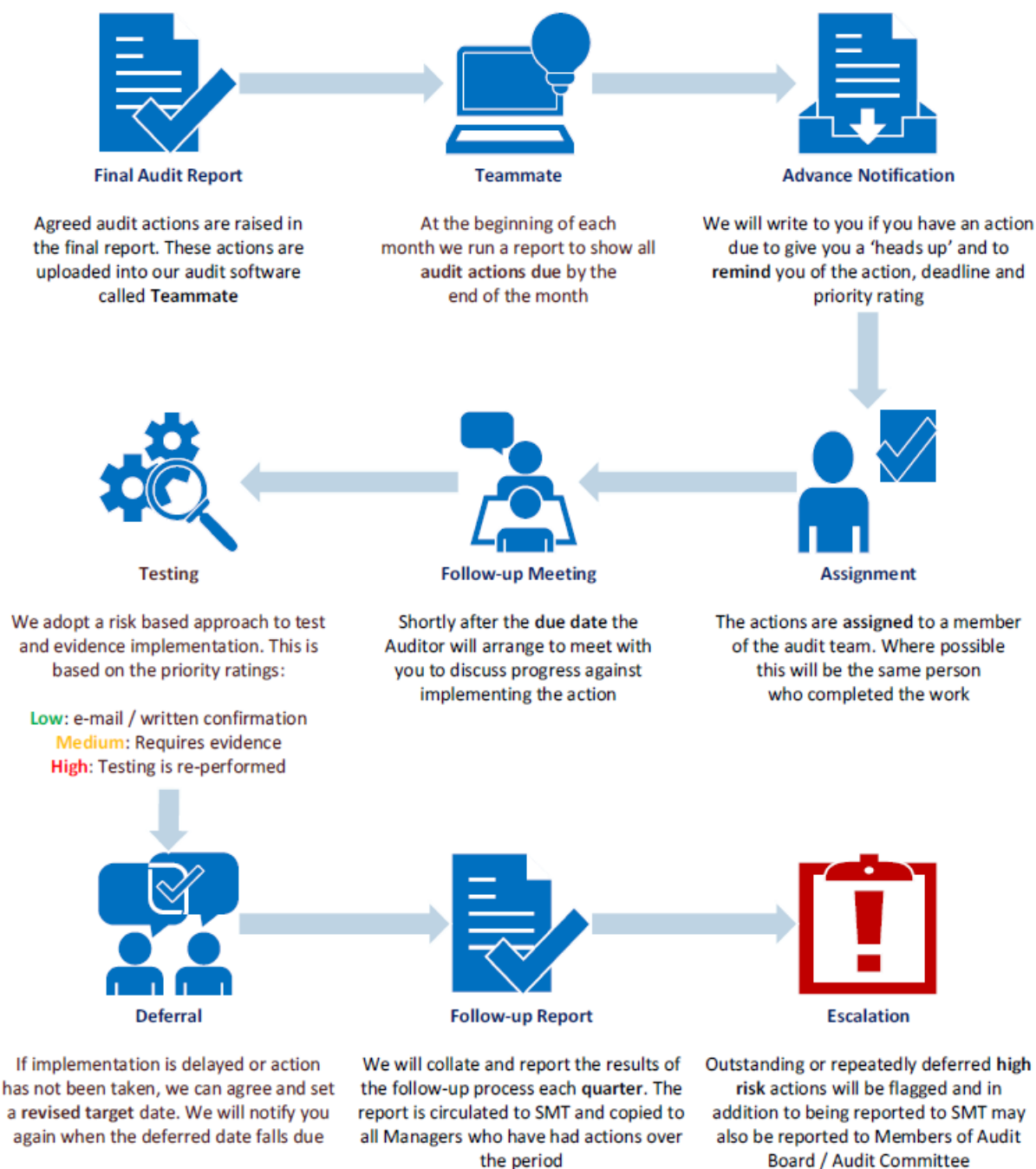
Response

Agreed

Comments: There will be a need to build in suitability assessment responsibility into the operational processes of the housing officer

Audit Findings

Upon completion of our work, if we identify any issues, we will raise **actions** to assist management in addressing control failings, or to suggest service improvements. Action taken as a result of our audit work is extremely important to capture and track and it is a measurable way for us to measure and quantify the value added by the audit process. The illustration below summarises the follow-up process adopted, up to and including escalation to Members via the Audit Committee:



**The follow-up exercise will be undertaken each month to ensure that actions are not left untracked. Is it therefore important that the dates you set for implementation are realistic and reasonable as it is that date that will trigger this process. We will report the outcomes quarterly to give an overall view of progress across the Council.*

Audit actions

In accordance with our new follow-up process (outlined above) we track and follow-up all actions when they fall due. Following implementation of this process, we have also designed and incorporated a quarterly follow-up summary report that is issued to Strategic Management Team. We issued the first report at Sevenoaks on 25 November 2019. In addition to providing an update on progress the report also seeks to draw out any wider insight from the follow-up work, and greater information on actions that have been deferred.

The table below shows the current actions, and progress against implementation:

Project	Service Manager	Report Issue Date & Rating	Agreed actions in Final Report	Actions due this Qtr.	Not yet due	Closed this Qtr.	Agreed Deferrals this Qtr.	Total actions complete to date	Total actions outstanding ¹
Print Studio 2017/18	Lee Banks	April 2018 Limited Assurance	3	0	3 (1H,2M)	0	0	0	3
Environmental Health (Food Safety) 2018/19	Annie Sargent	December 2018 Substantial Assurance	3	1 (M)	0	0	1 (M)	2	1
Accounts Receivable 2018/19	Alan Mitchell	June 2019 Substantial Assurance	1	1(M)	0	1 (M)	0	1	0
Post GDPR Review 2018/19	Martin Goodman	June 2019 Substantial Assurance	6	1 (M)	2 (1M,1L)	0	1 (M)	3	3
Business Continuity Planning 2018/19	Alex Dawson	August 2019 Substantial Assurance	3	3 (1M, 2L)	0	2 (L)	1 (M)	2	1
Private Sector Letting Scheme 2018/19	Hayley Brooks	October 2019 Limited Assurance	5	0	5 (2H, 3M)	0	0	0	5
		TOTAL	21	6	5	3	3	8	13

¹ Projects with 0 actions outstanding will be removed from future reports and be closed

Based on the results of our current follow-up work, there are **13** actions that are ‘live’ and which we are monitoring. We will report progress on the implementation of these actions as they fall due.

Agreed Deferrals

This table shows the 3 audit actions that have been deferred. Officers have been asked to provide an update on progress, and the reason for the deferral. We will follow-up these actions when they fall due in the New Year:

Project	Action (including priority)	Original agreed date	Revised date	Reason for deferral	No. of times deferred
Environmental Health (Food Safety) 2018/19	Address the outstanding backlog of new premise food inspections. (Medium)	31/1/19 1/4/19 31/8/19	31/01/20	<p>Audit Comments: We re-performed our testing on a sample of new premise inspections in November 2019. While some of the older premises had been inspected, the backlog of inspections has not reduced. Management have now agreed to bring in contractor resource to address the backlog, and so we will continue to check progress in the New Year.</p> <p>Manager Comments: Contractors have been employed to assist the team in addressing the backlog of inspections. The cost of this can be met within existing EH budgets. We expect the backlog to be reduced over a period of the next 6 months. Updates on the situation will be reported to the Partnership Board by the Environmental Health Manager</p>	3

Project	Action (including priority)	Original agreed date	Revised date	Reason for deferral	No. of times deferred
Post GDPR Review 2018/19	Adapt databases so that data is automatically deleted when it reaches its expiry date where applicable. (Medium)	11/6/19	31/01/20	<p>Audit Comments: Service managers have been reminded that databases should be adapted so that data is automatically deleted when it reaches its expiry date. However, our preliminary testing of current databases found that data is not being deleted in accordance with agreed Information Asset Registers.</p> <p>An IT solution is being investigated, but time is needed to ensure that all relevant services are consulted and that there is clarity over how data will be deleted. A deferral date has been agreed to enable informed discussions to take place between services and the Data Protection Officer.</p> <p>Manager Comments: The recommendation is to 'adapt databases so that data is automatically deleted when it reaches its expiry date'. If this applies to a team, automation by definition requires a technical solution.</p> <p>Managers are encouraged, in consultation with the Data Protection Officer if necessary, to review their data asset registers to identify which, if any, data would be subject to the requirement. Given the widespread retention of data which is held for an indefinite period and for which an expiry date is not set, this is not as significant an action as it may at first seem. Considering this, it follows that where automatic deletion is not in place, Managers and teams need to be sure they can carry out all require manual deletions.</p> <p>Managers have approached the Data Protection Officer for advice on this matter and are encouraged to do so.</p>	1

Project	Action (including priority)	Original agreed date	Revised date	Reason for deferral	No. of times deferred
Business Continuity & Planning 2018/19	Test the BCP arrangements, and capture any feedback / lessons learned. (Medium)	30/10/19	31/01/20	<p>Comments: A number of dates for the BCP tests to be undertaken have been scheduled, and then cancelled. The reason for the delay, has been to enable the plans to be aligned with Brexit 'no deal' scenario testing. Following the Brexit extension, the BCP test has been moved to the New Year. It is anticipated that this exercise would fully test the BCP, as well as Brexit preparedness. We will defer the follow-up until the BCP test has been re-scheduled.</p> <p>Manager Comments: A new provisional date of 13th January 2020 has been scheduled to test the Business Continuity Plan ahead of the new potential 'no deal' leaving date of the 31st January 2020. A 'no deal' Brexit is likely to be a major test of the Council's Business Continuity Plan hence why it is important to try and relate any exercising of it to Brexit.</p> <p>If the 'no deal' scenario is majorly delayed again or there is concern instead around the initial Withdrawal Agreement deadline of December 2020, then an alternative non Brexit related exercise will be held in the interim.</p> <p>A separate exercise has been carried out to test the IT capability if a large number of staff worked from home. This exercise was a success.</p>	1

Follow-up reporting schedule:

The schedule below sets out the finalised timeline for follow-up exercise and reporting deadlines, including the corresponding Audit Committee meetings:

Follow-up of Audit Actions – 2019/20 Schedule (Sevenoaks)				
Responsibility	Audit Partnership	Managers (Action owners)	Strategic Management Team	Audit Committee
	To test and report progress against audit actions as they fall due	To take action, as agreed, to implement audit actions	To provide support and oversight over follow-up activity	To seek assurance that audit actions have been implemented
Quarter 1 April – June 2019	<p>Actions due on or before 30 June 2019</p> <p>Follow-up notifications sent to Managers by 14 June 2019</p> <p>Fieldwork and testing completed by 12 July 2019</p> <p>Draft report issued by 24 July 2019</p>	<p>Respond to Audit notifications and provide evidence / meet with the Auditor between 01 - 14 July 2019</p> <p>Respond to draft report by 30 July 2019</p>	<p>Follow-up report issued to SMT for comments and feedback in August 2019</p>	<p>Progress reported as part of the regular Audit Partnership report on 17 September 2019</p>
Quarter 2 July – September 2019	<p>Actions due on or before 30 September 2019</p> <p>Follow-up notifications sent to Managers by 13 September 2019</p> <p>Fieldwork and testing completed by 11 October 2019</p> <p>Draft report issued by 28 October 2019</p>	<p>Respond to Audit notifications and provide evidence / meet with the Auditor between 01 - 11 October 2019</p> <p>Respond to draft report by 30 November 2019</p>	<p>Follow-up report issued to SMT for comments and feedback in December 2019</p>	<p>Progress reported as part of the regular Audit Partnership report on 28 January 2020</p>
Quarter 3 October – December 2019	<p>Actions due on or before 31 December 2019</p> <p>Follow-up notifications sent to Managers by 13 December 2019</p> <p>Fieldwork and testing completed by 24 January 2020</p> <p>Draft report issued by 31 January 2020</p>	<p>Respond to Audit notifications and provide evidence / meet with the Auditor between 06 - 20 January 2020</p> <p>Respond to draft report by 07 February 2020</p>	<p>Follow-up report issued to SMT for comments and feedback in February 2020</p>	<p>Progress reported as part of the regular Audit Partnership report on 26 March 2020</p>
Quarter 4 January – March 2020	<p>Actions due on or before 31 March 2020</p> <p>Follow-up notifications sent to Managers by 13 March 2020</p> <p>Fieldwork and testing completed by 17 April 2020</p> <p>Draft report issued by 30 April 2020</p>	<p>Respond to Audit notifications and provide evidence / meet with the Auditor between 01 - 13 April 2020</p> <p>Respond to draft report by 08 May 2020</p>	<p>Follow-up report and annual summary issued to SMT for comments and feedback in May 2020</p>	<p>Annual position reported as part of the Annual Audit Opinion in June / July 2020</p>

Agenda Item 8

Service update

In January 2019 the Audit Partnership Board agreed to extend the secondment with Mid Kent Audit, to provide Audit Management (Chief Audit Executive) from **01/04/2019 to 31/03/2020**. In October Mid-Kent served notice on the agreement, which means that the secondment will end on **09/01/2020**.

In preparation for this, the Partnership has been working to update the Audit Manager job description and responsibilities (to align with the new structure), have had the role evaluated and sought approval to recruit into the permanent role. This post is currently being advertised with interviews due to be held on 30 January 2020.

From 6 January 2020 all posts within the Partnership will be filled, with the only absence being that of the Audit Manager (where recruitment is underway). The service therefore has a greater pool of skills, expertise and experience to enable delivery of the audit service to be maintained in the short term. Looking forward over the next 6 months, key milestones and work streams include:

- **Recruitment of the permanent Audit Manager (CAE) role:** this will require the input from both Partners in addition to the Audit Board & Audit Committee Chairmen;
- **Audit planning for 2020/21:** Risk assessments and consultations will commence in January 2020. The audit universe was created in 2019 and therefore can be used as a strong foundation to build the 2020/21 audit plan. The Plan will be presented for approval in March 2020.
- **External Quality Assessment (EQA):** A self-assessment against the Public Sector Internal Audit Standards was conducted in September 2019 and the associated action plan will be implemented to prepare the Partnership for the next EQA due in November 2020. In accordance with the Standards, the Audit Board and Audit Committee are required to agree and scope the appointment of the EQA assessment. Therefore, preparation for this will need to commence in early 2020 to enable a formal decision to be made.
- **Ongoing embedding and refinement of the audit approach:** The audit manual, approach and entire library of supporting documents have all be reviewed, updated and modernised over the last 16 months. This has created a strong foundation for the Partnership and one that will need time to embed and be refined. Audit quality improvements will continue to increase as the approach is embedded and as greater insights are obtained from the work. Leadership and support will focus on maintaining this good work over the coming year, rather than changing or seeking to redesign it.
- **Continued Professional Development (CPD):** This will include the ongoing support, mentoring and development of the new Trainee as she commences the [IIA Level 7 Apprenticeship](#). In addition, one other member of the team is studying towards the [CIA](#) qualification. Over time this will further strengthen the qualifications within the Partnership. Alongside this we have been developing the skills, competencies and expertise across the partnership. This will continue and remain a priority for the Partnership so that audit work and the shared service can add more value and insight.

Acknowledgements

We would like to thank Officers, Managers and Members for their ongoing support and assistance as we undertake our work throughout the year. Internal Audit continues to be seen as a critical friend within the Council and we are pleased to report that we do not receive any undue pressure or hindrance when undertaking our work.

In addition, all of the internal work we have been undertaking to review, update and improve our service would not have been possible without the hard work and dedication of the audit team, and their willingness to embrace new ways of working.

Appendix I

Definitions of Assurance ratings:

OPINION	DEFINITIONS
<p>Full Assurance</p> <p>(no High or Medium priority actions)</p>	<p>A sound framework of control is in place that meets Council or service objectives. All expected controls tested are in place and are operating effectively.</p> <p>A review with this level of assurance will generally have no actions, or very few LOW priority actions. Agreed actions will be followed up as they fall due.</p>
<p>Substantial Assurance</p> <p>(no High priority actions)</p>	<p>There is generally a sound framework of control in place that meets Council or service objectives. However, there are isolated weaknesses in design of controls, or inconsistent application of controls, which puts the achievement of a limited number of objectives at risk.</p> <p>A review of this level of assurance may raise a number of MEDIUM priority actions. Agreed actions will be followed up as they fall due.</p>
<p>Limited Assurance</p>	<p>There are weaknesses within the framework of control or evidence of non-compliance with Council procedures or good practice, which puts the achievement of the Council's or service objectives in many of the areas reviewed at risk.</p> <p>A review with this level of assurance will raise one or more HIGH priority actions. Actions with a high priority should be acted on as soon as practical and will be followed up as soon as they fall due.</p>
<p>No Assurance</p>	<p>Key controls are absent from the framework of control. There are fundamental weaknesses identified with both the design and operation of the system under review. As a result, it is unlikely that Council or service objectives will be achieved.</p> <p>A review of this level may include a number of HIGH or CRITICAL priority actions. Actions of a critical level will be reported as soon as they are identified and escalated to the relevant Senior Manager. Actions to address the findings will be followed up as soon as they fall due.</p>

Audit Findings Priority Ratings

Priority	Definition
<p style="text-align: center;">Critical</p>	<p>Control weakness that could have a significant impact upon not only the system, function or process objectives, but also the achievement of the organisation’s objectives in relation to:</p> <ul style="list-style-type: none"> • the efficient and effective use of resources • the safeguarding of assets • the preparation of reliable financial and operational information • compliance with laws and regulations
<p style="text-align: center;">High</p>	<p>Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall organizational objectives.</p>
<p style="text-align: center;">Medium</p>	<p>Control weakness that has a low impact on the achievement of the key system, function or process objectives; or This weakness has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.</p>
<p style="text-align: center;">Low</p>	<p>Control weakness that does not impact upon the achievement of key system, function or process objectives; however, implementation of the recommendation would improve overall control.</p>
<p style="text-align: center;">Advisory</p>	<p>Observations and areas for consideration, these findings are drawn from our shared experience of working across the Council and more widely with partners. These findings require no formal response and will not be followed up.</p>

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Audit Committee 2019/20 - Work Plan (as at 16/01/20)

	28 January 2020	26 March 2020	12 May 2020	16 July 2020
Internal Audit (Irregularities to be reported confidentially as & when necessary)	Internal Audit Progress Report 2019/20	Internal Audit Progress Report 2019/20	Internal Audit Annual Report & Annual Opinion 2019/20 Internal Audit Progress Report 2020/21	
Risk Management				
Accounts and External Audit	External Audit - Annual Audit Letter 2018/19 External Audit - Housing Benefit Subsidy 2018/19	Annual Governance Statement 2019/20 External Audit - Annual Audit Plan 2019/20 Statement of Accounts 2019/20 - Establishment of Member Working Group	Statement of Accounts 2019/20	

	28 January 2020	26 March 2020	12 May 2020	16 July 2020
Other		Annual Report to Council	Audit Committee Terms of Reference Review of the Effectiveness of the Audit Committee 2019/20 Counter Fraud and Compliance Report 2019/20	
Members Development Briefings	Risk Management	Understanding Local Government Accounts	TBC	