

10 January 2017 at 7.00 pm

Conference Room, Argyle Road, Sevenoaks  
Despatched: 02.01.17



# Audit Committee

## Membership:

Chairman, Cllr. Grint;

Cllrs. Clack, Edwards-Winser, Halford, Layland, McArthur, Purves, Reay and Searles

## Agenda

	Pages	Contact
Apologies for Absence		
1. <b>Minutes</b> To agree the Minutes of the meeting of the Audit Committee held on 27 September 2016, as a correct record.	(Pages 1 - 6)	
2. <b>Declarations of Interest</b> Any declarations of interest not already registered.		
3. <b>Actions from Previous Meeting</b>	(Pages 7 - 8)	
4. <b>Responses of the Council, Cabinet or Council Committees to the Committee's reports or recommendations (if any)</b>		
5. <b>External Audit - Housing Benefit Subsidy 2015/16</b>	(Pages 9 - 10)	Adrian Rowbotham Tel: 01732 227153
6. <b>External Audit - Annual Audit Letter</b>	(Pages 11 - 24)	Adrian Rowbotham Tel: 01732 227153
7. <b>Internal Audit 2016/17 - 2nd Progress Report</b>	(Pages 25 - 38)	Adrian Rowbotham, Tel: 01732 227153 Bami Cole Tel: 01732 227236
8. <b>Report on Internal Audit Recommendations Outstanding</b>	(Pages 39 - 50)	Bami Cole, Tel: 01732 227236 Adrian Rowbotham, Tel: 01732 227153
9. <b>Member training</b>	(Pages 51 - 60)	Adrian Rowbotham, Tel: 01732 227153

10. **Work Plan**

(Pages 61 - 62)

**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](mailto:democratic.services@sevenoaks.gov.uk).

AUDIT COMMITTEE

Minutes of the meeting held on 27 September 2016 commencing at 7.00 pm

Present: Cllr. Grint (Chairman)

Cllrs. Clack, Edwards-Winsor, Layland, McArthur and Purves

Cllr. Searles was also present.

COUNCILLOR ROBERT BROOKBANK

The Committee held a moment's silence in memory of the Vice Chairman, Cllr. Robert Brookbank, who had passed away on Tuesday 2 August 2016.

16. Minutes

The Committee noted that proposals for Member training, referred to in Minute 14, had not been brought to the meeting and agreed this ought be recorded as an action.

*Action 1: 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 the minutes of the meeting of the Audit Committee held on 30 June 2016 be agreed and signed as a correct record.

17. Declarations of Interest

Sarah Ironmonger and Geoffrey Bannister, the representatives of Grant Thornton, declared that they had an interest in Minute 25 - Future Appointment of External Auditors as the Council's current external auditors. They left the room prior to the consideration of the item.

18. Actions from Previous Meeting

There were none.

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

There were none.

20. Members' Allowance Scheme Monitoring

The Head of Legal and Democratic Services introduced a report which explained that it was the Committee's role to monitor the implementation of the Members' Allowance Scheme and which set out the allowances paid in 2015/16. As an election was held during the financial year basic allowances were paid to 71 individuals in all, but 1 current Member asked not to receive the full amount. Travel expenses were claimed by 52% of Members and the IT allowance was claimed by 58%. Members' expenses claims were processed by the Democratic Services Team with questions of interpretation referred to the Chief Executive or Monitoring Officer. No issues were found during the year.

Members noted some typographical errors within the Members' Allowances Scheme.

*Action 2: The Head of Legal and Democratic Services to make typographical corrections to Constitution Appendix G: Members' Allowances Scheme.*

Public Sector Equality Duty

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

Resolved: That the report be noted.

21. Statement of Accounts 2015/16

The Committee welcomed Sarah Ironmonger, the Engagement Lead and Geoffrey Bannister, 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 2015/16 and the representatives of Grant Thornton explained their findings on the Statement of Accounts, which were to be signed off by 30 September 2016. The accounts gave a true and fair view of the Council's position and had been properly prepared in accordance with the Code of Practice. No adjustments were found that affected the Council's reported financial position and no changes were required to the major statements. Grant Thornton hoped to sign off the Accounts with an unqualified audit opinion. An unqualified opinion had been given on the Council's Value for Money arrangements, confirming that the Council had proper arrangements in place.

Sarah Ironmonger highlighted that from 2017/18 all Councils would be required to publish their audited financial statements by 31 July and so significant progress would be needed to deliver the same volume of work in a more intense shorter period. There had been a significant improvement in the quality of the financial statements when compared to the previous year, resulting in fewer adjustments to the notes. Three issues had been raised in relation to internal controls. Minor disclosure issues had been raised which did not change the final reported financial

position. She advised that Grant Thornton had been supported very positively by the Council throughout the process.

The Committee was also asked to agree that the Chairman of the Audit Committee sign a representation letter to Grant Thornton for the Financial Statements for the year ended 31 March 2016 to confirm that the financial statements gave a true and fair view.

The Chairman noted the audited pension fund liability of £62 million, which was significantly different from the last actuarial assessment of £25 million. However this deficit was not considered an area of concern. The two figures were calculated in different ways and the Council was meeting its liabilities as they came due. Sarah Ironmonger explained that the audited figure was based on the immediate closure of the fund and did not take account of returns from the fund. The Chief Finance Officer confirmed that the Finance Advisory Committee was due to consider the matter after the triennial revaluation.

The Committee thanked the Head of Finance and her Team for their immense hard work in preparing the accounts and to Grant Thornton for carrying out the audit.

#### Public Sector Equality Duty

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

Resolved: That

- a) the Statements of Accounts for 2015/16 be approved;
- b) the audit letter of representation be approved and signed by the Chairman; and
- c) Cabinet be advised of the significant variation between the audited and actuarial assessments of the pension fund liabilities.

#### 22. Internal Audit 2016/17 - 1st Progress Report

The Committee expressed disappointment that the Audit, Risk & Anti-Fraud Manager had been unable to attend the last 3 Audit Committee meetings and Internal Audit was not represented at the meeting. Members agreed that this could hamper their work and that Cabinet's attention be brought to this.

The Chief Finance Officer presented a report that detailed the progress of the Internal Audit Team in delivering the Annual Internal Audit Plan for the year 2016/17 and the outcome of the final Internal Audit reports issued since the meeting of the Audit Committee on 30 June 2016. Since the previous meeting 9 reports had been issued. Against the 2016/17 Internal Audit Plan a total of 6 reviews had commenced, with 3 in progress and 3 final reports issued.

## Agenda Item 1

### Audit Committee - 27 September 2016

The absence of a team member from a small team for a length of time had an effect on the team. Officers would therefore carry out a review of the resources required and the likely impact on the Internal Audit Plan.

Members discussed the final reports issued, which had been summarised.

*Action 3: Officers to ensure that transparency information is readily available through the Council's website.*

#### Public Sector Equality Duty

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

Resolved: That

- a) the report and the progress made by the Internal Audit Team in delivering the 2016/17 Annual Internal Audit Plan be noted; and
- b) Cabinet be advised that the absence of the Audit, Risk & Anti-Fraud Manager at 3 consecutive meetings of the Audit Committee could hamper the work of the Committee.

#### 23. Report on Internal Audit Recommendations Outstanding

The Chief Finance Officer presented a report that updated Members on the progress of implementation of recommendations agreed with Management from Internal Audit reviews, for actions due up until 31 July 2016. The report highlighted the medium and high priority recommendations which were due and where implementation dates had been revised or, where agreed, recommendations had not been implemented due to change in circumstances.

#### Public Sector Equality Duty

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

Resolved: That

- a) the summary of recommendations followed up as set out in Appendix A to the report be noted;
- b) the reasons for delayed implementation where the priority ranking was medium or high as set out in Appendix B to the report be noted, and the revised dates for implementation provided by Management be endorsed; and
- c) the reasons provided by Management for those recommendations where implementation was no longer intended as set out in Appendix C to the report be noted.

24. Draft Strategic Risk Register

The Chief Finance Officer presented a report which gave Members the opportunity to review and comment on the Council's Draft Strategic Risk Register. The Draft Register had been developed by Officers, taking into consideration the views of the Officers' Risk Management Group, Service Managers and Chief Officers. It set out the risks that Officers considered could prevent or hinder the effective delivery of the Vision and Promises set out in the Council's Corporate Plan. Following the initial analysis, 7 high risks and 4 medium risks had been identified but these had been reduced to 8 medium risks and 3 low risks after internal controls had been taken into account.

Members expressed surprise that the Council's Property Investment Strategy was described as low risk and discussed the controls which were in place.

Members also highlighted that in the Internal Audit Recommendations Outstanding report considered at minute 23 it had been agreed by the IT Steering Group that the enhanced desktop test of business continuity could not take place because the operational impact upon IT and users would be too great. Concern was raised that this could impact upon the level of risk that had been assessed for Technology.

*Action 4: Officers to reconsider the risk ratings for SR02 Property Investment Strategy and SR05 Technology.*

Public Sector Equality Duty

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

Resolved: That, subject to Officers reconsidering whether to amend the risk ratings for SR02 Property investment Strategy and SR05 Technology, the Draft Strategic Risk Register be agreed.

25. Future Appointment of External Auditors

The Chief Finance Officer presented the report which provided an update on the arrangements for appointing external auditors following the abolition of the Audit Commission and the end of transitional arrangements at the conclusion of the 2017/18 audits. It recommended that opting into a Sector Led Body to negotiate and make the external auditor appointment be agreed as the preferred procurement route. Public Sector Audit Appointments Ltd, an independent, not-for-profit company limited by guarantee and established by the Local Government Association had been appointed by the Secretary of State to be the sector led body.

In response to a question, the Chief Finance Officer confirmed that prices were still uncertain but it was likely only a few, large firms would be competing for the contracts.

Public Sector Equality Duty

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

Resolved: That it be recommended to Full Council that the sector led approach to the negotiation and appointment of the external auditor be approved as the preferred procurement route.

(Having declared an interest, Sarah Ironmonger and Geoffrey Bannister the representatives of Grant Thornton, left the room prior to the consideration of this item).

26. Fraud Update

The Chief Finance Officer tabled an [update](#) on a fraud which had occurred within the Revenues Team by a temporary member of staff. This person had worked at a number of councils and committed similar frauds before. The Council's stringent procedures detected the fraud in November 2015, the offender was escorted from the premises and his previous employers were notified. He was convicted and sentenced to 2 years and 8 months in prison.

In response to a question, the Chief Finance Officer advised that it had been a complex fraud involving other parties, exploiting a loophole also found at other Councils. Additional procedures had since been put in place to prevent a similar fraud happening again.

The Committee noted that the evidence of the fraud was picked up by the Council and congratulated the Revenues Team.

27. Work Plan

The work plan was noted.

THE MEETING WAS CONCLUDED AT 8.51 PM

CHAIRMAN

ACTIONS FROM THE MEETING HELD ON 27.09.2016			
Action	Description	Status and last updated	Contact Officer
ACTION 1	That Officers bring specific proposals for Member training to the next scheduled meeting of the Committee to allow further discussion of training requirements.	The Chief Finance Officer and Audit Committee Chairman are looking at options available with the intention of providing more information at the next Audit Committee. (25.11.16)	Adrian Rowbotham Ext. 7153
ACTION 2	The Head of Legal and Democratic Services to make typographical corrections to Constitution Appendix G: Members' Allowances Scheme.	This is in hand and changes will be made when the constitution is next updated. (25.11.16)	Martin Goodman Ext. 7245
ACTION 3	Officers to ensure that transparency information is readily available through the Council's website.	Council transparency can be found by entering 'transparency' in the search box on the SDC home page or by using the following link: <a href="http://www.sevenoaks.gov.uk/services/council-and-democracy/council-transparency">http://www.sevenoaks.gov.uk/services/council-and-democracy/council-transparency</a> (25.11.16)	Adrian Rowbotham Ext. 7153
Action 4	Officers to reconsider the risk ratings for SR02 Property Investment Strategy and SR05 Technology.	<u>SR02</u>  This has been discussed by officers of the Risk Management Officer Group and have agreed to change the risk rating from 2 (unlikely) x 3 (significant) = 6 (low) to 3 (possible) x 3 (significant) = 9 (medium). (25.11.16)	Adrian Rowbotham Ext. 7153

		<p><u>SR05</u></p> <p>The IT Services Manager has confirmed that the comment at minute 23 (agenda p.217) relates to Dunbrik, there is not an issue at Argyle Road. Off-site back-ups are in place for Dunbrik's IT and the loss of IT at that site would not have a major impact on services. (25.11.16)</p>	
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**EXTERNAL AUDIT - HOUSING BENEFIT SUBSIDY 2015/16**

**Audit Committee - 10 January 2017**

Report of Chief Finance Officer

Status: For Information

Key Decision: No

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**Portfolio Holder** Cllr. Scholey

**Contact Officer** Adrian Rowbotham Ext. 7153

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**Recommendation to Audit Committee:** That the report be noted.

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**Introduction**

- 1 Grant Thornton, as the Council's external auditor, is required to certify certain grant claims submitted by the Council. This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.
- 2 Only one claim was certified for 2015/16, the Housing Benefit Subsidy Claim, relating to expenditure of £29m.

**Audit Outcome**

- 3 Housing Benefit Subsidy is a complex claim which was qualified but not amended.
- 4 Errors were identified in the 2015/16 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.
- 5 The audit fee for grant claims in 2015/16 is £14,250 (subject to confirmation). This is less than the £16,460 charged in 2014/15, £19,000 charged in 2013/14, £20,638 charged in 2012/13 and £51,662 charged in 2011/12.

## Agenda Item 5

6 The following table shows an analysis of where errors were found:

Cell description	Cell Total £	Sample No.	Sample £	Error No.	Error £	Error %	Adj't made £
Rent Allowance - Total expenditure (benefit granted)	6,868,997	60	209,148	4	3	0.001%	69
Rent Allowances - Eligible Overpayments (Current Year)	450,135	60	16,017	2	-698	-4.3%	-19,356
Rent Allowances - Not requiring referral to rent officer	20,534,157	60	231,282	4	-0.25	-0%	0

### Key Implications

#### Financial

The financial implications are included elsewhere in the report.

#### Legal Implications and Risk Assessment Statement.

There are no legal implications.

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

#### Equality Assessment

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

**Appendices** None

**Background Papers:** None

**Adrian Rowbotham**  
Chief Finance Officer

**EXTERNAL AUDIT - ANNUAL AUDIT LETTER 2015/16**

**Audit Committee - 10 January 2017**

Report of Chief Finance Officer

Status: For Information

Key Decision: No

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**Portfolio Holder** Cllr. Scholey

**Contact Officer** Adrian Rowbotham Ext. 7153

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**Recommendation to Audit Committee:** That the report be noted.

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**Introduction and Background**

- 1 Sarah Ironmonger and Geoffrey Banister, from Grant Thornton, would like the opportunity to present the Annual Audit letter 2015/16 (Appendix A) to Members.
- 2 Grant Thornton were appointed as the Council's external auditors to replace the Audit Commission with effect from 1 November 2012. This followed a procurement exercise to outsource the work of the Commission's in-house audit practice into five regional contracts.

**Annual Audit letter 2015/16**

- 3 The purpose of this letter is to summarise the findings arising from the work carried out for the year ended 31 March 2016 and to communicate key messages to the Council and external stakeholders, including members of the public.
- 4 The work carried out during the year consisted of:
  - Audit of the accounts (financial statements).
  - Value for Money.
  - Whole of Government Accounts.
  - Certification of housing benefit grant claim.
- 5 The audit of the accounts and Value for Money conclusion were also presented to the Audit Committee on 27 September 2016.

## Agenda Item 6

### **Key Implications**

#### Financial

There are no financial implications.

#### Legal Implications and Risk Assessment Statement.

There are no legal implications.

#### Equality Assessment

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

#### **Appendices**

Appendix A - Annual Audit Letter 2015/16

#### **Background Papers:**

None

**Adrian Rowbotham  
Chief Finance Officer**



# The Annual Audit Letter for Sevenoaks District Council

**Year ended 31 March 2016**

October 2016

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**Sarah Ironmonger**

Associate Director

T 020 7728 3262

E sarah.L.Ironmonger@uk.gt.com

**Geoffrey Banister**

Manager

T 020 7728 3023

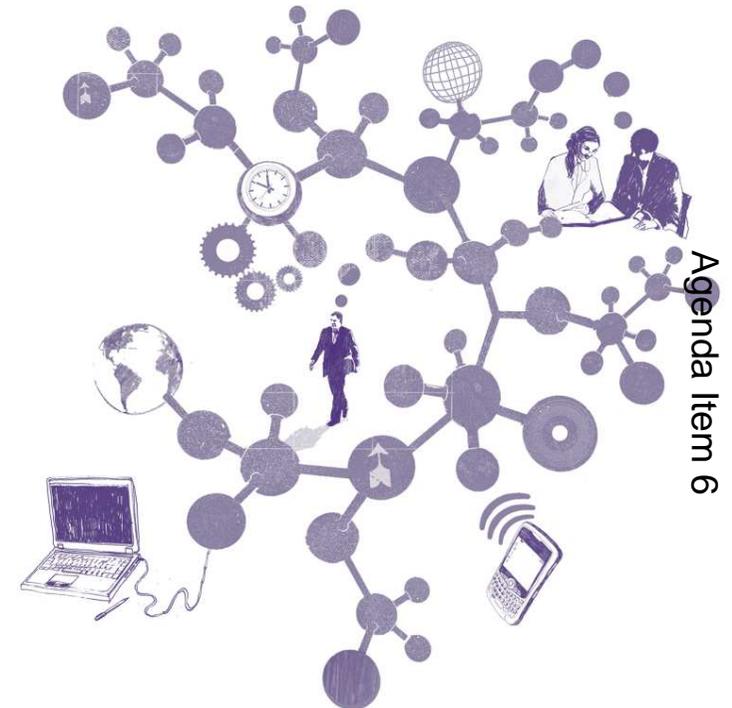
E geoffrey.c.banister@uk.gt.com

**Andy Southall**

Associate

T 020 7383 5100

E Andy.M.Southall@uk.gt.com



Agenda Item 6

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# Executive summary

## Purpose of this letter

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 2016.

This Letter is intended to provide a commentary on the results of our work to the Council and its 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 (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to your Audit Committee as those charged with governance in our Audit Findings Report on 27 September 2016.

## Our 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 your financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

## Our work

### Financial statements opinion

We gave an unqualified opinion on your financial statements on 29 September 2016.

### Value for money conclusion

We were satisfied that you put in place proper arrangements to ensure economy, efficiency and effectiveness in the use of resources during the year ended 31 March 2016. We reflected this in our audit opinion on 29 September 2016.

### Certificate

We certified that we had completed the audit of the accounts of Sevenoaks District Council in accordance with the requirements of the Code on 29 September 2016.

### Certification of grants

We also carry out work to certify your 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 2016. We will report the results of this work to the Audit Committee in our Annual Certification Letter.

### Working with the Council

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**  
**October 2016**

# Audit of the accounts

## Our audit approach

### Materiality

In our audit of your accounts, 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 our audit of your accounts to be £1,117k (being 2% of gross revenue expenditure for 2014/15). We used this benchmark, as in our view, users of your accounts are most interested in how you have spent the income you have raised from taxation and grants during the year.

We also set a lower level of specific materiality for disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements

We set a lower threshold of £52k, above which we reported errors to the Audit Committee in our Audit Findings Report.

### The scope of our audit

Our audit involves obtaining enough 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:

- your accounting policies are appropriate, have been consistently applied and adequately disclosed;
- 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 narrative report and annual governance statement to check they are consistent with our understanding of you and with the accounts on which we give our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe 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 your 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 accounts

These are the 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
<p><b>Employee remuneration</b> Employee remuneration accruals understated</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• Walkthrough of the your processes and controls over this area to gain an understanding of these.</li> <li>• Testing of a sample of employees for 2015/16 to agree pay back to the relevant supporting records, such as their contracts/pay rise letters, to ensure the full costs have been included within the Accounts for the year.</li> <li>• Trend analysis on your Monthly Payroll Figures to identify any months where there are outliers present which may indicate issues with the completeness of the figures included within the GL from the Payroll System.</li> </ul> <p><b>We did not identify any material issues to report</b></p>
<p><b>Operating expenses</b> Creditors understated or not recorded in the correct period</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• Walkthrough of your processes and controls over this area to gain an understanding of these.</li> <li>• Detailed substantive testing has been performed over the operating expenditure incurred by you, during the year, including payments made post-period end</li> <li>• Trend analysis of the month-on-month spend on Operating Expenses has been performed to identify any months where amounts have been potentially omitted, and explanations will be obtained for these.</li> <li>• Testing has been performed on the Creditors included within the Accounts at year end to ensure that these amounts are valid.</li> </ul> <p><b>We did not identify any material issues to report</b></p>
<p><b>Valuation of pension fund net liability</b> Valuation of the pension fund assets and liabilities have been incorrectly valued The values of the pension fund net liability is estimated by specialist actuaries.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• Walkthrough of your processes and controls over this area to gain an understanding of these.</li> <li>• Documented our understanding of the qualifications, experience and expertise of the actuary in reaching the valuation of the pension fund's assets and liabilities.</li> <li>• Tested the completeness and appropriateness of the data you sent to the pension fund.</li> <li>• Reviewed the assumptions used by the actuary in arriving at their valuation for reasonableness.</li> <li>• Tested the input of the valuation data from the actuary to the financial statements, and review disclosures.</li> </ul> <p><b>We did not identify any material issues to report</b></p>

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# Audit of the accounts

## Audit opinion

We gave an unqualified opinion on your accounts on 29 September 2016, in advance of the 30 September 2016 national deadline.

You made the accounts available for audit in line with the agreed timetable, and provided a good set of working papers to support them. We have seen a significant improvement in the quality of the financial statements compared to the previous year which has resulted in far fewer adjustments to disclosure notes within the accounts.

Your finance team responded promptly and efficiently to our queries during the course of the audit.

## Issues arising from the audit of the accounts

We reported the key issues from our audit of the accounts to your Audit Committee on 27 September 2016.

In addition to the key audit risks reported above, we identified the following issues during our audit that your management has agreed to address for the next financial year:

- Self-authorisation of finance raised journals. Our control recommendation from the previous year has been partially implemented and we have agreed further action.
- Compliance with the CIPFA code and International Accounting Standard 16 (Property, Plant and Equipment) to ensure adequate disclosure of balances within Property, Plant and Equipment.

## Annual Governance Statement and Narrative Report

We are also required to review your Annual Governance Statement and Narrative Report.

Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by you and with our knowledge of you.

## Other statutory duties

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 your accounts and to raise objections received in relation to the accounts.

We have no matters to report.

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# Value for Money conclusion

## Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2015 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 key risks where we concentrated our work.

The key risks we identified and the work we performed are set out in table 2 overleaf.

## Overall VfM conclusion

We are satisfied that in all significant respects you put in place proper arrangements to secure economy, efficiency and effectiveness in your use of resources for the year ending 31 March 2016.

# Value for Money

**Table 2: Value for money risks**

Risk identified	Work carried out	Findings and conclusions
<p><b>Property Investment Strategy</b>                      The Council is continuing to push forward with its aim of becoming financially self-sufficient from direct Government support, having identified some time ago that with reducing government support and the need to keep council tax rises to a minimum, a new financial model was needed. As part of this the Council has invested £8m of savings to acquire a number of income earning properties, with further acquisitions are planned. This is a new strategy for the Council, significant amounts are being invested, with the need to build up experience and expertise.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• reviewed the Council's Investment strategy and the reports to members</li> <li>• reviewed the Investment outturn position for 2015/16 and the Investment budget plans for 2016/17 and 2017/18</li> <li>• met with key officers to discuss key Investment strategic challenges and the Council's proposed response</li> </ul>	<p>The Council's Corporate Plan (agreed in 2013) sets out the intention to move towards being financially self-sufficient. In addition to continuing to seek efficiencies and savings in Council services, the Council recognised the need to increase revenue income. Having experienced low and reducing levels of Government support together with interest rates low delivering low rates of return, the Council developed its Property Investment Strategy (in 2014).</p> <p>As part of this the Council invested in three properties:</p> <ul style="list-style-type: none"> <li>• Swanley Working Men's club for £1.25 million;</li> <li>• Suffolk House for £4 million; and</li> <li>• 73 – 75 High Street, Swanley petrol filling station and convenience store for £2.45 million.</li> </ul> <p>The annual income from these three investments is currently £400,000 per annum.</p> <p>The Council has focussed its efforts on its Property Investment Strategy with the development of business plans and undertaking due diligence for major capital projects in Sevenoaks including decking the Bradbourne car park and developing a hotel.</p> <p>The Council has been able to set a budget for 2016/17 which will see the Council become financially self-sufficient amid further reductions in its funding from Government. The Council will no longer rely on the Revenue Support Grant to run its services.</p> <p><b>On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements.</b></p>

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# Working with the Council

## **Our work with you in 2015/16**

We are really pleased to have worked with you over the past year. We have established a positive and constructive relationship. Together we have delivered some great outcomes.

An efficient audit – we delivered the accounts audit starting in August in line with the timescale we agreed with you. Our audit team are knowledgeable and experienced in your financial accounts and systems. Our relationship with your team provides you with a timely financial statements audit releasing your finance team for other important work.

Improved processes – during the year we reviewed your journal controls and proposed a recommendation for improvement that, if implemented, will facilitate a more efficient audit approach in the future.

Through the Value for Money conclusion we provided you with assurance on your operational effectiveness of your Property Investment Strategy.

Sharing our insight – we provided regular updates to you covering best practice. Areas we covered included our reports on Innovation in public financial management, Making devolution work, Reforging local government. We will continue to provide you with our insights.

Providing training – we will liaise with you to provide you with tailored training for the Audit Committee.

We will also continue to work with you and support you over the next financial year as you bring forward your production of your year-end accounts. From 2017/18 all councils in England will be required to publish their audited financial statements by 31st July (currently 30th September). In line with achieving this, we have noted clear improvements during the 2015/16 audit with draft accounts and good quality working papers provided to the audit team through out the process. To achieve the 2017/18 deadline, significant progress will need to be made to deliver the same volume of work in closing the accounts in a more intense shorter period. The 2015/16 audit however, has given an indication of the scope for improvement on an annual basis that can be achieved at Sevenoaks. We have worked with many clients to successfully implement faster close and will continue to work with you during the coming year to provide support in achieving the earlier deadlines before the statutory deadlines are brought forward.

We will continue to liaise closely with the senior finance team during 2016/17 on this important accounting development, with timely feedback on any emerging issues. The audit risks associated with this new development and the work we plan to carry out to address them will be reflected in our 2016/17 audit plan.

# Appendix A: Reports issued and fees

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

## Fees

	Proposed fee £	Final fee £
Council audit	43,156	43,156
Grant certification *	14,250	TBA
<b>Total audit fees (excluding VAT)</b>	<b>57,406</b>	

## Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

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

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The proposed fees for your audit were in line with the scale fee set by Public Sector Audit Appointments Limited (PSAA).

\* Work still in progress – completion due in November 2016. Fee variations are subject to approval by PSAA.

## Reports issued

Report	Date issued
Audit Plan	June 2016
Audit Findings Report	September 2016
Annual Audit Letter	October 2016



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**INTERNAL AUDIT 2016/17 - SECOND PROGRESS REPORT**

**Audit Committee - 10 January 2017**

Report of Chief Finance Officer

Status: For Consideration

Key Decision: No

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

**Portfolio Holder** Cllr. Scholey

**Contact Officer(s)** Bami Cole Ext.7236

Lisa Nyon Ext. 3004

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**Recommendations to Audit Committee:**

- a) That Members note the contents of the report and the progress made by the Internal Audit Team in delivering the 2016/17 Annual Internal Audit Plan.
- b) That Members approve the amendments to the internal Audit Plan 2016/17.

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

---

**Introduction**

- 1 This report provides details of the progress of the Internal Audit Team in delivering the Annual Internal Audit Plan 2016/17 and outcomes of final Internal Audit reports issued since the meeting of the committee in September 2016.
- 2 The Internal Audit function is a key process of the Council's overall governance arrangements. Its key purpose is to conduct independent reviews of the Council's system of internal controls and to provide an assurance to both Senior Management and Members regarding the effectiveness of such systems. In fulfilling his duty and responsibilities, the Audit, Risk and Anti-Fraud Manager, is required to report the progress made in delivering the assurance requirements to the Audit Committee, in accordance with regulatory requirements and relevant professional standards.

### Summary of Issues Raised Within the Report:

- 3 A summary of progress made towards delivering the assurance requirements for 2016/17 is attached as Appendix A to this report, which sets out details of the reviews agreed by the Audit Committee in March 2016. Members may note that thirteen reviews had commenced, seven had been finalised and six were in progress.
- 4 Appendix B sets out details of the final reports which have been issued since the last meeting of this committee. It also provides a brief summary of the findings and recommendations agreed with service management, to address any areas for further improvements required to strengthen internal controls. Further details on any of the issues raised on the report summaries would be provided to Members of this Committee on request.
- 5 The definition of the standard Internal Audit opinions are detailed in Appendix C, where a single opinion will be given, which will either be: Full Assurance; Substantial Assurance; Limited Assurance or No Assurance.

### Amendments to the Audit Plan

- 6 Members are advised that the Internal Audit Plan 2016/17 has been amended to take account of existing capacity and to reflect the assurance priorities for the rest of the municipal year. Some productive capacities have been lost, due to a vacancy and the long term absence of the Audit Manager. To this effect it is necessary to carry forward seven reviews. Senior Management have approved the proposed amendments to the plan as set out below.
- 7 Details of the amendments are set out in Appendix A. In particular, the following items are proposed to be deferred to next year's assurance plan; Items 1, 5, 11, 17, 21, 25, and 27. However, prior to inclusion, they would be subject to the annual risk assessment and a review of assurance needs and priorities, as part of the annual planning process.
- 8 Members are advised that the proposed changes to the plan will not have a material impact on the level of assurance that could be provided in 2016/17; as the proposals take account of assessed risks and assurance needs.

### Internal Audit Resources

- 9 Members may note that Internal Audit resources are under capacity due to the long term absence of the Audit Manager and the resignation of an Internal Auditor. This has consequently put some strain on delivery of the plan. However, this is being mitigated to some extent, by the use of agency staff in the short term.
- 10 Members may also note that out of the original three hundred days planned for the 2016/17 audit plan, thirty three audit days were lost as a result of staff resignation; twenty five as a result of the Principal Auditor taking on additional responsibilities and forty six days spent on finalising audits featured in the 2015/16 audit plan.

## **Progress of Internal Audit Improvement Plan**

- 11 Members may be pleased to note that the TeamMate electronic audit management software is progressing well and it is anticipated that it will be fully implemented in time for the 2017/18 Internal Audit Plan. This forms part of the agreed actions in the internal audit improvement plan and will facilitate the implementation of more modern ways of working, which is expected to lead to greater efficiency and improved quality of the internal audit service.

## **Key Implications**

### Financial

Not Applicable.

### Legal Implications and Risk Assessment Statement.

No additional legal implication beyond the Council's duty to comply with the Accounts and Audit Regulations 2015.

The Council is required to comply with the requirements of the Accounts and Audit Regulations 2015, regarding its arrangements for Internal Audit, in order to ensure fitness for purpose and taking into account the Public Sector Internal Audit Standards and professional guidance. Training and development needs have been identified, to enable all staff to be equipped with the relevant skills required to perform their roles effectively.

### 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 sets out progress of the Internal Audit Team in delivering the Council's assurance requirements for 2016/17 and provides a summary of final reports issued since the meeting of the Audit Committee in September 2016. The team is also making steady progress in implementing the improvement action plan agreed by the Audit Committee in June 2015.

## **Appendices**

Appendix A - Progress Against 2016/17 Plan

Appendix B - Summary of Final Reports Issued

Appendix C - Audit Opinions - Definitions (2016/17 Audits going forward)

## Agenda Item 7

**Background  
Papers:**

[Internal Audit Annual Plan for 2016/17](#)

New Public Sector Internal Audit Standards 2015

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

[Audit Committee Report 29 September 2016](#)

Accounts and Audit Regulations 2011

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

**Adrian Rowbotham  
Chief Finance Officer**

PROGRESS AGAINST 2016/17 INTERNAL AUDIT PLAN					Status at 20/12/16		
		Final report issued	Draft report issued	Feedback process in progress	Fieldwork in progress	Brief issued	Defer to next year
1	Community Infrastructure Levy						x
2	Procurement & Contracting						
3	Environmental Health Services						
4	Agency Staff, Contracting & Consulting						
5	Economic Development						x
6	Key Financial System				x		
7	Income Generation Activities	x					
8	Council Tax and Benefits				x		
9	Payroll						
10	Treasury Management				x		
11	Business Rates (Revs)						x
12	Anti-Fraud Arrangements					x	
13	Grant Income	x					
14	Repair & Maintenance	x					
15	Parking						
16	Direct Services				x		
17	Licensing						x
18	Business Continuity	x					
19	Emergency Planning	x					
20	Asset Management						
21	IT Strategy/Acquisitions						x
22	Planning Applications & Appeals	x					
23	Due Diligence				x		
24	Corporate Governance						
25	Risk Management						x
26	Transparency Code	x					
27	Audit Universe						x
28	Data Protection & Freedom of Information						
29	Cash Income						
	Total	7	0	0	5	1	7
	<b>COMPARATIVE POSITION Jan 2016</b>	4	4	1	2	2	5

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**Review of Repair & Maintenance  
Arrangements 2016/17**

**Issued 2 December 2016**

**Opinion:** Limited Assurance

**Previous Review:** Satisfactory

The purpose of this review was to provide an assurance on the Council's arrangements for the effectiveness of repairs and maintenance for the Council owned sites. The sites covered in this review were the Council Offices and three leisure centres located in Sevenoaks, Edenbridge and Swanley. The audit also included the Lullingstone golf course site. The audit examined whether maintenance and repair arrangements are fit for purpose to deliver service objectives and comply with the Council procedures.

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

1. Risk that the Council may not comply with relevant legislation, policies or good practice that relates to corporate buildings maintenance
2. Risk than service objectives may not be met
3. Risk that lease agreement with Sencio does not clearly specify the duties and responsibilities of the respective parties regarding repairs.
4. Risk that repairs and maintenance contract terms and conditions may not be clearly stated.
5. Risk that maintenance and repair may not be of the required standard.
6. Risk that expenditure may not be effectively monitored resulting in budget over spend.
7. Risk that repairs may not actually be required.
8. Risk that repairs are not properly authorised
9. Risk that opportunities to achieve or demonstrate efficiency or value for money may not be maximised for example cost of repair is not transparent or costs are excessive.
10. Risk that fraud and corruption may not be detected, for example contractors are awarded the repair work without proper procurement process being followed.
11. Risk that operational and strategic risks assessments may not be undertaken in accordance with Council policy and risks not adequately managed.

Audit testing results indicated that controls were fully met in six of the aspects examined, whilst five aspects were partially met in relation to compliance. (Risks 5,6,7,8 and 9).

The opinion of the auditor was that there is **Limited Assurance** in place to ensure achievement of service objectives pertaining to the audited system. This meant there were weaknesses identified within the framework and there, existed evidence of non-compliance with Council procedures or good practice, which put the achievement of the Council's or service objectives, in many of the areas reviewed, at risk.

The following four recommendations were agreed with Management to address the areas where controls were partially met. These relate to risks 5,6,7,8 and 9.

- Consideration should be given to the existing list of emergency contractors being subject to periodic market testing to ensure value for money is being achieved for the Council.
- The by passing of normal procurement procedures with regard to emergency repairs should be closely monitored to ensure the repair is a genuine emergency case.
- Consideration should be given to the quality checking undertaken by Sencio and SDC officers to be formally recorded in all cases. This would give documented confirmation that the repair has been subject to independent quality checks.
- More detail should be recorded on the Emergency Work Order to explain why the repair work is needed.

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

**Review of Grant Income 2016/17**

**Issued 15 December 2016**

**Opinion:** Substantial Assurance

**Previous Review:** No recent review

The purpose of this review was to provide assurance regarding the effectiveness of processes and procedures concerning compliance with funding requirements in respect of specific grant income. This was in order to facilitate sign off by the Section 151 officer and to ensure that these arrangements were fit for purpose to deliver service objectives and comply with Council procedures.

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

1. Risk that the Council may not comply with the relevant legislation (for example the Local Government Acts 1972 and 2000, the Health and Social Care Act 2012 and the Crime and Disorder Act 1998).
2. Risk that opportunities to achieve or demonstrate efficiency or value for money may not be maximised, for example grant income may not be used efficiently or effectively.
3. Risk that fraud and corruption may be undetected, for example grant income is diverted inappropriately either for personal gain or towards projects to which SDC staff are personally linked.
4. Risk that operational and strategic risk assessments may not be undertaken in accordance with Council policy and risks not adequately managed.

Audit testing results indicated that controls were fully and substantially met in three of the aspects examined, whilst one aspect was partially met in relation to compliance. (Risk 2).

The opinion of the auditor was that there is **Substantial Assurance** in place to ensure achievement of service objectives pertaining to the audited system. This means there is generally a sound framework of control in place designed to meet the Council's service objectives. However, there were isolated weaknesses in the design of controls or inconsistent application of controls which puts the achievement of a limited number of objectives at risk.

The following recommendation was agreed with Management to address the area where controls were partially met. This relates to risk 2.

- Consideration should be given to reporting the achievement of the key deliverables of projects with funding of over £10,000 to Senior Management and Members.

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

#### **Review of Planning Applications 2016/17**

**Issued 16 December 2016**

**Opinion:** Full Assurance

**Previous Review:** Good (Framework & Compliance)

The purpose of this review is to provide an assurance regarding the effectiveness of the current process for planning applications and appeals, with particular focus on compliance with Council procedures and statutory requirements.

To this effect the following risks were examined :-

1. Risk that the Council may not comply with relevant legislation, policies or good practice such as the Town & Country Planning Act 1990.

2. Risk that all income due from planning applications is not received.
3. Risk that the approval or rejection of planning applications is not properly authorised.
4. Risk that a high percentage of the Council's planning application refusals are successfully appealed by the applicant.
5. Risk that opportunities to achieve or demonstrate efficiency or value for money may not be maximised, for example applications are not processed on a timely basis.
6. Risk that fraud and corruption may be undetected, for example the planning application assessor is a relative or associate of the applicant.
7. Risk that Operational and Strategic risk assessments may not be undertaken in accordance with Council policy and risks not adequately managed.

Audit testing results indicated that controls were fully and substantially met in all of the aspects examined, however there was one low ranking finding relating to refunds on a small number of applications examined where originating payment details were not available. At the time of this review, management were fully aware of this finding and were proactively taking steps to address this.

- A review of the refund process should take place where original payment details are not readily available. This would need to ensure that where possible evidence is provided by the applicant for the refund or a supervised checking process is in place.

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

**Review of Income Generation 2016/17**

**Issued 20 December 2016**

**Opinion:** Substantial Assurance

**Previous Review:** Good (Framework & Compliance)

The purpose of this review was to provide an assurance on the Council's arrangements in place for delivering the Council's self - sufficiency objective, in order to review progress made to date and whether relevant risks have been identified and appropriately managed.

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

1. Risk that the Council may not comply with legislation. (Local Government Acts 1972 and 2003 and the Localism Act 2011).

2. Risk that the income generation activities are not in line with corporate objectives.
3. Risk that income generation activities have not been fully evaluated and/or could incur a deficit for the Council.
4. Risk that opportunities for income generation are not discussed or identified.
5. Risk that income generation activities are not regularly monitored by Senior Management with regard to financial performance.
6. Risk that operational and strategic risks with regard to income generation have not been identified, reviewed or monitored.

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

The opinion of the auditor was that there is **Substantial Assurance** in place to ensure achievement of service objectives pertaining to the audited system. This meant that there is a generally a sound framework of control in place designed to meet the Council's service objectives. However, there are isolated weaknesses in design of controls or inconsistent application of controls which put the achievement of a limited number of objectives at risk.

The following two recommendations were agreed with Management to address the areas where controls were partially met. These relate to risks 2 and 3.

- Consideration should be given to reviewing the progress being made by the Council regarding an Asset Management Strategy in the forthcoming Internal Audit review of this area.
- Consideration should be given to a review of consultants in a future Internal Audit review of this area.

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

**DEFINITIONS OF AUDIT OPINIONS**

<b>OPINION</b>	<b>DEFINITIONS</b>
<p><b>Full Assurance (no High or Medium Risk Recommendations)</b></p>	<p>A sound framework of control is in place that meets the Council’s or service objectives. All expected controls tested are in place and are operating effectively.</p> <p>No specific follow-up review will be undertaken; follow-up will be undertaken as part of the next planned review of the system.</p>
<p><b>Substantial Assurance (no High Risk Recommendations)</b></p>	<p>There is generally a sound framework of control in place designed to meet the Council’s 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>Follow up of medium priority recommendations only will be undertaken within 3 to 6 months; follow up of low priority recommendation will be undertaken as part of the next planned review of the system.</p>
<p><b>Limited Assurance</b></p>	<p>Weaknesses identified within the framework and there exist 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>Follow-up of high and medium priority recommendations only will take place within 3 to 6 months; follow-up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
<p><b>No Assurance</b></p>	<p>Absent or non-existent evidence of framework; fundamental weaknesses identified within design; operation of key controls has resulted in failure, or could result in failure to achieve the Council’s or service objectives in the areas reviewed.</p> <p>Follow-up of high and medium priority recommendations only will take place within 3 to 6 months; follow-up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>

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**REPORT ON INTERNAL AUDIT RECOMMENDATIONS OUTSTANDING**

**Audit Committee - 10 January 2017**

Report of the: Chief Finance Officer

Status: For Consideration

Key Decision: No

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

**Portfolio Holder** Cllr. Scholey

**Contact Officer** Bami Cole Ext. 7236

Lisa Nyon Ext. 3004

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**Recommendations to Audit Committee that Members:**

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

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**Introduction**

- 1 This report updates Members on progress of the implementation of Internal Audit Recommendations agreed with management, and to report on outstanding recommendations due for implementation by 30 November 2016.
- 2 The report also informs the Committee where implementation dates have been revised, where agreed recommendations have not been implemented or are no longer intended.

**Summary of Issues Raised Within the Report**

- 3 Appendix A provides a summary of the reports for which management had agreed recommendation implementation dates, for the period to 30 November 2016. Internal Audit has obtained the current status from the responsible managers, but it should be noted that, where implementation has been confirmed, Internal Audit has not yet undertaken any additional testing to verify this. Implementation checks will be carried out in due course, usually between 3 to 6 months of the agreed implementation date.

## Agenda Item 8

- 4 Appendix B provides details of agreed recommendations (where the Priority/Ranking is medium or high) where management have advised Internal Audit that implementation of the actions agreed has initially been delayed from the date originally stated. Enquires with management indicates that satisfactory progress is being made, or proposed; and that there are no major concerns arising as a result of the change in implementation dates. However Internal Audit will continue to monitor progress where appropriate and report back to the Audit Committee as necessary.

### **Key Implications**

#### Financial

This report has no financial implications.

#### Legal Implications and Risk Assessment Statement

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

#### Value for Money and Asset Management

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

#### Equality 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**

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

**Appendices**

Appendix A - Summary of recommendations followed up

Appendix B - 'Overdue' recommendations where implementation delayed (ranking medium or high)

**Background Papers:**

None

**Adrian Rowbotham  
Chief Finance Officer**

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## SUMMARY OF RECOMMENDATIONS FOLLOWED UP

Audit (Number of Recommendations originally accepted)	Date final report issued	Number of recommendations where implementation not yet due	Number of recommendations where implementation now confirmed by management	Number of recommendations where management advise that implementation delayed (Appendix B)	Number of recommendations where management advise that implementation is no longer intended (Appendix C)	Number of recommendations where implementation not confirmed or alternative date not provided
Contract Management 2013/14 (1)	18/2/14	0	0	1	0	0
Council Tax/NDR 2014/15 (2)	5/2/15	1	1	0	0	0
Key Financial Systems 2014/15 (1)	5/5/15	0	0	1	0	0
Repair & Maintenance Arrangements 2014/15 (3)	5/5/15	0	10	3	0	0
Community Grants 2015/16 (5)	24/6/15	0	3	2	0	0
Peer Service Review 2015/16 (9)	20/11/15	0	0	9	0	0
Corporate & Service IT Applications 2015/16 (9)	4/12/15	0	6	0	3	0
Organisational Effectiveness & HR Strategy 2015/16 (6)	15/1/16	2	1	3	0	0
Key Financial Systems 2015/16 (1)	10/5/16	0	1	0	0	0

**APPENDIX A**

Electoral Services (Post-Election) 2015/16 (1)	10/5/16	0	1	0	0	0
Dunbrik (TASK) 2015/16 (4)	7/6/16	1	3	0	0	0
Council Tax Support 2015/16 (1)	14/6/16	1	0	0	0	0
Corporate Fraud Post DWP Proposals 2015/16 (4)	16/6/16	1	2	1		
Planning Pre-Applications 2015/16 (4)	6/7/16	0	4	0	0	0
Section 106 Affordable Housing 2015/16 (1)	8/7/16	0	0	1	0	0
Emergency Planning 2016/17 (1)	22/7/16	1	0	0	0	0
Business Continuity 2016/17 (4)	26/7/16	4	0	0	0	0
Transparency Code 2016/17 (3)	12/8/16	0	2	1	0	0
Repair & Maintenance Arrangements 2016/17	2/12/16	3	1	0	0	0

Agenda Item 8

All recommendations for the audits in the shaded areas are not yet due.

‘OVERDUE’ RECOMMENDATIONS WHERE IMPLEMENTATION HAS BEEN DELAYED (WHERE RANKING IS MEDIUM OR HIGH)

Audit: Key Financial Systems 2014/15

Recommendation	Priority/ ranking	Original response	Previous responses	Latest position + (source)
<p>1. Processes and procedures should be formulated and circulated to all relevant staff in respect of the TMBC Building Control Partnership and the kiosk.</p>	<p>Medium</p>	<p><b>Agreed Action:</b> As Above</p> <p><b>Responsible Officer:</b> Head of Finance</p> <p><b>Recommendation Implementation Date:</b> End of October 2015</p>	<p>Both of the items are substantially completed. The kiosk procedures are being reviewed to see if an alternative cash-up arrangements will be less resource hungry. Work on the procedures for Building Control, are awaiting further information from our partners on VAT requirements.</p> <p>Head of Finance - 21/12/15</p> <p>Procedures for the kiosk have been completed. Procedures for Building Control are partly completed; additional work needs to be done to reflect a change in VAT treatment for VAT on T&amp;M income.</p> <p>Head of Finance - 11/2/16</p> <p>This recommendation will be concluded once the restructure is finished and final accounts have been completed.</p>	<p>The work on Building Control procedures is still incomplete, but is expected to be completed by the end of December 2016.</p> <p>Head of Finance - 25/11/16</p> <p><b>Internal Audit Comment</b> In view of latest management update, Internal Audit will continue to liaise with the Head of Finance and advise the Committee further at the next meeting in April 2017.</p>

			<p>Revised implementation date, mid-July 2016. Head of Finance - 25/4/16</p> <p>This recommendation is still incomplete due to the restructuring of Financial Services. Implementation has now been rescheduled for the end of September 2016. Head of Finance - 1/9/16</p>	
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**Audit: Organisational Effectiveness & HR Strategy 2015/16**

Recommendation	Priority/ ranking	Original response	Previous Response	Latest position + (source)
<p>1. The Council's Human resources strategy is documented, fully revisited and updated to reflect current requirements.</p>	<p>Medium</p>	<p><b>Agreed Action:</b> As Above</p> <p><b>Responsible Officer:</b> Chief Officer - Corporate Support</p> <p><b>Recommendation Implementation Date:</b> July 2016</p>	<p>This is currently being reviewed and as part of the wider, ongoing review of HR policies and procedures.</p> <p>Chief Officer - Corporate Support - 6/9/16</p>	<p>A number of policies that support an HR Strategy are currently in the process of being reviewed, consulted on and agreed. Once these are complete, the HR Strategy itself will be reviewed and documented as appropriate. This is likely to be complete by April 2017.</p> <p>Chief Officer Corporate Support - 25/11/16</p> <p><b>Internal Audit Comment</b> In view of latest management update, Internal Audit will continue to liaise with the Chief Officer Corporate Support and advise the Committee further at the meeting in June 2017.</p>

<p>2. The Council’s Workforce Development Plan and other key HR policy documents are fully revisited and updated in a risk basis for their fitness for current council requirements and an HR policy review plan or schedule, signed off by the Chief Officer - Corporate Support, covering all HR policies to be updated and incorporating expected times scales for this, is also produced.</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 47</p>	<p>Medium</p>	<p><b>Agreed Action:</b> As Above - Other key HR policy documents have already been listed as part of an update plan. The list has been prioritised addressing the most important policies first including the Employment Stability Policy.</p> <p><b>Responsible Officer:</b> Chief Officer - Corporate Support</p> <p><b>Recommendation Implementation Date:</b> July 2016</p>	<p>These are in progress and will be taken to the staff consultative group for comment over the coming months.</p> <p>Chief Officer - Corporate Support - 6/9/16</p>	<p>As above.</p>
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**Audit: Section 106 Affordable Housing 2015/16**

Recommendation	Priority/ ranking	Original response	Latest position + (source)
<p>1. The Anti -Fraud and Corruption Strategy should be relaunched to focus staff attention on the strategy. For example, managers should be made fully aware of their duty to prevent fraud.</p>	<p>Medium</p>	<p><b>Agreed Action:</b> Agreed</p> <p><b>Responsible Officer:</b> Audit, Risk and Anti - Fraud Manager</p> <p><b>Recommendation Implementation:</b> 30<sup>th</sup> September 2016</p>	<p>Due to the long term absence of the Audit Risk and Anti-Fraud Manager the Anti-Fraud and Corruption Strategy is being reviewed by the Principal Auditor. Internal Audit intend to present an updated strategy to the Audit Committee in April 2017.</p> <p>Principal Auditor - 8/12/16</p>

Agenda Item 8

Audit: Transparency Code 2016/17

Recommendation	Priority/ ranking	Original response	Latest position + (source)
<p>2.1) Senior Salaries information published on the website should be consistent with the requirements of the Transparency Code.</p> <p>2.2) Benefits in kind should be fully disclosed.</p> <p>2.3) Information gathered should be obtained from the relevant department and not acquired from individual officers.</p>	<p>Medium</p>	<p><b>Agreed Action:</b></p> <p>2.1) Information is agreed with the relevant departments before it is published.</p> <p>2.2) Agreed. Benefits in kind should include a wider range of benefits. The information provided will be reviewed and compared with the format used by Leeds City Council.</p> <p>2.3) Agreed. Information is obtained from the relevant department. For example, budget details are obtained from the Finance Team to ensure consistency and accuracy.</p>	<p>A table has been published on the Council’s website which seeks to address the requirements of the transparency code in relation to senior salaries and organisational chart information. All data has been provided by the payroll and finance teams, and this can be seen at <a href="http://www.sevenoaks.gov.uk/_data/assets/pdf_file/0016/200734/Senior-Staff-Salaries-and-Structure-2016-17.pdf">http://www.sevenoaks.gov.uk/_data/assets/pdf_file/0016/200734/Senior-Staff-Salaries-and-Structure-2016-17.pdf</a></p> <p>However, bonus and benefits in kind are yet to be included and will be added in due course.</p> <p>Head of Transformation &amp; Strategy - 30/11/16</p> <p><b>Internal Audit Comment</b> In view of latest management update, Internal Audit will continue to liaise with the Head of Direct Services and advise the Committee further at the meeting in April 2017.</p>

Agenda Item 8

		<p><b>Responsible Officer:</b> Head of Transformation &amp; Strategy</p> <p><b>Recommendation Implementation Date:</b> 30/7/16</p>	
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## MEMBER TRAINING

### Audit Committee - 10 January 2017

Report of Chief Finance Officer

Status: For Consideration

Key Decision: No

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Portfolio Holder Cllr. Scholey

Contact Officer Adrian Rowbotham Ext. 7153

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**Recommendation to Audit Committee:** Members inform officers of details of the training they require.

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#### Introduction and Background

- 1 The Committee requested that officers bring specific proposals for Member Audit Committee training to allow further discussion of training requirements.
- 2 The Audit Committee Chairman and Chief Finance Officer have looked at the options available and concluded that CIPFA provide the most suitable training. CIPFA's training brochure is included at Appendix A.

#### Training Proposals and Options

- 3 Members are asked to give their views on the following training proposals and options:
- 4 It is proposed that a 3 hour training course is arranged consisting of 4 x 40 minute topics with a 10 minute introduction and 10 minute conclusion.
- 5 Dartford Borough Council have been approached to see if their Audit Board Members would be interested in attending the training. By having Members from two local authorities at the training, there is likely to be greater discussion and challenge.
- 6 The possible topics available from CIPFA are as follows:
  - Case study using a standard internal audit report.
  - Roles and responsibilities.
  - Public Sector Internal Audit Standards (PSIAS).

## Agenda Item 9

- Risk management.
  - Corporate governance.
  - Approving the annual accounts.
  - Fraud and corruption.
  - Value for money.
  - Assurance gathering.
  - How effective is the Audit Committee?
- 7 Would Members prefer the training to take place during this municipal year or at the start of the next?
- 8 Would Members prefer the training to take place in the morning, afternoon or evening?
- 9 Where would Members prefer the training to be held, noting that there may also be Dartford Borough Council Members present?

### **Key Implications**

#### Financial

The cost of the training is estimated to be £950 plus expenses. If the training session is shared with Dartford Borough Council, costs will be shared accordingly. This training will be funded from the Member Training budget.

#### Legal Implications and Risk Assessment Statement.

There are no legal implications.

#### Equality Assessment

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

#### **Appendices**

Appendix A - CIPFA Training Brochure:  
Developing your Audit Committee

#### **Background Papers:**

None

**Adrian Rowbotham**  
Chief Finance Officer

**CIPFA Better Governance Forum and CIPFA Training**

# Developing your audit committee

**Training and resources to support audit committees in the  
public services**

**Spring 2016**

## Introducing CIPFA's Support for Audit Committees

The audit committee in a public service organisation is an important component of good governance and strong public financial management. Promoting these principles within the public services is at the core of CIPFA and why we are keen to spread good practice.

We have years of experience in supporting audit committees and we understand the pressures and challenges audit committee members face. We know the pace of change in the public services presents new pressures and keeping up to date is difficult, even for finance and governance professionals. It is however vital that audit committees work effectively, making best use of their limited resources to support governance, audit and financial management within their organisations. They provide an important assurance mechanism that the organisation is doing its best to manage its risks and make best use of its resources.

This brochure outlines the range of training, resources and support that is available. Dates for open training and workshops will be advertised on the CIPFA website. For in-house training or facilitation please contact one of our team.

We look forward to working with you and your audit committee.

Diana Melville  
Governance Advisor  
CIPFA Better Governance Forum

## Contact Details

### **Dates of Events:**

For training and workshops visit the events pages of our website. You can see detailed programmes and book online.

[www.cipfa.org/training/open-courses](http://www.cipfa.org/training/open-courses)

### **In-house training:**

To discuss your requirements please contact [inhousetraining@cipfa.org](mailto:inhousetraining@cipfa.org) or 0207 543 5702

### **CIPFA Better Governance Forum:**

Visit our homepage [www.cipfa.org/Services/Networks/Better-Governance-Forum](http://www.cipfa.org/Services/Networks/Better-Governance-Forum) or contact Diana Melville, [diana.melville@cipfa.org](mailto:diana.melville@cipfa.org) or 01722 349398

### **CIPFA publications:**

Details of audit committee publications can be found on the CIPFA website:  
[www.cipfa.org/policy-and-guidance/publications](http://www.cipfa.org/policy-and-guidance/publications)



## Open Training and Workshops

CIPFA runs the following as open events so you can book places as you need them. Having a mix of organisations on the event provides a range of perspectives and a chance for audit committee members to network with others.

### **Introduction to the audit committee**

This training course is aimed at audit committee members who are relatively new to the role. The trainer will guide delegates through the essentials, helping them to make a valuable contribution to their committee from the start.

Key features:

- The purpose of an audit committee and its accountabilities
- Key roles and responsibilities – including reference to the CIPFA position statement
- Effective chairing and support for the committee
- Working with internal and external auditors, including understanding audit reports
- Questioning, challenging and supporting officers and auditors
- An outline of good governance in the public services

### **Developing the knowledge and skills of the audit committee**

This training course will provide more in depth knowledge of the core areas of an audit committee's functions. It will give the audit committee member new insights and develop their skills.

- A topical update of recent developments impacting on audit committee agendas
- Public sector internal audit standards (audit committee role)
- Strategic risk management
- Planning assurance
- Developing skills, especially soft skills and working better together
- Evaluating effectiveness and identifying improvements to make

### **Improving your audit committee**

These workshops are aimed at officers and chairs or experienced members of audit committees who want to assess the effectiveness of the committee. These more focused workshops will involve participation in an evaluation prior to the event and lots of discussion and debate. Due to the highly participative nature of these events delegate numbers will be restricted.

- Assessing strengths and weaknesses
- Diagnosing the problem
- Ideas for solutions or work arounds
- Getting the right focus/ balance
- Assessing knowledge and skills of committee members

### **Development day for local authority audit committees**

These events will provide audit committee members with updates on major governance developments that will impact on the work of the audit committee member. The topics are likely to include:

- Topical update, an overview of recent developments

- The new *Good Governance Framework* for local authorities
- Audit committees in collaborative arrangements, including combined authorities
- Procuring external audit, auditor panels and the audit committee. A look at the requirements of the Local Audit and Accountability Act 2014 and the implications for the audit committee.
- Analysing your effectiveness and identifying ways to develop

**Development day for police audit committees**

These workshops are delivered jointly by the Police Network and the CIPFA Better Governance Forum. They will build on the events held annually since 2013 to provide updates and guidance to members on Police audit committees. The topics are likely to include:

- Police technical update
- Proposed changes to the *Good Governance Framework* for police
- Topical update, an overview of recent governance developments
- Procuring external audit, auditor panels and the audit committee. A look at the requirements of the Local Audit and Accountability Act 2014 and the implications for the audit committee.
- Analysing your effectiveness

**Please note subscribers to the Better Governance Forum can use their pre-paid places on any of the open training or workshops listed in this brochure.**

## In-house Training

Any of the open events can be delivered in-house for your audit committee. This can be cost-effective and convenient if you wish the whole committee to receive training.

Although the open training and workshops provide a handy package of topics it is also possible to mix and match topics so you get exactly what you need. We can also customise the training to your organisation. For example when we cover risk management we can use your own risk management policy and risk registers.

<p><b>Role and purpose of the audit committee:</b> Key roles and responsibilities Reviewing the terms of reference and focus of the committee Accountability</p> <p><b>Core functions:</b> Working with internal and external auditors Public sector internal audit standards Good governance Assurance arrangements Partnership assurance Strategic risk management Analysing your risk appetite Value for money Counter fraud Reviewing the financial statements Treasury management</p>	<p><b>Skills development:</b> Effective chairing and support for the committee Reviewing audit reports Soft skills</p> <p><b>Topical updates</b></p> <p><b>Evaluating effectiveness</b> Using CIPFA’s audit committee guidance and other tools to challenge audit committees to improve</p>
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## Reviewing the financial statements

Reviewing the financial statements and recommending their approval is an important but daunting task for the audit committee. We can provide a range of support for audit committees, including the following:

- Purpose of the financial statements
- Role of the audit committee
- Key features of the principal statements
- Types of questions to ask
- Guide to financial policies.

If required these sessions can make use of the organisation's draft financial statements to help the committee navigate their way round the accounts. We have successfully delivered support immediately before the meeting at which accounts are reviewed to help identify questions to ask.

## In-house Facilitation and Support

As well as training we can also offer an evaluation and facilitation service. For example we can review your audit committee papers and observe the audit committee in action. We can then feedback our observations on what is working well and what can be improved. We can conduct or guide an assessment of your effectiveness.

## Analysing Audit Committee Effectiveness

CIPFA encourages audit committees to undertake a self-evaluation. Materials in the publication or on our training courses will support this. CIPFA is also working on further tools to support the development of the committee and these will be published later in the year.

## Other Training and Development Opportunities from CIPFA

We can deliver many of our training events on an on-site basis. For more details visit: our on-site training page [www.cipfa.org/training/in-house](http://www.cipfa.org/training/in-house)

There are a range of public courses and conferences that may be of wider interest to audit committee members from board governance training to conferences and seminars. Full details can be found on the website [www.cipfa.org/training](http://www.cipfa.org/training)

## Guidance for Audit Committees

For local authority and police audit committees CIPFA has published detailed guidance on good practice for audit committees. The publication *Audit Committees, Practical Guidance for Local Authorities and Police* was published in 2013 and provides both guidance and resources to support the establishment, development and improvement of audit committees and their members. In particular, it contains a number of evaluation tools to help audit committee members challenge themselves to improve.

## Keeping Audit Committee Members Up To Date

Organisations belonging to the CIPFA Better Governance Forum have access to the regular briefings, *Audit Committee Update*. New issues are published three times a year and provide insight into new developments or areas of good practice. Each issue also includes a summary of new guidance, legislation, consultations and reports that may be of interest to the audit committee member. Audit committee members can also access other resources on the Better Governance Forum website.

The Better Governance Forum has also published a guide to producing an audit committee annual report and webinars for the use of audit committee members.

To see the latest resources, visit the [Better Governance Forum website](#) or contact Diana Melville.

## Our Team of Audit Committee Experts

**Diana Melville** is the Governance Advisor of the CIPFA Better Governance Forum and the author of the publication *Audit Committees, Practical Guidance for Local Authorities and Police*. She coordinates the *Audit Committee Update* briefings and has delivered training for both open events and in-house. She is a CIPFA qualified accountant who was a head of internal audit at a local authority before joining CIPFA in 2008.

**Elizabeth Humphrey** is a CIPFA senior associate and has been providing training and support to audit committees since 2007, both in open events and in-house. She is a CIPFA qualified accountant and was head of internal audit at a London borough and at the Rugby Football Union.

**Peter Worth** is a former Technical Manager with the Audit Commission and has a wealth of experience of reviewing the accounts of local authorities. He is a CIPFA qualified accountant and works with CIPFA as an associate on a range of financial management projects and events.



CIPFA  
77 Mansell Street  
London  
E1 8AN  
Diana.Melville@cipfa.org  
cipfa.org



Certificate No.

**Audit Committee 2016/17 - Work Plan (as at 7/12/16)**

	10 January 2017	18 April 2017	13 June 2017	26 September 2017
<b>Internal Audit</b> (Irregularities to be reported confidentially as & when necessary)	Internal Audit 2016/17 - 2 <sup>nd</sup> Progress Report Report on Internal Audit recommendations outstanding	Internal Audit 2016/17 - 3 <sup>rd</sup> Progress Report Report on Internal Audit recommendations outstanding  Internal Audit Plan 2017/18	Internal Review of Effectiveness of Internal Audit Internal Audit Annual Report	Internal Audit 2016/17 - 1 <sup>st</sup> Progress Report Report on Internal Audit recommendations outstanding
<b>Risk Management</b>				Risk Management Report Draft Strategic Risk Register
<b>Accounts and External Audit</b>	External Audit - Annual Audit Letter		External Audit - Annual Audit Plan and Update Statement of Accounts 2016/17 - Establishment of Member Working Group	Statement of Accounts 2015/16

	10 January 2017	18 April 2017	13 June 2017	26 September 2017
<b>Other</b>	Member Training	Review of the Effectiveness of the Audit Committee Annual Report to Council	Counter-Fraud & Compliance Report 2016/17	Members' Allowance Scheme Monitoring