

17 April 2018 at 7.00 pm

Conference Room, Argyle Road, Sevenoaks
Despatched: 09.04.18



Audit Committee

Membership:

Chairman, Cllr. Grint; Vice-Chairman, Cllr. Reay
Cllrs. Ball, Clack, Halford, Layland, McArthur, Purves and Searles

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 9 January 2018, 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)		
4. Responses of the Council, Cabinet or Council Committees to the Committee's reports or recommendations (if any)		
5. External Audit - Annual Audit Plan	(Pages 5 - 22)	Adrian Rowbotham Tel: 01732 227153
6. Internal Audit 2017/18 3rd Progress report	(Pages 23 - 36)	Lisa Nyon Tel: 01322 343434
7. Report on Internal Audit Recommendations Outstanding	(Pages 37 - 38)	Lisa Nyon Tel: 01322 343434
8. Annual Governance Statement 2017/18	(Pages 39 - 50)	Adrian Rowbotham Tel: 01732 227153

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|-----|--|-----------------|--------------------------------|
| 9. | Statement of Accounts 2017/18 - setting up a Member Working Group | (Pages 51 - 52) | |
| 10. | Internal Audit Plan 2018/19 | (Pages 53 - 72) | Lisa Nyon
Tel: 01322 343434 |
| 11. | Annual Report to Council | (Pages 73 - 76) | Councillor John Grint |
| 12. | Work Plan | (Pages 77 - 78) | |

EXEMPT INFORMATION

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

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

Should you need this agenda or any of the reports in a different format, or have any other queries concerning this agenda or the meeting please contact Democratic Services on 01732 227000 or democratic.services@sevenoaks.gov.uk.

AUDIT COMMITTEE

Minutes of the meeting held on 9 January 2018 commencing at 7.00 pm

Present: Cllr. Grint (Chairman)

Cllr. Reay (Vice Chairman)

Cllrs. Clack, Layland, McArthur, Purves, Reay and Searles

An apology for absence was received from Cllr. Ball

Cllr. Scholey was also present.

WELCOME

The Chairman welcomed Alan Mitchell the new Head of Finance.

27. Minutes

Resolved: That the minutes of the meeting of the Audit Committee held on 26 September 2017 be agreed and signed as a correct record.

28. Declarations of Interest

No additional declarations of interest were made.

29. Actions from Previous Meeting

There were none.

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

There were none.

31. External Audit - Annual Audit Letter 2016/17

The Chairman welcomed Sarah Ironmonger and Sebastian Evans from Grant Thornton. Members' noted that Geoffrey Banister had retired and Sebastian Evans was the new Audit Manager, and that Grant Thornton had been reappointed as the Councils external auditors for the next 5 years.

Sarah Ironmonger summarised the key issues of the 2016/17 audit, and advised that the full report would be made available online. The Audit process had run smoothly and the major challenge for the following year would be the new timetable.

Agenda Item 1

Audit Committee - 9 January 2018

Resolved: That the report be noted.

32. External Audit - Housing Benefit Subsidy 2016/17

Members considered a report which contained the outcome of the 2015/16 audit. The external auditors were required to audit the Housing Benefit Subsidy each year. The audit fee for grant claims in 2016/17 was £13,845, which was less than previous years.

Sebastian Evans reported that no fresh errors had been identified in the 2016/17 return and the number continued to be small. In response to questions Members were advised that if errors were found a second sample would be tested. There were no new errors, and the errors were not huge amounts.

The Chief Finance Officer reminded Members that the Department for Work and Pensions (DWP) stipulated high standards of accuracy resulting in any claims being incorrect by as little as 1p were classified as errors and additional testing was then required on a larger sample.

Sarah Ironmonger advised that it was a complex process and the errors could be simple human error. If the audit fee were increasing then Members may wish to further assess procedures, however the audit fee was lower than previous years. Across the country with the challenges local authorities were facing more of these errors were being identified and it was rare not to find any errors. The Chief Finance Officer reported that there was an in-house quality team which investigated any areas of concern.

Resolved: That the report be noted.

33. Internal Audit 2017/18 - Second Progress Report

The Acting Audit, Risk and Anti Fraud Manager presented the report which set out the progress made by the Internal Audit Team in delivering the Council's assurance requirements for 2017/18 and provided a summary of final reports issued since the meeting of the Audit Committee in September 2017. For the benefit of Members she went through each report answering any questions.

In response to a question the Chief Finance Officer advised that a report on the external review of internal audit would be submitted to the next meeting of the Committee.

Resolved: That

- a) the contents of the report and the progress made by the Internal Audit Team in delivering the 2017/18 Annual Internal Audit Plan, be noted; and
- b) the amendments to the internal Audit Plan 2017/18, be approved.

34. Report on Internal Audit Recommendations Outstanding

The Acting Audit, Risk and Anti Fraud Manager presented a report on recommendations outstanding which enabled Members to review the timeliness of implementation of Internal Audit recommendations. It was noted that there were no recommendations, with a risk ranking of medium or high, that had not been implemented by the agreed completion date.

Members were very pleased with the progress made and the work of the Audit team.

Resolved: That

- a) it be noted that there were no recommendations, with medium or high ranking risks, where implementation had been delayed; and
- b) the work and progress made by the internal Audit team be commended.

35. Workplan

The work plan was noted with the following additions made to the April meeting: an update report on the external review of the internal audit; if the concept of the Council's own affordable housing company was progressed, a report looking at the risks as previously carried out for the Property Investment Strategy; and, the 'External Audit Annual Audit Plan and update' moved forward from the summer meeting so as to be in line with the new timetable.

THE MEETING WAS CONCLUDED AT 7.50 PM

CHAIRMAN

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EXTERNAL AUDIT - ANNUAL AUDIT PLAN

Audit Committee - 17 April 2018

Report of Chief Finance Officer

Status For Information

Key Decision No

Portfolio Holder Cllr. John Scholey

Contact Officer(s) Adrian Rowbotham, Ext. 7153

Recommendation to Audit Committee: That the report be noted.

Introduction and Background

- 1 Sarah Ironmonger (Engagement Lead) and Sebastian Evans (Manager) from Grant Thornton would like to present the External Audit Plan for the year ending 31 March 2018.

Key Implications

Financial

None directly arising from this report.

Legal Implications and Risk Assessment Statement.

None directly arising from this report.

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 - Grant Thornton External Audit Plan
- Year ending 31 March 2018

Background Papers None

Adrian Rowbotham
Chief Finance Officer

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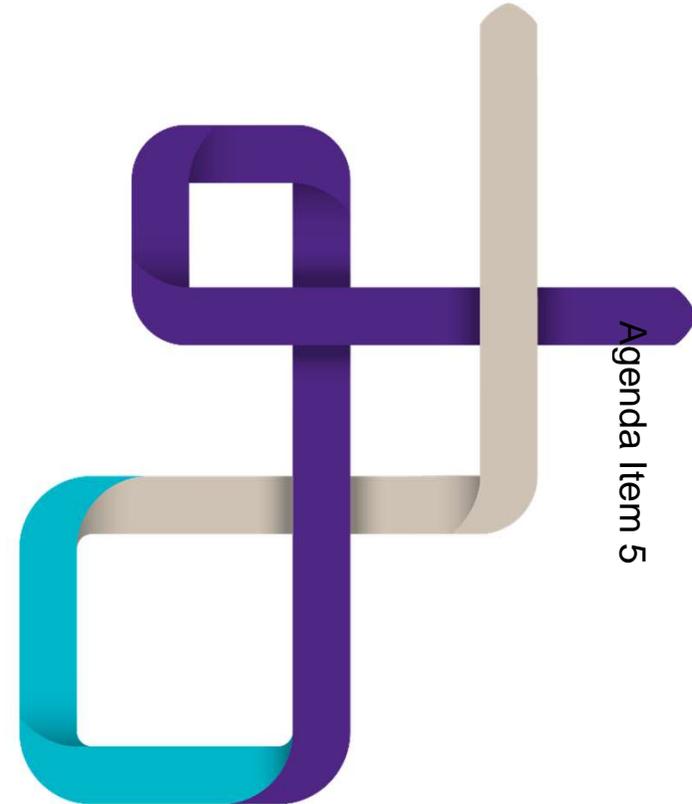


External Audit Plan

Year ending 31 March 2018

Sevenoaks District Council
13/03/2018

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Your key Grant Thornton team members are:

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Section

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2. Deep business understanding
3. Significant risks identified
4. Reasonably possible risks identified
5. Other matters
6. Materiality
7. Value for Money arrangements
8. Audit logistics, team & audit fees
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Sevenoaks District Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Sevenoaks District Council. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- financial statements (including the Annual Governance Statement) that have been prepared by management with the oversight of those charged with governance (the Audit Committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

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

Significant risks

Those risks requiring specific audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- The revenue cycle includes fraudulent transactions
- Management override of controls
- Valuation of property, plant and equipment
- Valuation of pension fund net liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £1.062 million (PY £1.043 million), which equates to 2% of your gross expenditure for the year 2016/17. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.053 million (PY £0.052 million).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified no VFM significant risks.

Audit logistics

Our interim visit will take place in February and April and our final visit will take place in June and July. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our fee for the audit will be no less than £43,156 (PY: £43,156) for the Council.

Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements

Deep business understanding

Changes to service delivery	Changes to financial reporting requirements	Key challenges
<p>Commercialisation</p> <p>The scale of investment activity, primarily in commercial property, has increased as local authorities seek to maximise income generation. These investments are often discharged through a company, partnership or other investment vehicle. Local authorities need to ensure that their commercial activities are presented appropriately, in compliance with the CIPFA Code of Practice and statutory framework, such as the Capital Finance Regulations. Where borrowing to finance these activities, local authorities need to comply with CIPFA's Prudential Code. A new version was published in December 2017.</p>	<p>Devolution</p> <p>The Cities and Local Government Devolution Act 2016 provides the legal framework for the implementation of devolution deals with combined authorities and other areas. While the development of devolved arrangements is still at its embryonic stages in Kent and surrounding counties, the potential changes to service delivery present challenges and opportunities.</p> <p>Accounts and Audit Regulations 2015 (the Regulations)</p> <p>The Department of Communities and Local Government (DCLG) is currently undertaking a review of the Regulations, which may be subject to change. The date for any proposed changes has yet to be confirmed, so it is not yet clear or whether they will apply to the 2017/18 financial statements.</p> <p>Under the 2015 Regulations local authorities are required to publish their accounts along with the auditors opinion by 31 July 2018.</p>	<p>Changes to the CIPFA 2017/18 Accounting Code</p> <p>CIPFA have introduced other minor changes to the 2017/18 Code which confirm the going concern basis for local authorities, and updates for Leases, Service Concession arrangements and financial instruments.</p> <p>Financial pressures</p> <p>There is likely to be a further reduction in funding from central government and a knock-on impact from cuts to Kent County Council's budget which in turn will affect Sevenoaks District Council.</p> <p>The Council's Ten Year Budget assumes no government support in respect of Revenue Support Grant and New Home Bonus. At the time of writing your 2017/18 balanced budget includes a contribution of £2.484 million from the Stabilisation Reserve. In setting your provisional budgets to 2027/28 you estimate using a total of a further £2.310 million from the Stabilisation Reserve.</p> <p>Impacts of Grenfell Tower fire</p> <p>The Grenfell Tower fire disaster in 2017 has led to the identification of approximately 150 high rise buildings in local authority ownership that have failed fire safety tests. Local authorities are expected to make these buildings fire safe. DCLG are reviewing the current restrictions on the use of the financial resources that prevent local authorities from making essential fire safety upgrades.</p>

Our response

- We will consider your arrangements for managing and reporting your financial resources[, including your progress on devolution and/or use of investment vehicles] as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to uncertainty about the going concern assumption and will review any related disclosures in the financial statements.
- We will keep you informed of changes to the Regulations and any associated changes to financial reporting or public inspection requirements for 2017/18 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2017/18 CIPFA Code and the impact of impairment assessments and the adequacy of provisions in relation to essential work on high rise buildings.
- We will follow up on recommendations made as part of our audit of the financial statements.

Significant risks identified

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration because they have a higher risk of material misstatement. Such risks often relate to significant non-routine transactions and judgmental matters. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	<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>Therefore we do not consider this to be a significant risk for Sevenoaks District Council.</p>
Management over-ride of controls	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. Management over-ride of controls is a risk requiring special audit consideration.	<p>We will:</p> <ul style="list-style-type: none"> • gain an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness • obtain a full listing of journal entries, identify and test unusual journal entries for appropriateness • evaluate the rationale for any changes in accounting policies or significant unusual transactions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of property, plant and equipment	<p>The Council revalues its land and buildings on a quinquennial basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> Review management's processes and controls for the valuation of Property, Plant and Equipment Review management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work Consider the competence, expertise and objectivity of any management experts used. Discuss with the valuer about the basis on which the valuation is carried out and challenge of the key assumptions. Review and challenge the information used by the valuer to ensure it is robust and consistent with our understanding. Test a sample of revaluations made during the year to ensure they are input correctly into the Council's asset register Evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.
Valuation of pension fund net liability	<p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> Identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement Evaluate the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out Undertake procedures to confirm the reasonableness of the actuarial assumptions made. Check the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary

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Reasonably possible risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Employee remuneration</p>	<p>Payroll expenditure represents a significant percentage (23%) of the Council's operating expenses.</p> <p>As the payroll expenditure comes from a number of individual transactions and an interface with a number of different sub-systems there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention</p>	<p>We will</p> <ul style="list-style-type: none"> • evaluate the Council's accounting policy for recognition of payroll expenditure for appropriateness; • gain an understanding of the Council's system for accounting for payroll expenditure and evaluate the design of the associated controls; • perform substantive analytical procedures to identify any unusual fluctuations in remuneration expenditure and substantiate reasons for these
<p>Operating expenses</p>	<p>Non-pay expenses on other goods and services also represents a significant percentage (77%) of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of non- pay expenses as a risk requiring particular audit attention:</p>	<p>We will</p> <ul style="list-style-type: none"> • evaluate the Council's accounting policy for recognition of non-pay expenditure for appropriateness; • gain an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls; • consider the completeness of liabilities through a review of post year-end bank statements and other external sources

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued and consistent with our knowledge of the Council.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under the Act and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2017/18 financial statements, consider and decide upon any objections received in relation to the 2017/18 financial statements;
 - issue of a report in the public interest; and
 - making a written recommendation to the Council, copied to the Secretary of State.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

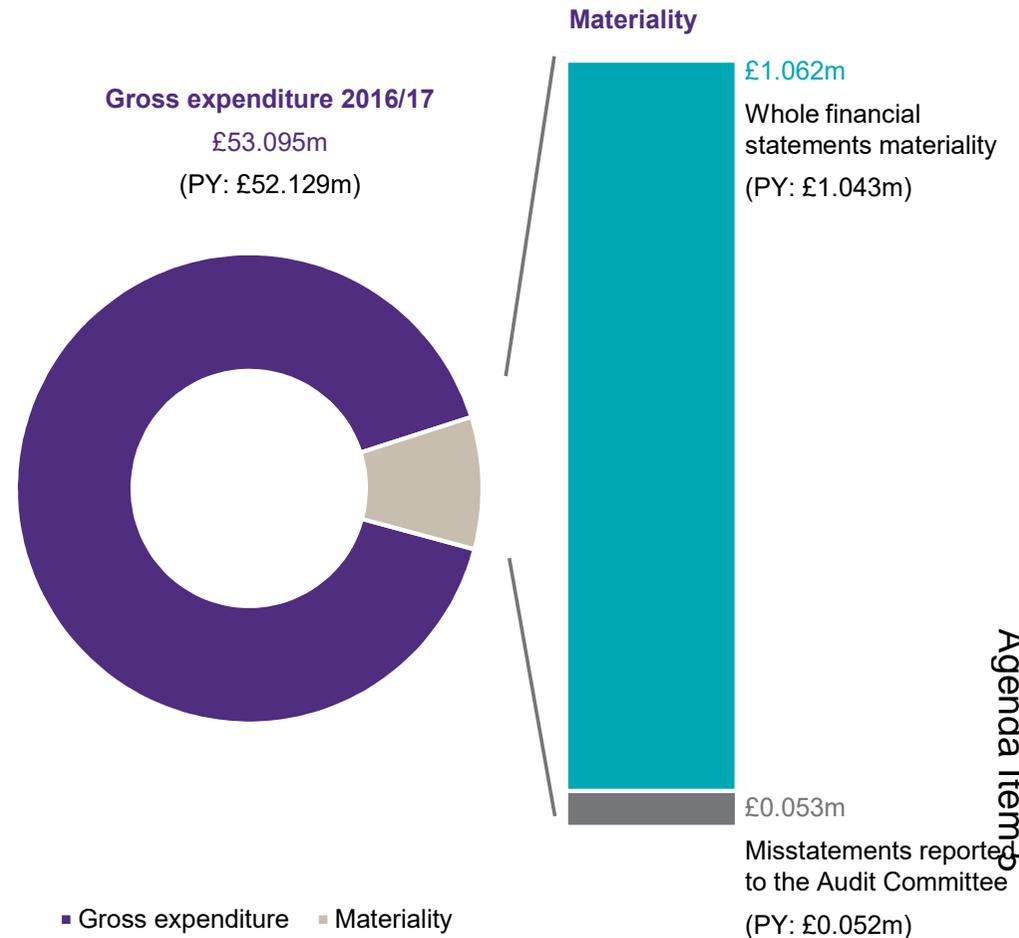
We propose to calculate financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. We have determined planning materiality (the financial statements materiality determined at the planning stage of the audit) to be £1.062 million (PY £1.043 million), which equates to 2.00% of your gross expenditure for the year 2016/17. We design our procedures to detect errors in specific accounts at a lower level of precision.

We can consider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality

Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.053 million (PY £0.052 million).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.



Value for Money arrangements

Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

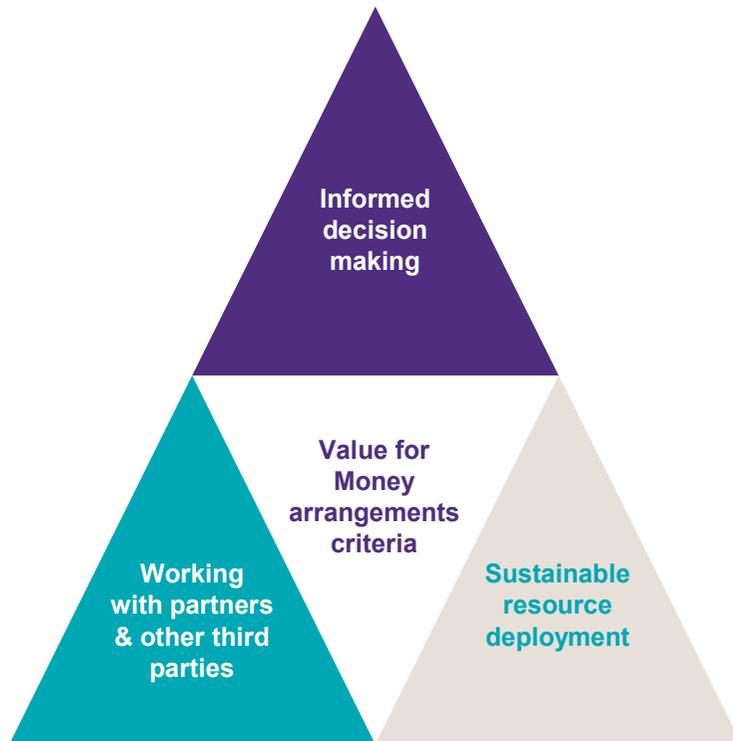
The guidance identifies one single criterion for auditors to evaluate:

“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.”

This is supported by three sub-criteria, as set out below:

Significant VFM risks

We have not identified any significant risks from our initial risk assessment. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's report.



Audit logistics, team & audit fees



Sarah Ironmonger, Engagement Lead

Responsible for overall client relationship, quality control, provision of accounts opinions, meeting with key internal stakeholders, final authorisation of reports. Attendance at Audit Committees (supported by Manager as required).

Sebastian Evans, Audit Manager

Responsible for overall audit management over the course of the year, support and review of work performed by Audit Incharge and junior team members. Attendance at Audit Committees (alongside Engagement Lead as required).

Tosin Orekoya, Audit Incharge

Responsible for leading the on-site fieldwork. First point of contact for the co-ordination of fieldwork and supervision of junior team members.

Audit fees

The planned audit fees are no less than £43,156 (PY: £43,156) for the financial statements audit and £13,845 for the grants certification. Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

In setting your fee, we have assumed that the scope of the audit, and the Council and its activities, do not significantly change.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Early close

Meeting the early close timeframe

Bringing forward the statutory date for publication of audited local government accounts to 31 July this year, across the whole sector, is a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts is curtailed, while, as auditors we have a shorter period to complete our work and face an even more significant peak in our workload than previously.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

Client responsibilities

Achieving the earlier deadline requires a joint effort from audit and finance teams. Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans (as detailed on page 11) Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

Our requirements

As we have previously agreed with you, our expectations of your finance team is you will

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

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 Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Non-audit services

No non-audit services were identified

Appendices

A. Revised ISAs

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Appendix A: Revised ISAs

Detailed below is a summary of the key changes impacting the auditor’s report for audits of financial statement for periods commencing on or after 17 June 2016.

Section of the auditor's report	Description of the requirements
Conclusions relating to going concern	<p>We will be required to conclude and report whether:</p> <ul style="list-style-type: none"> • The directors use of the going concern basis of accounting is appropriate • The directors have disclosed identified material uncertainties that may cast significant doubt about the Council's ability to continue as a going concern.
Material uncertainty related to going concern	<p>We will need to include a brief description of the events or conditions identified that may cast significant doubt on the Council's ability to continue as a going concern when a material uncertainty has been identified and adequately disclosed in the financial statements.</p> <p>Going concern material uncertainties are no longer reported in an Emphasis of Matter section in our audit report.</p>
Other information	<p>We will be required to include a section on other information which includes:</p> <ul style="list-style-type: none"> • Responsibilities of management and auditors regarding other information • A statement that the opinion on the financial statements does not cover the other information unless required by law or regulation • Reporting inconsistencies or misstatements where identified
Additional responsibilities for directors and the auditor	<p>We will be required to include the respective responsibilities for directors and us, as auditors, regarding going concern.</p>
Format of the report	<p>The opinion section appears first followed by the basis of opinion section.</p>

Appendix A



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INTERNAL AUDIT 2017/18 - THIRD PROGRESS REPORT

Audit Committee - 17 April 2018

Report of Chief Finance Officer

Status: For Consideration

Key Decision: No

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

Portfolio Holder Cllr. Scholey

Contact Officer(s) Lisa Nyon Ext. 3004

Recommendation to Audit Committee:

- a) That Members note the contents of the report and the progress made by the Internal Audit Team in delivering the 2017/18 Annual Internal Audit Plan.

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 2017/18 and outcomes of final Internal Audit reports issued since the meeting of the committee in January 2018.
- 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 her duty and responsibilities, the Acting 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 2017/18 is attached as Appendix A to this report, which sets out details of the reviews agreed by the Audit Committee in April 2017. Members may note

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that sixteen reviews have been finalised, four are at draft report stage and the remaining two reviews are at feedback stage.

- 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.

Internal Audit Resources

- 6 There has been no change in the resourcing of the Internal Audit Team since the last committee meeting. The Audit, Risk and Anti-Fraud Manager post remains vacant and as a result, the Principal Auditor has stepped up into the role of Acting Audit Manager as well as fulfilling her duties as Principal Auditor. There remains an auditor vacancy within the team due to a resignation last year, however this, is being filled by a member of staff on a temporary contract which is due to come to an end in April 2018.

Key Implications

Financial

None.

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.

Conclusion

This report sets out progress of the Internal Audit Team in delivering the Council's assurance requirements for 2017/18 and provides a summary of final reports issued since the meeting of the Audit Committee in January 2018.

Appendices Appendix A - Progress Against 2017/18 Plan
Appendix B - Summary of Final Reports Issued
Appendix C - Audit Opinions - Definitions 2016/17 onwards

Background Papers: [Internal Audit Annual Plan for 2017/18](#)
New Public Sector Internal Audit Standards
<http://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards>
Accounts and Audit Regulations 2011
<http://www.legislation.gov.uk/uksi/2011/817/contents/made>

Adrian Rowbotham
Chief Finance Officer

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PROGRESS AGAINST 2017/18 INTERNAL AUDIT PLAN					Status at 28/3/18		
		Final report issued	Draft report issued	Feedback process in progress	Fieldwork in progress	Brief issued	Removed from 17/18 plan
1	Community Infrastructure Levy**						x
2	IT Acquisitions	x					
3	NDR (Business Rates)	x					
4	Licensing	x					
5	Key Financial Systems		x				
6	Housing Benefit & Council Tax Reduction	x					
7	Property Investment Strategy	x					
8	Discretionary Housing Payments	x					
9	Insurances	x					
10	HERO Project	x					
11	Private Sector Letting Scheme **						x
12	Homelessness Prevention**						x
13	Safeguarding	x					
14	Disabled Facilities Grants	x					
15	Vehicle Procurement (Dunbrik)		x				
16	Health & Safety			x			
17	Environmental Health	x					
18	Project - Environmental Health		x				
19	Members Expenses	x					
20	Payroll	x					
21	Operational Changes (Planning)**						x
22	Print Studio		x				
23	Quercus7			x			
24	Channel Shift (Phase 1)**						x
25	Physical Data Security*	x					
26	Tree Preservation Orders*	x					
27	Financial Systems at SDC*	x					
	Total	16	4	2	0	0	5
	COMPARATIVE POSITION April 2017	16	1	0	3	1	8

*Reviews additional to the 2017/18 Internal Audit Plan.

** Deferred to 2018/19 plan at the request of Management and with agreement of the Audit Chair

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Review of Property Investment Strategy 2017/18

Issued 11 January 2018

Opinion: Full Assurance.

Previous Review: No previous review

The purpose of this review is to provide assurance regarding the effectiveness of the governance and financial aspects of the Sevenoaks District Council Property Investment Strategy and attainment so far of set objectives and to ensure that these arrangements are 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 relevant legislation, policies or good practice.
2. Risk that the property investment strategy may not have effective governance arrangements in place.
3. Risk that the strategy may not have effective funding
4. Risk that monitoring and report the activity may not be effectively recorded
5. Risk that opportunities to achieve or demonstrate efficiency or value for money may not be maximised, for example an investment opportunity may not deliver the expected return.
6. Risk that fraud and corruption may be undetected, for example, an investment proposal is not properly authorised.
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 met in all of the aspects examined.

The opinion of the auditor was that there is **Full Assurance** in place to ensure achievement of service objectives pertaining to the audited system. This means 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.

There were no audit recommendations arising from this report.

**Review of Environmental Health
Customer Satisfaction Questionnaire
Process 2017/18**

Issued 18 January 2018

Opinion: This report was for information and guidance purposes only - No opinion has been provided for this review

Previous Review: No previous review

The purpose of this audit review is to provide reasonable assurance to Senior Management that there are sound arrangements in place, for the collection and analysis of the Environmental Health Shared Service (EHSS) customer satisfaction questionnaire (CSQ) data, and that it is pragmatic and used to inform continuous service improvement.

Although there is no mandatory requirement for the EHSS to undertake CSQ, we appreciate the general purpose for doing them, mainly to inform continuous service improvement.

The areas for consideration included:-

1. The existing customer satisfaction process
2. How is the information used for service improvements
3. How is this reported to senior management/portfolio holder
4. What other options should be considered
5. Regular review of the process

This review provided advice on how the use of CSQ, may be used to improve and support EHSS delivery in the future. As a result, this review does not follow the usual internal audit reporting protocol as assurance ratings and a management action plan has been excluded from the report.

Senior management and portfolio holders do not receive regular information specifically on CSQ outcomes in a period. However, they are aware of the general performance of the EHSS via the monthly reporting against performance indicators.

The general perception of the EHSS delivery performance, by management has been that Environmental Health (EH) Officers have a high level of customer care skills. Staff are very knowledgeable and have kept up to date with the legislation/regulation framework in which they operate, and this is communicated to customers when dealing with service requests. EH officers and management have demonstrated their willingness to get to the bottom of root causes of issues raised by customers. Most communication with customers is direct, either with a face-to-face meeting or by telephone.

Review of Payroll 2017/18

Issued 6 March 2018

Opinion: Full Assurance.

Previous Review: Full Assurance

The purpose of this review is to provide assurance regarding the effectiveness of the accuracy, authenticity and completeness of the payroll system, in particular starters and leavers and to provide assurance regarding compliance with HMRC regulations.

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, such as the proper PAYE collection of tax and national insurance and other HRMC regulations.
2. Risk that the Council may not make payroll payments on a due and timely basis.
3. Risk that the payroll system may not correctly reconcile to the main accounting system resulting in potential misstatements in the accounts.
4. Risk that starters and leavers may not be correctly set up or removed.
5. Risk that opportunities to achieve or demonstrate efficiency or value for money may not be maximised, for example by greater use of on-line transactions and access.
6. Risk that fraud and corruption may be undetected, for example in regard to allowances claimed or “ghost employees” or other inaccurate, unauthorised or fraudulent payroll payments being made.
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 met in all of the aspects examined.

The opinion of the auditor was that there is **Full Assurance** in place to ensure achievement of service objectives pertaining to the audited system. This means 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.

There were no audit recommendations arising from this report.

Review of Members' Expenses 2017/18

Issued 13 March 2018

Opinion: Substantial Assurance.

Previous Review: No previous review

The purpose of this audit was review the processes for paying Members expenses to ensure authorisation, accuracy and completeness of claims for reimbursement.

To this effect, the following risks were examined:-

1. Risk that the Council may not comply with relevant legislation (Members allowances) (England) Regulations 2003), policies or good practice
2. Risk that the Council may not have an appropriate or documented and accessible process in place
3. Risk that expenses are not requested (by Members) in a timely manner
4. Risk inadequate documentation to evidence expenditure
5. Risk that reimbursement does not take place in a timely manner
6. Risk of inadequate authorisation of expenses
7. Risk that fraudulent expense claims could be made
8. Risk assessments may not be undertaken and risks not adequately managed

From the audit testing results we generally found that, arrangements are in place to allow the effective, efficient and robust evaluation and payment of Members expenses. There were two areas we felt could benefit from some improvement. These were to consider enhancements to the current claim form (advisory below), and verification and correction of the current IT allowance payable.

Whilst reviewing payroll records it became apparent that the annual IT allowance detailed in Appendix G differed by £5 from the amount currently being paid. Further testing was undertaken in this area, which established that all other allowances were being paid in accordance with Appendix G.

The following recommendation (medium) and one advisory have been agreed with Management to address the above.

- The Head of Finance should liaise with the Chief Finance Officer, Democratic Services and Payroll to ensure that all agreed allowances correlate with each other following amendments.

Advisory

- The expenses form should be reviewed to ensure that it is up to date and carrying the current SDC logo. Improvement of the form layout could also ensure that the process is as efficient and effective as possible.

Since audit testing there have already been some changes to the form with others expected to follow shortly.

Members will be advised of the progress in implementing this recommendation in due course.

DEFINITIONS OF AUDIT OPINIONS

OPINION	DEFINITIONS
Full Assurance (no High or Medium Risk Recommendations)	<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>
Substantial Assurance (no High Risk Recommendations)	<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>
Limited Assurance	<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>
No Assurance	<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 - 17 April 2018

Report of the: Chief Finance Officer

Status: For Consideration

Key Decision: No

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

Portfolio Holder Cllr. Scholey

Contact Officer Lisa Nyon Ext. 3004

Recommendations to Audit Committee: That Members:

- a) note that there are no recommendations, with medium or high ranking risks, where implementation has been delayed.

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 31 January 2018.
- 2 The report also normally informs the Committee where implementation dates have been revised, where agreed recommendations have not been implemented or are no longer intended, but there are none to report in this instance. This is due to improved relations between service managers and the Audit Team. It is to note that this is the second time this year that we are reporting that there are no high or medium ranking recommendations outstanding due for implementation to the Audit Committee.

Summary of Issues Raised Within the Report

- 3 There are no issues raised in this report.

Key Implications

Financial

This report has no financial implications.

Legal Implications and Risk Assessment Statement

ANNUAL GOVERNANCE STATEMENT 2017/18

Audit Committee - 17 April 2018

Report of Chief Finance Officer

Status For Consideration

Key Decision No

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

Portfolio Holder Cllr. John Scholey

Contact Officer(s) Adrian Rowbotham, Ext. 7153

Recommendation to Audit Committee:

It be resolved that the Annual Governance Statement 2017/18 be agreed for signature by the Leader of the Council.

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

Introduction and Background

- 1 Sevenoaks District Council is responsible for ensuring that its business is conducted in accordance with the law, proper standards, good governance and that public money is safeguarded and properly accounted for. In discharging this overall responsibility, the Council has to ensure that it has sound systems of internal controls and good governance arrangements in place to facilitate the exercise of its duties. Additionally, the Council is required to continuously review these arrangements and to ensure that the arrangements are considered annually by an appropriate body of the Council. This report sets out the governance arrangement and the system of internal control that operated during 2017/18 and up to the time of the review.

Ownership of the Annual Governance Statement (AGS)

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

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“The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body’s function and which includes arrangements for the management of risk”.

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

The Annual Governance Statement Process

- 4 In compiling the Annual Governance Statement a shared approach was adopted, involving Chief Officers, Heads of Service, relevant managers, the Acting Internal Audit Manager, Chief Executive (also as Head of Paid Service) and the Monitoring Officer, prior to consideration and endorsement by Strategic Management Team on 28 March 2018. Additionally, the AGS is required to be certified by the Leader of the Council and the Head of Paid Service after approval by the Audit Committee.

Outcome of the Process

- 5 The process confirms that the Council has sound systems of internal control and good governance arrangements in place. No significant governance issues have been raised through the AGS process.

Key Implications

Financial

None directly arising from this report.

Legal Implications and Risk Assessment Statement.

No additional legal implication beyond the Council’s duty to comply with the Accounts and Audit (England) Regulations concerning the AGS process.

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

Equality Assessment

The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act.

Conclusions

The Annual Governance Statement (AGS) was prepared in accordance with relevant professional guidance. It demonstrates that the Council had sound governance arrangements in place during the municipal year 2017/18 and in the period leading up to the preparation of the AGS and the Council's Accounts.

Appendices

Appendix A - Annual Governance Statement
2017/18

Background Papers

None

Adrian Rowbotham

Chief Finance Officer

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ANNUAL GOVERNANCE STATEMENT 2017/18

1. Background

1.1 Further to the Accounts and Audit (England) Regulations 2015, the Council is required to produce an Annual Governance Statement (to be published with its financial statements) which sets out its arrangements for delivering good governance within the framework of sound internal controls.

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

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

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

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

1.5 Although corporately owned, the AGS requires internal control assessments/assurance statements from individual Heads of Service and relevant managers, Chief Officers, the Internal Audit Manager, the Head of Paid Service,

the Monitoring Officer and the Section 151 Officer, all of which were obtained as part of this process.

2. Scope of Responsibility

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

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

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

2.4 Sevenoaks District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework Delivering Good Governance in Local Government. A copy of the code can be obtained from the Internal Audit Team, or via the Council's website. This statement explains how Sevenoaks District Council has implemented both the code and the requirements of the Accounts and Audit (England) Regulations 2015 in relation to the publication of an Annual Governance Statement. This was last adopted by the Audit Committee on 26 September 2017.

3. The Purpose of the Governance Framework

3.1 The governance framework comprises the systems and processes, culture and values, by which the Council informs, directs, manages and monitors its operations, and its activities through which it accounts to, engages with and

empowers the community. It enables the authority to evaluate the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

3.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. It also seeks to maximise available opportunities in achieving good value for money delivering its objectives and priorities.

3.3 The governance framework has been in place at Sevenoaks District Council for the year ended 31 March 2018 and up to the date of approval of the Statement of Accounts.

4. The Governance Framework

4.1 The following represent the key elements of the Council's governance framework:

- The Council's vision and promises for the period ending in March 2018 were set out in its Corporate Plan, which was revised and updated in November 2013. The Corporate Plan sets out the actions that the Council has committed to undertake to deliver on its promises with progress against these reviewed annually. The Sevenoaks District Community Plan covers the period from 2013-28. Every three years the Community Plan is comprehensively reviewed in consultation with residents and other interested stakeholders. A three-year action plan is agreed with partners at each review point, with the action plan covering the period from 2016 to 2019. Progress against each of the actions is reviewed quarterly with an Annual Report produced each year.
- Both of the existing plans above are subject to considerable Member review and challenge by Cabinet, or the appropriate Advisory/Scrutiny Committee and ultimately by the full Council. The governance arrangements put in place on 14 May 2013, continued to operate well during the year. The arrangements include an Audit Committee, whose terms of reference is consistent with CIPFA standards. The promises and priorities within the plans are also cascaded to individuals within the Council through Service Plans and individual action plans via the staff appraisal process.
- Policy and decision-making is facilitated through reports from Officers to Cabinet and Council. Each Cabinet Member has responsibility for a specific

portfolio and will take decisions on matters relevant to that portfolio. Each portfolio also has an Advisory Committee, which will consider officer reports in advance of them being considered by Cabinet and provide their recommendations on the policy direction or decision making of the Cabinet or Council. The Scrutiny Committee has the opportunity to 'call-in' the decisions of Cabinet and to recommend changes to decisions or policies.

- The Council's Constitution specifies the roles and responsibilities of Members and Officers and the financial and procedural rules for the efficient and effective discharge of the Council's business.
- Implementation of established policies, procedures, laws and regulations and good practice is achieved through:

a) Internal Audit

During 2017-18, the Council's internal audit team worked to an approved annual audit plan and undertook the work in accordance with the Public Sector Internal Audit Standards (PSIAS).

Individual audit reports are produced for relevant management, with copies distributed to the Chief Executive, Section 151 Officer and the relevant Chief Officers. Internal audit reports on the progress of internal audit in delivering the assurance plan are also distributed to the Audit Committee. Periodic reports highlight the results of individual risk-based audit reviews, while the annual report, which contains the Audit Manager's overall assurance opinion, evaluates the overall internal control environment as tested through audit work undertaken in the year.

The review of the effectiveness of Internal Audit was assessed in 2016/17 and it was concluded that the Council had an adequate and effective Internal Audit service that contributes towards the proper, economic and effective use of resources in achieving its objective. The effectiveness of the Internal Audit function is due to be assessed in June 2018 and the conclusion of this assessment will be presented to the Audit Committee in July 2018.

b) External Audit

The external audit service is provided by Grant Thornton. The External Auditor's reports are sent to senior management and Members (via the Audit Committee). Recommendations and comments are considered and discussed with timely actions taken to address agreed recommendations.

Unqualified opinions were issued in relation to both financial statements and value for money for 2016-17.

c) Financial Management

The Section 151 Officer is required to give Members an opinion on the robustness of the budget estimates and the adequacy of reserves. Assurance on these factors is included in the Annual Budget Report to Council.

A robust budgetary control system is in place and regular monitoring reports are produced for the Strategic Management Team, Heads of Service and relevant managers, Cabinet and the Finance Advisory Committee. The Finance Team conduct monthly client liaison meetings with responsible budget holders.

d) Performance Management

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

e) Arrangements for Partnerships

The Council enhances value for money in service delivery through innovative and cost-effective partnership working. The Council engages in extensive discussion and planning to develop efficient working arrangements while protecting quality of services. Decisions to enter into partnership working are supported by a detailed business case and cost-benefit analysis, and are subject to scrutiny and approval by Members. The Council has partnerships in place for the delivery of services including Licensing, Revenues and Benefits, Internal Audit, Environmental Health and Building Control.

f) Risk Management

The Council's risk management processes are reviewed by the Officers Risk Management Group and reported to the Audit Committee as appropriate.

Strategic risk is aligned to corporate priorities and reports are produced for Strategic Management Team and the Audit Committee.

g) Relationships and Ethics

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

h) Service Delivery by Trained and Experienced People

The Council has a robust recruitment policy and relevant procedures in place. The Council holds Platinum status in the Investors in People (IiP) scheme, conferred by an external inspection regime in January 2016. The Council was the first local authority nationally to achieve this standard. Staff appraisals take place annually, including an annual review of service and training plans, training evaluation and recruitment and selection procedures. The Council has designed, delivered and developed bespoke training courses. Firstly the 'Leadership Masterclass', a programme for Managers of all levels within the organisation. Secondly, 'Personal Best' which was available to all staff and aimed to help them identify and achieve personal breakthrough goals. Thirdly, 'Talent in Me', which is available to all staff and consists of over 60 bite-sized courses.

i) Monitoring Officer

The Council's Monitoring Officer oversees compliance with laws and statutory obligations. The Monitoring Officer reports to the Council's Standards Committee.

j) Anti-Fraud and Corruption

The Council has an Anti-Fraud and Corruption Strategy and a Whistle Blowing Policy. The Council also has a Counter Fraud Team and a 'fraud hotline', available to both staff and members of the public, which allows individuals to report anonymously any suspected cases of fraud and corruption. As part of fraud risk management, all staff and Members are required to complete annual declarations of interests. The risks of fraud and corruption are assessed within the strategic risk register and appropriate measures put in place to mitigate these risks.

5. Role of the Section 151 Officer

5.1 Section 151 of the Local Government Act 1972 requires that the Council appoint an individual officer to be responsible and accountable for the administration of its financial affairs. The Scheme of Delegation held within Part 13 of Sevenoaks District Council's Constitution assigned this responsibility to the Chief Finance Officer during 2017/18.

5.2 CIPFA has issued a Statement on the Role of the Chief Financial Officer in Local Government. This details the governance arrangements and delegated responsibilities considered necessary to facilitate the role of the Section 151 Officer. The Council has considered this Statement, and believes that, during the financial year 2017/18, it has complied fully with the governance requirements of the Statement. The Council's Financial Procedure Rules, codified within Appendices D and E of the Constitution ensure that all the appropriate responsibilities are delegated and reserved to the Section 151 Officer as the Statement recommends.

6. Review of Effectiveness

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

6.2 The External Auditor concluded that, for 2016/17, the Council had effective arrangements in place to ensure value for money was achieved. An unqualified opinion was issued in relation to the Council's financial statements. The Council is not aware of any issues arising from the current work being undertaken by the External Auditor.

6.3 Internal audit reports are regularly distributed to the Audit Committee and an Annual Internal Audit Report presented to the Council's Audit Committee, which sets out the acting, Audit Risk and Anti-Fraud Manager's overall opinion on the Council's internal control, risk management and governance arrangement. The interim opinion for 2017/18 indicates that the Council's control environment is effective.

6.4 The Head of Paid Service and Section 151 Officer and the Monitoring Officer periodically review the Constitution, procedures for internal financial control and application of the relevant Codes of Conduct.

6.5 There were no significant governance issues raised in last year's AGS.

6.6 It should be noted that no significant governance issues have been raised through the AGS process and no areas were identified for further enhancement.

Certification

Signed:

Signed:

Dr. Pav Ramewal

Cllr Peter Fleming

Chief Executive

Leader of the Council

Date:

Date:

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STATEMENT OF ACCOUNTS 2017/18 - ESTABLISHMENT OF MEMBER WORKING GROUP

Audit Committee - 17 April 2018

Report of Chief Finance Officer

Status For Decision

Key Decision No

Portfolio Holder Cllr. John Scholey

Contact Officer(s) Adrian Rowbotham, Ext. 7153

Alan Mitchell, Ext. 7483

Recommendation to Audit Committee: That a Member Working group be set up to review the 2017/18 draft Statement of Accounts

Introduction and Background

- 1 In 2016/17, the draft Statement of Accounts were required to be prepared by 30 June and then approved by members by 30 September. For 2017/18 these deadlines have changed so that the draft Statement of Accounts must be prepared by 31 May and then approved by members by 31 July.
- 2 For the last 5 years a Member Working Group has been set up to look at the draft Statement of Accounts, with the authority to recommend changes whilst ensuring that they still adhere to the statutory regulations and report back to the July Audit Committee.
- 3 As the Statement of Accounts are very detailed, the working group gave the wider Committee greater confidence in approving the Statements of Account.
- 4 The working group should meet in June and then report to the audit committee in July.
- 5 Members of last year's working group were Cllrs. Grint, Scholey, Layland, McArthur, Ball and Reay

Key Implications

Financial

None directly arising from this report.

ANNUAL INTERNAL AUDIT PLAN 2018/19

Audit Committee - 17 April 2017

Report of Chief Finance Officer

Status: For Consideration

Key Decision: No

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

Portfolio Holder Cllr. Scholey

Contact Officer(s) Lisa Nyon, ext. 3004

Recommendation to Audit Committee:

that Members approve the draft Internal Audit Plan for 2018/19

Reason for recommendation: The Internal Annual Audit Plan is required to be approved by the Audit Committee prior to implementation.

Introduction

- 1 This report incorporates the Annual Internal Audit Plan and Programmed Reviews for 2018/19, attached as an Appendix to this report. The objective of the plan is to ensure that Internal Audit resources are deployed in order to add value to the Council's objectives, whilst delivering reasonable assurance to the Council, regarding the effectiveness of internal control, governance and risk management processes in fulfilment of the Council's statutory responsibilities.
- 2 The plan has been prepared in accordance with professional guidance, including, the Public Sector Internal Audit Standards using an audit needs analysis methodology which takes into account and regulatory requirements, in particular the Accounts and Audit Regulations 2015.
- 3 The Audit Committee is required by its terms of reference, to approve the Annual Internal Audit Plan prior to its implementation.
- 4 The programmed work of Internal Audit is informed by an assessment of the audit environment consisting of all the activities within the Council. This took account of changes proposed or implemented within the Council over the last 12 months; incorporating audit priorities on a risk assessed basis, in consultation with senior management. This methodology has been used to help ensure that audit resources are targeted to the areas where the work of

Agenda Item 10

Internal Audit would be most effective in improving internal controls, the efficiency of service delivery, and to facilitate the effective management of identified risks.

Summary of Issues in the Audit Plan:

- 5 The proposed Audit Plan for 2018/19 has 15 key reviews totalling 140 direct audit days, which cut across the whole Council and includes key financial systems and payroll.
- 6 In addition to the programmed reviews set out in Annex 1 to the Appendix, a resource plan for Sevenoaks District Council is attached as Annex 2 to the Appendix, showing the resource available for the year and how it has been allocated.
- 7 Additional days this year have been allocated to internal audit follow up of recommendations. A new process will be in place for the 2018/19 year.
- 8 All work undertaken during the year and any proposals for amendments of the plan will be reported to the Audit Committee through the routine monitoring arrangement of progress against the Audit Plan by the Audit Committee.

Liaison and Co-operation with External Audit

- 9 During the course of the year, Internal Audit will work closely with the External Auditors, Grant Thornton, within the terms of an agreed protocol, to ensure an effective and efficient delivery of the assurance requirements for the Council and to minimise duplication.

Revisions to the Audit Plan

- 10 The plan is risk based and took account of the assessed risks at the time of planning. However, in view of the changing and dynamic nature of the current economic, political and regulatory environment, risk profiles may change at fairly short notice. Internal Audit will remain responsive to the needs of the Council during 2018/19. As a result, revisions to the plan may be required should the risk profiles, or regulatory requirements affecting the Council changes. Where changes within the environment necessitate revisions to the audit plan, any proposed changes would be agreed with Senior Management prior to seeking the approval of the Audit Committee, and before implementation.

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 to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control". The report indicates that the Council has effective arrangements in place as required by regulatory requirements and professional standards.

Equality Assessment

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

Conclusions

The attached plan incorporates the assurance requirements for 2018/19, and had been prepared in accordance with relevant professional and regulatory requirements. The Committee is therefore requested to approve the plan.

Appendices Appendix A - Draft Internal Audit Plan for 2018/19

Annex 1 - Details of Programmed Reviews 2018/19

Annex 2 - Resource Plan 2018/19

Background Papers: Internal Audit Annual Plan for 2018/19
Public Sector Internal Audit Standards

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

Accounts and Audit Regulations 2015

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

Adrian Rowbotham
Chief Finance Officer

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Internal Audit Plan

2018/19

D R A F T

Background

1. The Accounts and Audit Regulations 2015 requires the Council to have an effective Internal Audit Function which would provide an opinion on the adequacy and effectiveness of financial control, as well as to provide reasonable assurance on the Council's overall governance and internal control processes. This includes the arrangements for the Annual Governance Statement, the review of the effectiveness of internal audit and the management of business risks.
2. This requires an annual internal audit plan which:
 - Draws on effective co-operation with External Auditors and other external review agencies, from which the public may gain assurance regarding the effectiveness of the Council's system of internal control.
 - Provides Councillors, the Chief Executive, the Section 151 Officer, and other senior managers with an overall opinion on the status of the Council's governance arrangements, including internal control and risk management.
 - Supports the Chief Finance Officer in fulfilling his obligations under Section 151 of the 1972 Local Government Act and the Accounts and Audit Regulations 2015, to ensure the Council operates safe and efficient financial and management information systems.
 - Enables the Council to place assurance on the work of Internal Audit in fulfilling its obligations under the Accounts and Audit Regulations 2015, Regulation 4, to establish proper practices for the publication of an Annual Governance Statement; and Regulation 6 to review the effectiveness of the internal audit function.
 - Conducts audit reviews of the Council's risk management, internal control, and governance arrangements in a way that takes full account of the Council's objectives and risks.
 - Aims to improve the Council's risk management, internal control, and governance arrangements by providing line management with practical recommendations arising from audit work; including consultancy and advice and information as necessary or on request.
 - Delivers an audit service that meets the Public Sector Internal Standards 2016 and relevant guidance issued by CIPFA.

**SEVENOAKS DISTRICT COUNCIL
ANNUAL AUDIT PLAN 2018/19**

Internal Audit's objectives

3. The internal audit function is provided through a shared services arrangement with Dartford Council, which came into force in April 2010. Its remit is set out in the Internal Audit Charter. The objective of the team is to provide an independent, objective assurance and consultancy activity designed to add value to the existing internal control and governance framework to support the achievements of services and corporate objectives. This plan outlines the team's work for Sevenoaks District Council only, regarding the provision of Internal Audit Services, in fulfilment of the Council's Section 151 responsibilities and its obligations under the Accounts and Audit Regulations 2015.
4. In recognition of the statutory requirement, it is the responsibility of Internal Audit to review, appraise and report upon:
 - The soundness, adequacy, and application of financial and other management controls.
 - The extent of compliance with, relevant and financial effect of, established policies, plans and procedures.
 - The extent to which the organisation's assets and interests are accounted for and safeguarded from losses of all kinds arising from:
 - Fraud, bribery, corruption and other offences
 - waste, extravagance, and inefficient administration, poor value for money and other causes.
 - The suitability and reliability of financial and other management data developed within the organisation.
 - The effectiveness of the Council's risk management framework

Proposed Audit Techniques

5. To fulfil our responsibility, we propose to adopt the following techniques. The relevant technique adopted will depend on the nature and scope of each audit review:

Risk-based audit

Risk-based auditing takes account of the Council's strategic and operational objectives, and evaluates through audit testing the management of risks to achievement of these objectives, thereby providing an opinion on the quality of internal control within a system. Recommendations for improvements in control are proposed proportionate to the impact and likelihood of existing risks.

Systems-based audit

Where appropriate, Audit may undertake wider documentation, evaluation and testing of financial operational and management information systems providing an opinion as to the adequacy of control and offering suggestions and advice to enable strengthening of systems weaknesses and assist in improving the effectiveness of controls.

Systems based auditing provides high quality assurance on management controls for those systems evaluated externally.

Our systems-based audit work is based on the CIPFA System Control Matrices. The matrices draw on the approach, standards, and guidance of a variety of audit and regulatory bodies, including the Audit Commission.

Financial/Probity Reviews

Examination of financial records for compliance with agreed policy, regulations, and procedures.

Investigation of Irregularities

We will undertake enquiries into cases of discovered or reported irregularity including, where required, liaison with other investigatory bodies, such as the National Fraud Initiative (NFI). These usually lead to the enhancement of risk management activities within the Council, and strengthening of internal controls.

Advice and Information

We offer advice, information and assistance to all levels of management on internal control, governance and risk management.

IT audit

IT audit is a specialist area, to this effect we will seek to buy in technically qualified and experienced agency staff, or liaise with other Kent Councils for assistance in providing this service for any relevant aspects, which requires technical expertise.

VFM audit

Value for money considerations will be factored into our approach where relevant and appropriate. This would enable us to determine whether managers are making use of the opportunities available to them for obtaining good value for money, especially within the current austerity environment.

**SEVENOAKS DISTRICT COUNCIL
ANNUAL AUDIT PLAN 2018/19**

Audit Approach

6. In order to make best use of staff resources and to maximise the team's effectiveness, the need for audit reviews in individual areas, is considered based on an audit needs analysis, which evaluates the audit universe using a scoring system.
7. The audit needs analysis then informs the annual operational plan, which sets out the areas to be covered in 2018/19, taking into account the highest scores on the audit needs analysis and resource constraints. Areas that have not scored highly enough for the operational plan for this year are considered for inclusion in the strategic audit plan.
8. In order to ensure that the Audit Plan for 2018/19 addresses the Council's key risks and add value, we have identified and prioritised the areas for coverage by:-
 - Reviewing the Council's Risk Registers and Corporate Plan;
 - Identifying any other sources of assurance for each of the Council's key risks, which may reduce the added value of an Internal Audit review.
 - Analysing coverage of Internal Audit reviews over the last three years and the assurance opinions provided following each review, to identify any gaps or areas where follow up work would be of value.
 - Identifying any areas of the Audit Universe, which have not been subject to Internal Audit review during the last three years.
 - Meetings with Senior Management to discuss key risks and emerging risk areas for the year ahead and also any areas where Internal Audit support would be beneficial either in an assurance or consultancy role.

The Plan for 2018/19

9. The table on Annex 1 to this report sets out the audit plan for 2018/19 and a summary of the scope of each review. As part of the process, an annual review of key financial systems and payroll is carried out. These are systems with high inherent risks, usually areas of major income and expenditure where a failure to manage risks effectively might result in material financial loss, or significant damage to the Council's reputation. The reviews are intended to ascertain the arrangements management have in place to manage strategic, operational or business risks and to give an assurance regarding their effectiveness.

[See Annex 1, attached - for details of reviews proposed for 2018/19]. In addition to the programmed reviews, the resource plan also includes work in the following aspects:

Arrangements to prevent fraud and corruption

<i>audit area</i>	<i>review objectives</i>
Contracts	To check that contract payments are only made in accordance with contract terms and when properly authorised.
Cashing up	To check that officers are able to account for all income received by them on the day of the cashing up.
Housing Benefit, Council Tax Support, Council Tax Discounts and Housing Records	To check the robustness of the process to prevent and detect fraud in accordance with National Fraud Initiative requirements.
Special investigations	To carry out investigations into suspected internal frauds, losses etc. in accordance with the Fraud Response Plan.

Follow up of recommendations made in previous audit reports

Audit reports	To follow up recommendations made in previous reports, to confirm that agreed action has been implemented effectively within the agreed time scales. Additional audit resource has been allocated to this area for the 2018/19 year to help ensure this happens and to give additional support and advice to services where appropriate.
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Available Resources

10. A resource plan for 2018/19 is set out on Annex 2 to this report. This plan consists of a Principal Auditor (Acting as Audit Manager), 2.8 Senior Auditors, and 0.5 (FTE) Admin assistant.

Internal Audit Performance

11. During 2018/19, the team will continue to work in compliance with the Public Sector Internal Audit Standards and professional guidance issued by CIPFA.
12. The following proposed performance indicators relating to the delivery of the Annual Internal Audit Plan are based on a balanced scorecard approach which considers four perspectives, the customer, innovation & leaving, internal processes and financial. This approach is used across local authorities in Kent.

**SEVENOAKS DISTRICT COUNCIL
ANNUAL AUDIT PLAN 2018/19**

Performance Indicators - based on a Balanced Scorecard Approach

Customer Perspective		Innovation & Learning Perspective	
<ul style="list-style-type: none"> Percentage of auditees Strongly Agree/Agree with the way the audit has been conducted. 	Target 90%	<ul style="list-style-type: none"> Training days used against budget 	Target 95%
<ul style="list-style-type: none"> Percentage of auditees Strongly Agree/Agree with audit findings. 	Target 90%	<ul style="list-style-type: none"> Recommendations made/recommendations implemented 	Target 90%
Internal Perspective		Financial Perspective	
<ul style="list-style-type: none"> Percentage of draft reports sent to auditee within 15 days of audit feedback meeting. 	Target 95%	<ul style="list-style-type: none"> Cost of auditor team - taking actual audit salaries against budgeted. 	Budget vs actuals
<ul style="list-style-type: none"> Percentage of feedback meetings held within 6 weeks of opening meeting 	Target 90%	<ul style="list-style-type: none"> Percentage of team time spent on delivery of audit plan (days allocated to plan against audit team activity) 	Target 80%

Reporting Protocol

- Internal Audit work undertaken during the year will be periodically reported to clients (Service Managers, Heads of Service, Chief Officers and the Chief Executive), the culmination of the year's work being an Annual Report to the Audit Board. The reports provide overall audit opinions as to the adequacy and effectiveness of the control environment within the area examined. The Annual Report will contain an overall opinion on the adequacy of internal control, governance and risk management within the Council.

Audit Opinion

14. The simplified Audit Opinions Framework which was introduced in 2015/16 continues to work well and has been well received by Service Managers and their teams.
15. We aim to involve auditees at key stages of the audit process and to ensure their agreement to audit findings and recommendations. The table below sets out how auditees will be involved in the audit process this year. There are no changes to the process from last year.

Audit stage	Involvement
Agreement of brief at the start of the audit	Head of Service/Chief Officer
Feedback and discussion of main findings arising from an audit	Service Manager/Head of Service
Agreed report	Chief Executive Chief Financial Officer Chief Officer as appropriate Head of Service Service Manager
Audit satisfaction questionnaire completion	Head of Service/Service Manager as appropriate
Mid-year progress reports	Strategic Management Team and Audit Committee
Annual Report Annual Plan	Strategic Management Team and Audit Committee

**SEVENOAKS DISTRICT COUNCIL
ANNUAL AUDIT PLAN 2018/19**

Audit Recommendations

16. We will continue to report recommendations by highlighting the significance of each item in relation to risk and materiality. Thus as a guide, recommendations will be graded as follows:

High - Fundamental weaknesses in the system or process under review.

Medium - System weaknesses which leave the system open to minor risks.

Low - Desirable but non-threatening improvements.

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SEVENOAKS DISTRICT COUNCIL - DRAFT OPERATIONAL INTERNAL AUDIT PLAN 2018/19

1. BROUGHT FORWARD REVIEWS FROM 2017/18 ANNUAL INTERNAL AUDIT PLAN

	Title of Review	Description	Link to risk.	Proposed Quarter	Proposed Number of days
1	Community Infrastructure Levy (CIL)	To review the implementation of CIL in order to provide an assurance regarding compliance with Council policy and procedures for the collection and allocation of funds		Q3	5
	Private Sector Letting Scheme (PSLS)	To review processes in place for background checks undertaken on landlords, rent in advance payments and repayment of rent deposits.	SR07/S R08 OR 5.1	Q2	10
	Homelessness Prevention	To review procedures in place to help the prevention of homelessness and the homelessness prevention strategy to ensure compliance with the new Homelessness Act that come into force from April 2018.	SR07 OR 5.1,5.3	Q3	10

2. CHIEF FINANCE OFFICER

	Title of Review	Description	Link to Risk	Proposed Quarter	Proposed Number of days
4	Key Financial Systems	Annual review of the Key Financial Systems, in order to provide assurance regarding the accuracy and completeness of transactions and compliance with Council policy (Financial aspects covered will be agreed at the Audit Scoping Meeting)	SR01	Q3	15
5	Risk Based Verification (Shared Service Review)	A light touch review focusing on cases not risk scored as set out on the management dashboard and review of the reasons/justification given for not being scored.	SR01/S R09	Q2	5
	Debt Recovery within the Revenues and Benefits Service (Shared Service Review)	To review the current processes in place to ensure fitness for purpose. The review will also assess adequate staffing resource for this activity	SR01/S R09	Q3	10

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3. CHIEF OFFICER COMMUNITITES AND BUSINESS SERVICES

	Title of Review	Description	Link to Risk	Proposed Quarter	Proposed Number of days
7	Health	To review the council's contribution to the One-you programme run by KCC, which aims to support the health and wellbeing of residents in the County and how we tailor our services to support customer needs within our district.	OR 4.2	Q1	10

8	Community Safety	To review how the Community Safety Unit share data with external stakeholders focusing on compliance with the GDPR	SR06	Q1	5
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4. CHIEF OFFICER ENVIRONMENTAL AND OPERATIONAL SERVICES

	Title of Review	Description	Link to Risk	Proposed Quarter	Proposed Number of days
9	Fly-tipping	To review the processes in place to report and investigate instances of Fly-tipping in the District for their adequacy and fitness for purpose. This will include a cursory review of PI's in this area.			5
10	Markets	To review the arrangements in place for the collection of market income and day-to-day management of the Swanley and Sevenoaks Markets.	OR 7.4	Q1-Q2	10
11	Environmental Health - Food Safety (Shared Service Review)	To review how the use of new technology is being used to make the processes for food safety inspection more efficient in response to increased numbers of food businesses in the borough/district and to form an opinion of the adequacy of existing staff resources in this area.	SR09	Q2	10
12	Business Continuity	To review the Council's arrangements for the continuation of Council business, in the event of a disaster, in order to provide assurance	SR11	Q3	10

		regarding its effectiveness to facilitate continuity of council business			
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5. CHIEF OFFICER CORPORATE SERVICES

13	Payroll	An annual review of the processes used by Payroll. To provide an assurance regarding the accuracy, authenticity and completeness of the payroll system, in particular, starters and leavers and to provide assurance regarding compliance with HMRC regulations.	SR04	Q3	10
14	GDPR	To review compliance with GDPR within selected Council Services.	SR07	Q3	15
15	IT Security	The purpose of this audit is to provide an assurance regarding the effectiveness of the arrangements in place for IT Security, including a review of assurance given by external providers. This review will also look at the arrangements in place to mitigate the risk of cybercrime.	SR05 OR6.1	Q2	10

SDC - RESOURCES FOR ANNUAL INTERNAL AUDIT PLAN 2018/19

	DAYS PLANNED
Total Available Days for Year 2018/19	554
LESS:	
Bank holidays and authorised leave	89
Staff development & training	40
Sick leave	13
Total	142
AUDIT DAYS AVAILABLE	412
Audits, Fraud, irregularity and special projects.	256
General administration/Committee reporting/service development/Audit Planning/risk management/joint working	156
Total Days	412

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DRAFT AUDIT COMMITTEE ANNUAL REPORT 2017/18

Audit Committee - 17 April 2018

Report of Cllr Grint, Chairman of the Audit Committee

Status: For Consideration

Introduction and Background

- 1 This is my report to the Council on the work of the Audit Committee during the year 2017/18.
- 2 The Audit Committee is responsible for discharging the functions conferred by the Accounts and Audit Regulations 2015. The Committee met four times during the year. The key responsibilities include approving the Council's Annual Statement of Accounts, approving the Annual Governance Statement, approving the Annual Internal Audit Plan and monitoring and reviewing the work of Internal Audit, and reviewing the arrangements for the management of business risks.
- 3 In line with its Terms of Reference, the Audit Committee has met regularly during the course of the year. As Chair of the Committee, I have held regular briefings with Officers. Details of the range of issues considered by the Committee over the course of the year are set out below:

Internal Audit

- | | |
|----------------|---|
| June 2017 | <ul style="list-style-type: none">• Internal Review of the Effectiveness of Internal Audit 2016/17• Internal Audit Annual Report 2016/17• Internal Audit Strategy 2017/18 |
| September 2017 | <ul style="list-style-type: none">• Internal Audit 2017/18 - 1st Progress Report• Internal Audit Recommendations Outstanding |
| January 2018 | <ul style="list-style-type: none">• Internal Audit 2017/18 - 2nd Progress Report• Internal Audit Recommendations Outstanding |
| April 2018 | <ul style="list-style-type: none">• Internal Audit 2017/18 - 3rd Progress Report• Internal Audit Recommendations Outstanding• Internal Audit Plan 2018/19 |

Agenda Item 11

Governance, Risk & Anti-Fraud

- June 2017
 - Counter Fraud and Compliance Report 2016/17
 - Annual Governance Statement 2016/17
- September 2017
 - Local Code of Corporate Governance
 - Members' Allowance Scheme - Monitoring
 - Risk Management
 - Draft Strategic Risk Register
- April 2018
 - Annual Governance Statement 2017/18

Accounts and External Audit

- June 2017
 - External Audit - Annual Audit Plan
 - Statement of Accounts 2016/17 - Establishment of Member Working Group
- September 2017
 - Statement of Accounts 2016/17
- January 2018
 - External Audit - Housing Benefit Subsidy 2016/17
 - External Audit - Annual Audit Letter 2016/17
- April 2018
 - Statement of Accounts 2017/18 - Establishment of Member Working Group
 - External Audit - Annual Audit Plan

- 4 In addition to the core work of the Committee, a Member Working Group was also set up in June 2017 to review the draft Statement of Accounts. Its findings were reported back to the full Audit Committee at its meeting in September. The external auditors commented favourably on Members' involvement in the Annual Accounts process.
- 5 The Audit Committee maintains a constructive dialogue and effective working relationship with the Council's external auditors, Grant Thornton. The audit partner and audit manager from Grant Thornton have attended 3 of the 4 Audit Committee meetings during the year. Grant Thornton have been re-appointed as the Council's external auditors for a further five years.
- 6 It is my opinion that the work of the Committee has had a positive impact on the overall control environment within the Council. The Committee has developed good working relationships with Officers and External Audit, and has offered constructive comments on a range of issues. The Committee continues to develop and improve its understanding of the many technical issues presented to it.

- 7 Training of Audit Committee Members is important so as to ensure that they can add value to the discussions at the Committee. Members were asked for their views on training requirements, and the following training took place:
- CIPFA provided Audit Committee training on 5 June 2017. This was held jointly with Dartford Borough Council Audit Board Members. Some non-Audit Committee Members also attended.
 - Grant Thornton provided Statement of Accounts training on 13 June 2017.
- 8 I should like to thank all members of the Audit Committee for their personal contribution to the work of the Committee over the past year. I should also like to thank Officers, in particular Adrian Rowbotham and Lisa Nyon, for the help and support they have given the Committee throughout the year. Lisa deserves a special mention, having been acting up as the Audit, Risk and Anti-Fraud Manager, the Internal Audit Plan is expected to be completed within the year which is a significant improvement compared to previous years.

Cllr John Grint
Chairman, Audit Committee

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Audit Committee 2018/19 - Work Plan (as at 16/03/18)

	17 April 2018	19 July 2018	16 October 2018	8 January 2019
Internal Audit (Irregularities to be reported confidentially as & when necessary)	Internal Audit 2017/18 - 3 rd Progress Report Report on Internal Audit recommendations outstanding Internal Audit Plan 2018/19 (Appendix: Internal Audit Strategy)	Internal Review of Effectiveness of Internal Audit Internal Audit Annual Report	Internal Audit 2018/19 - 1 st Progress Report Report on Internal Audit recommendations outstanding	
Risk Management			Risk Management Report Draft Strategic Risk Register	

	17 April 2018	19 July 2018	16 October 2018	8 January 2019
Accounts and External Audit	<p>Statement of Accounts 2017/18 - Establishment of Member Working Group</p> <p>Annual Governance Statement 2017/18</p> <p>External Audit - Annual Audit Plan</p>	<p>Statement of Accounts 2017/18</p> <p>External Review of Internal Audit - Update</p>		
Other	<p>Annual Report to Council</p>	<p>Counter-Fraud & Compliance Report 2017/18</p> <p>Audit Committee Terms of Reference</p> <p>Affordable Housing Company - Risk Assessment</p> <p>Review of the Effectiveness of the Audit Committee</p>	<p>Members' Allowance Scheme Monitoring</p>	