

08 January 2019 at 7.00 pm

Conference Room, Argyle Road, Sevenoaks
Despatched: 21.12.2018



Audit Committee

Membership:

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

Agenda

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

	Pages	Contact
Apologies for Absence		
1. Minutes To agree the Minutes of the meeting of the Audit Committee held on 16 October 2018 as a correct record.	(Pages 1 - 4)	
2. Declarations of Interest Any declarations of interest not already registered.		
3. Actions from Previous Meeting	(Pages 5 - 6)	
4. Responses of the Council, Cabinet or Council Committees to the Committee's reports or recommendations (if any)		
5. Member Development - Assurance on Value for Money	(Pages 7 - 8)	Adrian Rowbotham Tel: 01732 227153
6. External Audit - Annual Audit Letter 2017/18	(Pages 9 - 20)	Adrian Rowbotham Tel: 01732 227153
7. External Audit - Housing Benefit Subsidy 2017/18	(Pages 21 - 24)	Adrian Rowbotham Tel: 01732 227153
8. Internal Audit Progress Report	(Pages 25 - 40)	Russell Heppleston Tel: 01732227053
9. Work Plan	(Pages 41 - 42)	

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 16 October 2018 commencing at 7.00 pm

Present: Cllr. Grint (Chairman)

Cllr. Reay (Vice Chairman)

Cllrs. Ball, Clack, Layland, McArthur, Purves, Reay and Williamson

An apology for absence was received from Cllr. Searles

Cllr. Scholey was also present.

14. Minutes

Resolved: That the minutes of the meeting of the Audit Committee held on the 19 July 2018 be agreed and signed as a correct record.

15. Declarations of Interest

No additional declarations of interest were made.

16. Actions from Previous Meeting

The actions were noted.

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

There were none.

18. Affordable Housing Company - Risk Assessment

The Chief Officer for Communities and Business presented a report updating Members on the Risk Assessment for the recently incorporated Affordable Housing Company Quercus Housing.

In response to questions, Members were advised that time sheets would be used to calculate Officer time dedicated to Quercus Housing, and Quercus Housing and Quercus 7 meetings would be scheduled together to minimise time and costs. The Company's Risk Assessment was to be reviewed monthly at Company board meetings. Members were advised on the model projects considered by Quercus Housing and current potential developments. A range of sizes of developments would be considered however the advantages of larger developments were noted. Yearly business plans would be submitted to the Guarantor Board setting out the

plans for the next year. These would cover types of investment and consideration of future arrangements to replace end of life property. All sites would be assessed for suitability for mixed market rate and affordable housing development or affordable housing only. Housing Associations were also having to consider mixed sites due to the cost of development and reduction in rental income. Although the external consultant instructed Quercus Housing that it would be possible to use S106 money to fund the company's administration costs, Members were advised that this was not a preferable option.

Action 1: The Head of Legal and Democratic Services to provide clarification on the objectives of the Affordable Housing Company.

The Portfolio Holder for Finance, who was in attendance, informed Members on how S106 funds were currently allocated and how the development of an Affordable Housing Company would ensure money raised would be spent within the District. Questions were asked in relation to the planning process.

Resolved: That the Affordable Housing Company Risk Assessment be noted.

19. Members' Allowance Scheme Monitoring

The Head of Legal and Democratic Services presented a report which outlined Members' allowances claimed during 2017/18. The Committee monitored the implementation of the Members' Allowance Scheme, as required by its terms of reference.

Members were advised that the recommendations for changing the Members Allowance Scheme as received by the Joint Independent Remuneration Panel would take effect from May 2019.

Resolved: That the report be noted.

20. Internal Audit Progress Report

The Chairman welcomed Russell Heppleston, the new Interim Audit Manager. The Interim Audit Manager presented a report which set out the progress made by the Internal Audit Team in completing the 2018/19 Internal Audit Plan. The report also provided a broader update on the service following his appointment in August 2018 including the consolidation of the Internal Audit Progress Report and the Report on Internal Audit Recommendations Outstanding.

It was noted that completion of the 2018/19 Audit Plan was on schedule. The Interim Audit Manager advised that the summary of issues would include those noted prior to the July 2018 meeting as they were not reported in full due to the Annual Report being considered at that meeting. Members considered the Audit work completed and were advised that the restructuring of reports presented to the Audit Committee aimed to provide full reports with details on each of the summaries. The rating systems for risk recommendations was explained, with limited level assurance indicating areas of risk.

Action 2: That the Interim Audit Manager include more details relating to the specific risks and recommendations arising from limited assurance assessments.

The Interim Audit Manager advised Members that updates to the Audit Service were scheduled and he was aiming to implement actions to address the outstanding issues, recommendations from the External Quality Assessment, recognise best practise, and provide options for the future of the shared service. It was noted that two vacancies were being held within the service until the future direction of the Audit Service had been agreed.

Members were advised that in relation to vehicle procurement the Council had its own fleet and fleet management system based at Dunbriq Depot. The Interim Audit Manager highlighted the similarities and differences of the Audit Service at different Local Authorities and advised that the Audit Plan had been based around the two vacancies in the team. It was noted that the two high priority recommendations in the Audit reports were related to updating Financial Procedure Rules and the implementation of Prisma software in the Print Studio.

Resolved: That the contents of the report and the progress made by the Internal Audit Team in delivering the 2018/19 Annual Internal Audit Plan, be noted.

21. Strategic Risk Update

The Interim Audit Manager introduced the report which gave Members the opportunity to review the Council's Strategic Risk Register. The Register had been developed by Officers, taking into consideration the views of the Officers' Risk Management Group, Service Managers and Chief Officers. It set out the risks currently facing the Council and information on how those risks were being managed. Members were advised that this report consolidated the former Risk Management Report and Strategic Risk Register.

Members were updated on key changes since the last Risk Management Report in September 2017 including removed, added and emerging risks. Emerging risks included Customer Redesign, Safeguarding and The Local Plan. No outliers were identified through the Risk Management process.

In response to questions, the Committee was advised that the IT Manager was a member of the Risk Management Group, which was considering IT and Data Security. The Committee discussed the risks associated with The Local Plan. Members discussed the possibility of getting the New Affordable Housing Company, Quercus Housing on the Risk Register.

Resolved: That

- a) the Strategic Risk Management process be noted; and
- b) the Strategic Risk Register be agreed.

Agenda Item 1

Audit Committee - 16 October 2018

22. Member Development Proposal

The Interim Audit Manager presented the report on Member Development as requested by the Committee. It was noted that the Committee has been running effectively thus far and the report outlined proposed Member training opportunities based on the Committee's Terms of Reference and previous training received by Members. The ten training themes and three different delivery options were considered by Members.

Resolved: That

- a) the programme for Member Development be approved; and
- b) the Chairman decide which briefing sessions would be delivered over the remaining 2018/19 work plan.

23. Workplan

The work plan was noted. The Committee agreed to adopt the combined report format used in this meeting going forward. Members requested a training session to coincide with the 8 January 2019 meeting.

THE MEETING WAS CONCLUDED AT 8.52 PM

CHAIRMAN

ACTIONS FROM THE MEETING HELD ON 16.10.2018			
Action	Description	Status and last updated	Contact Officer
ACTION 1	The Head of Legal and Democratic Services to provide clarification on the objectives of the Affordable Housing Company.	The Guarantors Agreement relating to Quercus Housing was circulated to Members of the Committee by the Democratic Services Team on 17 October 2018.	Martin Goodman Ext. 3649
ACTION 2	That the Interim Audit Manager include information on the specific risks and details of the recommendation alongside the summaries.	Future reports will be updated to include greater detail of Medium and High risks. In addition, greater detail will be included with regards to Medium and High risk actions that are deferred during follow-up.	Russell Heppleston Ext. 7053

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MEMBER DEVELOPMENT - ASSURANCE ON VALUE FOR MONEY

Audit Committee - 8 January 2019

Report of Chief Finance Officer

Status For Information

Key Decision No

Portfolio Holder Cllr. John Scholey

Contact Officer Adrian Rowbotham, Ext. 7153

Recommendation to Audit Committee: Grant Thornton are thanked for providing the briefing.

Introduction

- 1 At the Audit Committee on 16 October 2018, the Interim Audit Manager presented a Member Development Proposal report following a request from the Committee.
- 2 The report linked development themes to the Audit Committee's Terms of reference including a training history.
- 3 The Committee approved the programme for Member development and asked for the Chairman to decide which briefing sessions would be delivered over the remaining 2018/19 work plan. The Chairman has decided that the following briefings would be added to the work plan:
 - 08/01/19 - Assurance on Value for Money
 - 28/03/19 - Procurement and Contract Procedures
- 4 Grant Thornton has kindly agreed to provide an Assurance on Value for Money briefing at this meeting.

Key Implications

Financial

There are no financial implications.

Legal Implications and Risk Assessment Statement

There are no legal implications.

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Equality Assessment

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

Appendices None

Background Papers None

Adrian Rowbotham
Chief Finance Officer

EXTERNAL AUDIT - ANNUAL AUDIT LETTER 2017/18

Audit Committee - 8 January 2019

Report of Chief Finance Officer

Status For Information

Key Decision No

Portfolio Holder Cllr. John Scholey

Contact Officer Adrian Rowbotham, Ext. 7153

Recommendation to Audit Committee: That the report be noted.

Introduction and Background

- 1 Sarah Ironmonger and Sebastian Evans from Grant Thornton would like the opportunity to present the Annual Audit Letter 2017/18 (Appendix A) to Members.

Annual Audit letter 2017/18

- 2 The purpose of this letter is to summarise the findings arising from the work carried out for the year ended 31 March 2018 and to communicate key messages to the Council and external stakeholders, including members of the public.
- 3 The work carried out during the year consisted of:
 - Audit of the accounts (financial statements).
 - Value for Money.
 - Certification of housing benefit grant claim.
- 4 The audit of the accounts and Value for Money conclusion were also presented to the Audit Committee on 19 July 2018.

Key Implications

Financial

There are no financial implications.

Agenda Item 6

Legal Implications and Risk Assessment Statement.

There are no legal implications.

Equality Assessment

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

Appendices Appendix A - Annual Audit Letter 2017/18

Background Papers None

Adrian Rowbotham

Chief Finance Officer



Annual Audit Letter

Year ending 31 March 2018

Sevenoaks District Council

30 August 2018

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Your key Grant Thornton
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Section

1. Executive Summary
2. Audit of the Accounts
3. Value for Money conclusion

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Appendices

- A Reports issued and fees

Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Sevenoaks District Council (the Council) for the year ended 31 March 2018.

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit Committee as those charged with governance in our Audit Findings Report on 19 July 2018.

Our work

Materiality	We determined materiality for the audit of the Council's financial statements to be £1,180,000, which is 2% of the Council's gross revenue expenditure.
Financial Statements opinion	We gave an unqualified opinion on the Council's financial statements on 25 July 2018.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.
Value for Money arrangements	We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Council on 25 July 2018.
Certification of Grants	We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2018. We will report the results of this work to the Audit Committee in our Annual Certification Letter.
Certificate	We certify that we have completed the audit of the accounts of Sevenoaks District Council in accordance with the requirements of the Code of Audit Practice.

Working with the Council

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

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

Respective responsibilities

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

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

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

Grant Thornton UK LLP
August 2018

Audit of the Accounts

Our audit approach

Materiality

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

We determined materiality for the audit of the Council's accounts to be £1,180,000, which is 2% of the Council's gross revenue expenditure. We used this benchmark as, in our view, users of the Council's financial statements are most interested in where the Council has spent its revenue in the year.

We set a lower threshold of £59,000, above which we reported errors to the Audit Committee in our Audit Findings Report.

The scope of our audit

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

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

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

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

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

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

Audit of the Accounts

Significant Audit Risks

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Improper Revenue Recognition</p> <p>Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the Council's revenue streams, we 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 the Council, means all forms of fraud are unacceptable. 	<p>This risk was rebutted.</p>
<p>Management Override of Controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. Management override of controls as a risk requiring special audit consideration.</p>	<p>As part of our audit work we;</p> <ul style="list-style-type: none"> • reviewed accounting estimates, judgements and decisions made by management; • tested journal entries; • reviewed accounting estimates, judgements and decisions made by management; • reviewed unusual significant transactions; • reviewed significant related party transactions outside the normal course of business. 	<p>Our audit work did not identify any issues in respect of management override of controls.</p>
<p>Valuation of Property, Plant and Equipment</p> <p>Land and buildings are revalued on a quinquennial basis to ensure carrying value is not materially different from current value. This represents a significant estimate by management. We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p>	<p>As part of our audit work we;</p> <ul style="list-style-type: none"> • reviewed management's processes and assumptions for the calculation of the estimate; • reviewed the competence, expertise and objectivity of any management experts used; • reviewed the instructions issued to valuation experts and the scope of their work; • held discussions with management's valuer on the basis the valuation was carried out, challenging the key assumptions; • reviewed and challenged the information used by the valuer to ensure it was robust and consistent with our understanding; • tested revaluations made during the year to check they were input correctly into your asset register; • evaluated the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different to current value. 	<p>Our audit work did not identify any issues in respect of the valuation of property, plant and equipment.</p>

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Audit of the Accounts

<p>Valuation of Pension Fund Net Liability</p> <p>The pension fund asset and liability as reflected in the balance sheet represents a significant estimate in the financial statements. We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	<p>As part of our audit work we;</p> <ul style="list-style-type: none"> • identified the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessed whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement;. • reviewed the competence, expertise and objectivity of the actuary who carried out the pension fund valuation; • gained an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made; • reviewed the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from the actuary. 	<p>Our audit work did not identify any issues in respect of the valuation of the pension fund liability</p>
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Agenda Item 6

Audit opinion

We gave an unqualified opinion on the Council's financial statements on 25 July 2018 in advance of the national deadline.

Preparation of the accounts

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

Issues arising from the audit of the accounts

We reported the key issues from our audit to the Council's Audit Committee on 19 July 2018.

In addition to the key audit risks reported above, we identified some minor misclassifications which management adjusted.

Annual Governance Statement and Narrative Report

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

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

Other statutory powers

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

Certificate of closure of the audit

We are also required to certify that we have completed the audit of the accounts of Sevenoaks District Council in accordance with the requirements of the Code of Audit Practice.

Value for Money conclusion

Background

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

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

Key findings

We carried out a risk assessment. We did not identify any significant risks from our risk assessment using the guidance contained in AGN03.

Overall Value for Money conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2018.

A. Reports issued and fees

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

Reports issued

Report	Date issued
Audit Plan	13 March 2018
Audit Findings Report	5 July 2018
Annual Audit Letter	30 August 2018

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Fees

	Planned £	Actual fees £	2016/17 fees £
Statutory Council audit	43,156	43,156	43,156
Housing Benefit Grant Certification	13,845	TBC	13,845
Total fees	57,001	TBC	57,001

The planned fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)



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EXTERNAL AUDIT - HOUSING BENEFIT SUBSIDY 2017/18

Audit Committee - 8 January 2019

Report of Chief Finance Officer

Status For Information

Key Decision No

Portfolio Holder Cllr. John Scholey

Contact Officer Adrian Rowbotham, Ext. 7153

Recommendation to Audit Committee: That the report be noted.

Introduction

- 1 Grant Thornton, as the Council’s external auditor, is required to certify certain grant claims submitted by the Council. This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council’s entitlement to funding.
- 2 Only one claim was certified for 2017/18, the Housing Benefit Subsidy Claim, relating to expenditure of £26.9m.

Annual Outcome

- 3 Housing Benefit Subsidy is a complex claim which was qualified but not amended.
- 4 Errors were identified in the 2017/18 return; however the number continues to be small. This reflects the measures taken over recent years. Although the impact of these errors on the value of the overall claim was relatively minimal, it is important to claimants that their benefit is calculated correctly. The Department for Work and Pensions (DWP) stipulates high standards of accuracy resulting in any claims being incorrect by as little as 1p are classified as errors and additional testing is then required on a larger sample.
- 5 The audit fee for grant claims in 2017/18 is £13,250 which is slightly less than the in £13,845 2016/17. This is less than the £14,250 charged in 2015/16, £16,460 charged in 2014/15, £19,000 charged in 2013/14, £20,638 charged in 2012/13 and £51,662 charged in 2011/12.

Agenda Item 7

Key Implications

Financial

The financial implications are included elsewhere in the report.

Legal Implications and Risk Assessment Statement.

There are no legal implications.

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

Equality Assessment

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

Appendices

Appendix A - Certification letter

Background Papers

None

Adrian Rowbotham

Chief Finance Officer



Adrian Rowbotham
 Chief Finance Officer
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17 December 2018

Dear Adrian

Certification work for Sevenoaks District Council for year ended 31 March 2018

We are required to certify the Housing Benefit subsidy claim submitted by Sevenoaks District Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments (PSAA) took on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015.

We have certified the Housing Benefit subsidy claim for the financial year 2017/18 relating to subsidy claimed of £26.9 million. Further details are set out in Appendix A.

We identified a number of issues from our certification work which we wish to highlight for your attention. Firstly, our initial testing identified one error with respect to the incorrect calculation of income. Secondly, the issues identified from our work related to only one of the two areas where we identified issues in the previous year. Full details of these areas and the issues identified can be seen in Appendix A. This does represent an improvement from the previous year however one area where issues were identified will require additional testing in 2018/19 to determine whether the issues have been sufficiently resolved. The extrapolated financial impact on the claim was again relatively insignificant to the total subsidy receivable and has been reported to the DWP.

As a result of the errors identified, the claim was qualified, and we reported our findings to the DWP. The DWP may require the Council to undertake further work or provide assurances on the errors we have identified.

The indicative fee for 2017/18 for the Council was based on the final 2015/16 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. The indicative scale fee set by PSAA for the Council for 2017/18 was £13,250, and we can confirm we are not proposing any additional fees in respect of the 2017/18 work.

Yours sincerely

Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2017/18

Claim or return	Value	Amended?	Amendment value	Qualified?	Comments
Housing Benefits Subsidy Claim	£26,874,643	No	N/A	Yes	See below for detailed comments on the issues identified in this year's Claim Form.

Findings from certification of housing benefits subsidy claim

Incorrect Claimant Income – Rent Allowances

In the previous year we identified an error in relation to the calculation of the claimant's earned income within the Rent Allowances section of the Claim Form. Given the nature of the population the Council were required to test 40 cases where the claimant's earned income is included within the Housing Benefit calculation for 2017-18. Testing identified five cases where the Council has not used the appropriate earnings within the benefit calculation. The errors were classified as:

- two cases where the claimant was overpaid (total value £101)
- two cases where the claimant was underpaid
- a further case where there was no impact on the claimant's benefit entitlement

These issues mean that detailed testing will be needed in this area in 2018-19 to determine whether the issues has been adequately resolved.

Overpayment Classification – Rent Allowances

In the previous year we also identified an error in relation to the calculation of overpayments within the Rent Allowances section of the Claim Form. Given the nature of the population the Council were required to test 40 Eligible Overpayments (the fault of the claimant) to determine whether they were correctly classified.

Our testing did not identify any errors.

Recommended actions for officers

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

Appendix B: Fees for 2017/18 certification work

Claim or return	2015/16 fee (£)	2017/18 indicative fee (£)	2017/18 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	£14,250	£13,250	£13,250	£0	N/A – no variance to scale fee identified.

INTERNAL AUDIT PROGRESS REPORT

Audit Committee - 8 January 2019

Report of	Audit Manager
Status	For Consideration
Key Decision	No

Executive Summary: The attached report (appendix A) is our second progress report to the Committee and details the progress (to December) towards completing the 2018/19 Audit Plan. Following adoption of a new format for reporting during the last meeting (October) this report also provides a broader update on the service, including developments in the service following appointment of the Interim Audit Manager (Chief Audit Executive) in August 2018.

Portfolio Holder	Cllr. John Scholey
Contact Officers	Russell Heppleston, Ext. 7053 Adrian Rowbotham, Ext. 7153

Recommendation to Audit Committee:

- a) That the Internal Audit Progress Report (appendix A) is noted

Reason for recommendation: Reporting the outcomes of the internal audit service is a requirement under the Public Sector Internal Audit Standards. As those charged with governance, the Audit Committee is required through its Terms of Reference to provide oversight of the internal audit service.

Introduction and Background

- 1 The Audit Committee receives regular updates from the Internal Audit partnership. Principally the focus on these updates is to track progress, findings, and key insights from delivery of the Internal Audit Plan. The Committee provide a key oversight role, and as those charged with governance, must be satisfied that the Council is operating effective internal control, risk and governance processes.
- 2 Following the appointment of a new Interim Audit Manager (Chief Audit Executive) in August 2018, the Committee agreed to adopt an updated and more integrated progress report. This report not only outlines progress against the audit plan, but also provides greater details on the development of the audit service, and the broader assurance and value provided by the service.

Agenda Item 8

Key Implications

Financial

The Internal Audit Partnership is responsible for delivering the audit service. Delivery of the plan is already approved within the Council's budget and so requires no new funding to be delivered.

Legal Implications and Risk Assessment Statement

There are no legal implications associated with this decision.

We present this report for information only and so it has no direct risk management implications.

Equality Assessment

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

Conclusions

This report provides Members with an update on the progress to date on the delivery of the 2018/19 Internal Audit Plan. It also provides a broader update on the audit service since our last report in October 2018.

Appendices

Appendix A - Internal Audit Progress Report
(January 2019)

Background Papers

The previous update was reported to the Audit Committee in October 2018 and is publically available on the Council's [website](#).

Adrian Rowbotham
Chief Finance Officer

DARTFORD & SEVENOAKS AUDIT PARTNERSHIP

Internal Audit Progress Report

January 2019



Introduction

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

“...undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

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



3. These ‘Standards’ mandate the mission of internal audit: ***to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.*** We achieve this by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance for the Council.
4. The Standards require that the Chief Audit Executive (the Audit Manager fulfils this role for the Council) issues an annual opinion. The Opinion considers **internal control, corporate governance and risk management**. It is a key part of the overall assurance, Members and Officers of the Council draw on when evaluating governance.
5. This report updates Members on progress and findings as we complete the Audit Plan approved by this Committee in [April 2018](#). In addition to providing insights from the wider governance roles that we fulfil.

Internal Control

6. Internal control is how the Council ensures achievement of its objectives. In particular, internal control achieves and displays effectiveness and efficiency, reliable financial reporting and compliance with law, rules and policies. It incorporates both financial and non-financial aspects.
7. We gather evidence to support this part of the Opinion principally through completing the reviews set out in our **audit plan**. As we deliver this work we assess and conclude on the overall level of assurance offered by the controls in accordance with the agreed definitions (see appendix I)

Audit Plan Progress

8. This Committee approved our Audit Plan 2018/19 in April 2018. The plan set out, a summary of the audit projects to be delivered, along with a resource plan showing the total number of days allocated to the plan.
9. We began work on the plan in May 2018, following completion of the remaining 2017/18 audit work.
10. We use a time recording system called Teammate to log all time spent on the different audit related tasks. This system enables us to capture time spent delivering different activities and individual audit projects.
11. We have been able to further analyse the data in the system, and set out below an updated table to show how we have utilised audit days up to December 2018. *Please note that as a result of the analysis, we have updated the previous reported figures from September 2018:*

Category	2018/19 Plan Days	Outturn to September 2018 (corrected)	Outturn to December 2018	Days Remaining
2017/18 Assurance Projects	0	8	8	N/A
2018/19 Assurance Projects	256	126 100	127 (+27 between Oct-Dec)	129
Contingency and Consultancy Reported as: <i>General administration/Committee reporting/service development/Audit Planning/risk management/joint working</i>	156	88 83	126 (+43 between Oct - Dec)	30
Totals (18/19 Work Only)	412	222 183	253	159

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12. Based on the figures above, we have utilised just over 60% of the planned days towards the 18/19 audit plan.
13. When bearing in mind the progress against the plan and remaining projects yet to be completed (detailed in the tables below), we are satisfied that we have the necessary days available to deliver all of the remaining projects on the plan.

Audit Work

14. The table below shows delivery of the audit plan up to the end of December 2018.

Audit projects completed

Sevenoaks Audit Plan 2018/19				
No	Title	Budget	Date Issued	Conclusion
2018/19 Audit Work Completed so far				
1	SDC7-18/19 Health	10	July 18	Full
2	ADDED Housing Register	5	August 18	n/a
3	SDC9-18/19 Fly-Tipping	5	September	Full
4	SDC11 - Environmental Health (Food Safety) SHARED	10*	November 18	Substantial
5	SDC8-18/19 Community Safety	5	November 18	Full
6	SDC1-18/19 Community Infrastructure Levy	5	December 18	Draft Reporting
7	ADDED PayPal – Data Analysis	10	December 18	Draft Reporting

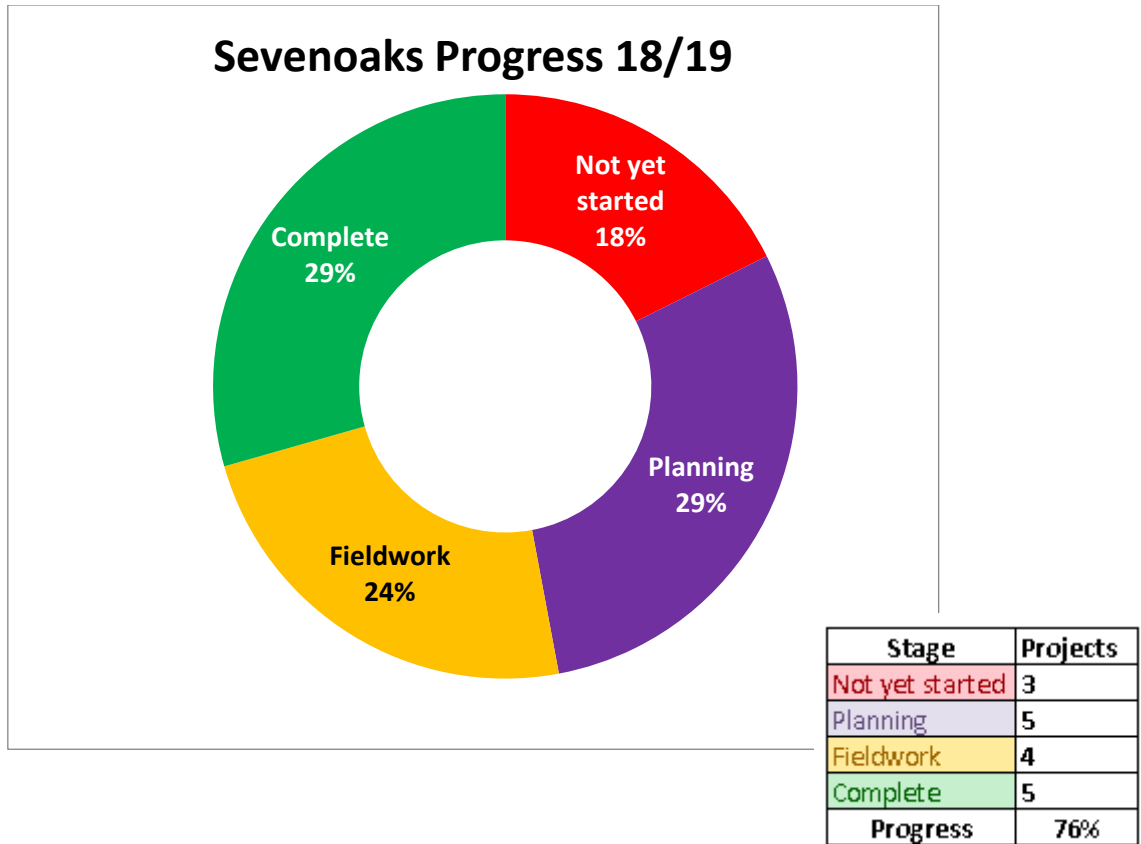
*Days shared with Dartford

Audit projects awaiting completion

Sevenoaks Audit Plan 2018/19				
No	Title	Budget	Expected	Progress
8	SDC5-DBC4-18/19 Council Tax Systems Mapping - SHARED	10*	Q3	Fieldwork
9	SDC10-18/19 Markets	10	Q3	Fieldwork
10	SDC6-DBC5-18/19 Business Rates Systems Mapping - SHARED	10*	Q3	Planning
11	SDC13-18/19 Payroll	10	Q3	Planning
12	SDC3-18/19 Homelessness Reduction Act	10	Q4	Planning
13	SDC15-18/19 IT Security	10	Q4	Planning
14	SDC12-18/19 Business Continuity	10	Q4	Planning
15	SDC14-18/19 GDPR	15	Q4	Not yet started
16	SDC2-18/19 Private Sector Letting Scheme	10	Q4	Not yet started
17	SDC4-18/19 – Accounts Receivable Systems Mapping	15	Q4	Not yet started

*Days shared with Dartford

15. The chart below shows a summary of the audit plan based on current progress (with fieldwork including any work not yet reported as final):



Audit Work Summaries

16. We include below executive summaries of the reports issued in final since our last update report in October 2018.

Shared Environmental Health: Food Safety – Issued in November 2018

17. The purpose of this audit review was to provide independent assurance on how new technology is being used to make the process for food safety inspections more efficient. This is in response to the significant increase in the number of new food business registrations received across the Partnership localities over the last six years.
18. It is our opinion based on the results of our work that there is **Substantial Assurance** in place to ensure that the service is working in compliance with the relevant legislation and in accordance with agreed procedures. This means there is generally a sound framework of control in place designed to meet the Council’s service objectives. However, there are isolated weaknesses in design of controls or inconsistent application of controls which put the achievement of a limited number of objectives at risk.
19. Our testing confirms that the service is operating the new software to undertake inspections and that those inspections are, conducted in accordance with legislation and the food standard agency requirements. However, there is a significant backlog of initial inspections for new premises which needs to be addressed. We raised 3 recommendations in this review, of the following priority ratings:

Priority Ranking	Number of recommendations
Very High	0
High	0
Medium	1
Low	2
Total	3

Community Safety – Issued in November 2018

20. The purpose of this audit review was to provide independent assurance over the effectiveness of the data sharing arrangements within the Community Safety service. The review focussed on testing compliance with the General Data Protection Regulations (GDPR) and the Data Protection Act 2018 (DPA 2018).
21. It is our opinion, based on the results of our work, that the controls in place provide **Full Assurance**. This means there is a sound framework of control in place, and that the expected controls tested are operating effectively.
22. We conclude as a result of our testing, that there are adequate provisions within the Kent and Medway Data Sharing Agreement to enable compliance with GDPR and Data Protection legislation. We raised no recommendations or actions in this review.

Audit actions

23. We raise recommendations to assist management in addressing control failings, or to suggest service improvements following the results of our testing. All audit recommendations are tracked and followed up during key points during the year (usually each quarter). This enables us to monitor and report progress towards implementation. If the actions have not been fully implemented then we will review dates and where appropriate, agree to defer and follow-up at a later date.

Project	Report Issue Date & Rating	Recs Agreed	Delayed	Agreed Deferrals	Not due	Closed	Completed	Full Completion date
Repair & Maintenance Arrangements 2014/15	5/5/15 Satisfactory/Satisfactory	13	0	0	0	1 (see para. 25)	12	Dec 2018
IT Acquisitions 2017/18	28/6/17 Substantial Assurance	2	0	1 (Low)	0	0	1	-
Tree Application – Decision Making 2017/18	15/12/17 Limited Assurance	3	0	1 (Low)	0	0	2	-
Members’ Expenses 2017/18	13/3/18 Substantial Assurance	1	0	0	1 (Medium)	0	0	-
Key Financial Systems 2017/18	9/4/18 Limited Assurance	5	0	0	1 (Medium)	0	4	
Print Studio 2017/18	13/4/18 Limited Assurance	3	0	3 (1 High, 2 Medium) ¹	0	0		-
Quercus 7 2017/18	8/5/18 Substantial Assurance	2	0	0	0	0	2	Dec 2018
Fly-Tipping 2018/19	September 2018 Full Assurance	2	0	0	2 (Low)		0	-
Environmental Health – Food Safety 2018/19	December 2018 Substantial Assurance	3	0	0	2 (Low), 1 (Medium)		0	-
TOTAL		34	0	5	6	1	21	

24. Based on the results of our current follow-up work, there are 11 actions that are ‘live’ and which we are monitoring. We will report progress on the implementation of these actions as they fall due.

¹ See para. 26 for details

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Closed Actions

25. Following the significant passage of time for the *Repairs & Maintenance* outstanding action, and the **LOW** priority level, we have agreed to close the action and incorporate the service into the 2019/20 audit planning process.

High & Medium Priority Actions

26. **Print Room:** Following review of current progress we have agreed to defer follow-up action on these recommendations as they are dependent on the implementation of new software, which has been delayed until April 2019 – this is to allow for further testing of the software before roll out. Below are updates from the service with regards to the actions due:

Print Room	High Priority
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Action 1: Print Studio Supervisor/Head of Transformation and Strategy to liaise with the IT service to ensure that the software is installed on the agreed dates and that consideration be given to adding this item to the Project Working Group Agenda.

Response – December 2018

Response 1: Unfortunately the implementation of the Prisma software has been delayed until 1 April 2019 to allow for further testing to ensure that it delivers for the needs of both the customer (in placing their orders) and the Print Studio (for end-to-end job management and accurate charging). Progress on the project is being monitored at monthly one-to-one meetings.

Print Room	Medium Priority
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Action 2: Calculations [of print jobs] should be checked for accuracy by another member of staff. In the longer term, all job costings should be calculated on the 'Cannon Prisma' software as there is a facility to do this.

Action 3: Sales to council staff are formally recorded and non-payment (if applicable) of goods received are followed up. A payment reference (a name or number) should be recorded on Agresso so the payment can be identified so that non-payers can be followed up.

Response – December 2018

Response 2: The roll out of the Prisma software is expected to be implemented from the beginning of April 2019. Spot checks continue to be undertaken on current price calculations to ensure they are accurate.

Response 3: Transfer of staff orders to Prisma will take place from 1 April 2019.

Teammate

27. We purchased and implemented new audit management software in 2017/18 called Teammate. Following a period of training, and development, we are now using the system for all audit work undertaken from the 2018/19 audit plan. Part of the system is designed specifically to enable the automation of audit recommendations. This includes the facility to send out e-mail notifications, create and sign-off electronic working papers and greatly enhance reporting.
28. Since our last update in October we have begun to track and report on the implementation of audit actions through the software. All actions for 2018/19 work is now being captured, monitored and reported on through the software. Over time, this will enable us to create more powerful insights across our work, and also across the profile of the Council. In addition, to bringing greater efficiencies to the follow-up process.

Governance

29. Corporate governance is the rules, practices and processes that direct and control the Council. We gain evidence of the effectiveness of the Council's governance through completion of our governance related audits on the audit plan (such as GDPR), but also through 'other' activities. These include:
 - **Risk Management:** We are actively involved in the support and coordination of the Council's risk management processes. We Chair the Risk Management Group, and report at least annually to this Committee on how the Council is managing strategic and other key risks. Our audit work looks at operational risk management, and the effectiveness of the controls in place to manage those risks to acceptable levels;
 - **Counter Fraud:** We consider the risk of fraud in all of our regular audit projects, and our audit universe includes relevant policies and procedures aimed at preventing, detecting or tackling fraud (such as Officer Declarations, Gifts and Hospitality, and Expenses). We will be considering more proactive efforts as part of the 2019/20 audit plan;
 - **Whistleblowing (speaking-up):** The Committee reviewed and adopted the most recent policy in March / April 2017. The Audit Manager is a named officer in the policy, along with Senior Officers and the Chair of the Audit Committee. We will report feedback on whistleblowing matters to Members as part of the Annual Audit Opinion. To date, we have not received any official disclosures through the policy;
 - **Ad-hoc advice & Consultancy:** The Council has a number of working groups, and we sit, in an advisory capacity, on some in order to provide insight and a view from the risk and control perspective. Such groups include Safeguarding, Project Steering Group and Customer Re-design. In addition, contingency days built into the audit plan can be called upon to deliver special projects. Examples for Sevenoaks include the Housing Register and PayPal projects.
30. Our involvement enables us to provide greater insight into the governance of the Council. As these roles develop, our audit plan will be reactive to the demand on audit time and resource. This could include more or less involvement depending on the appetite of management.

We will continue to report outcomes to the Audit Committee throughout the year.

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Service update

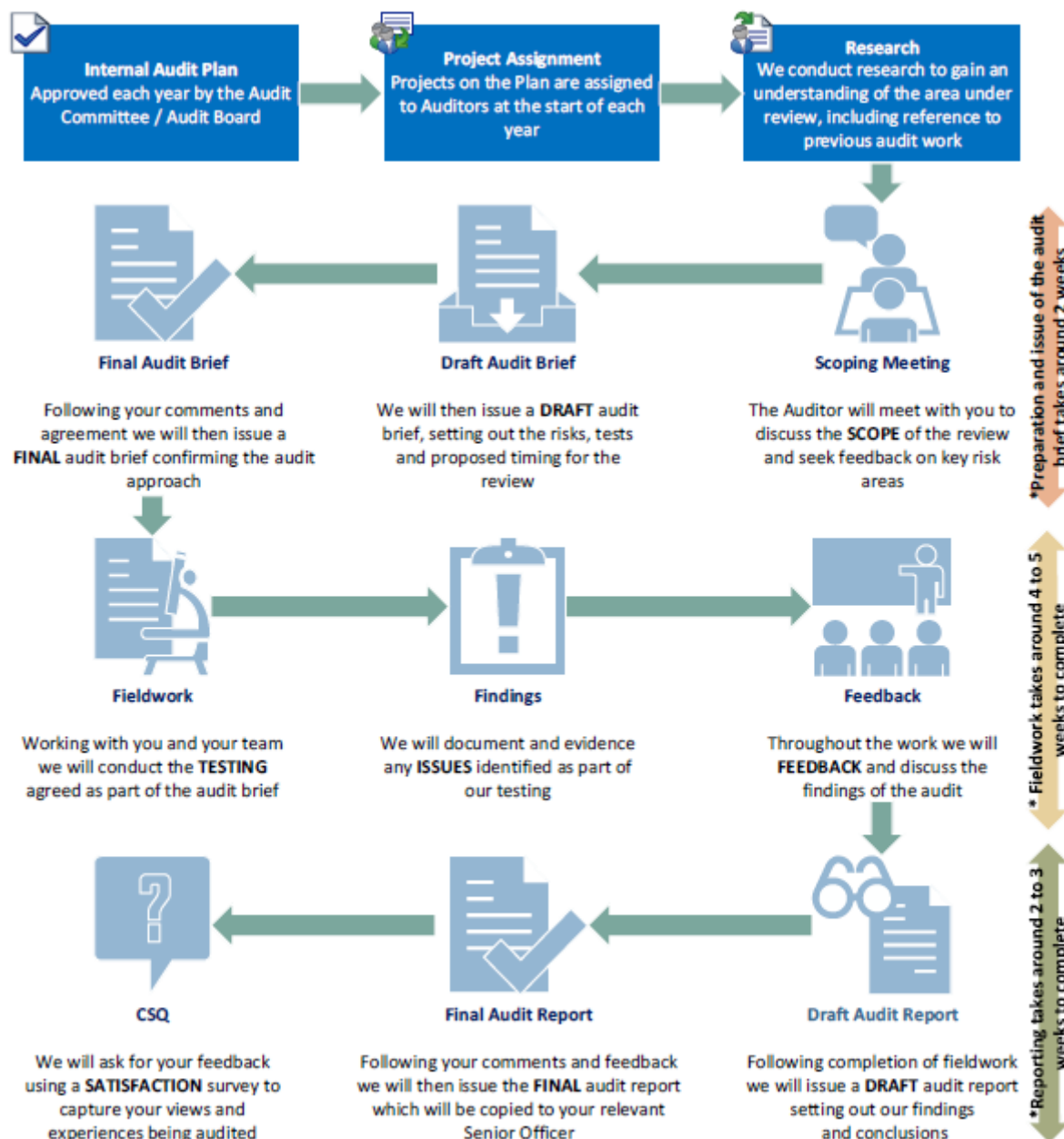
31. In the November Partnership Board meeting, the Board agreed to extend the secondment with Mid Kent Audit, to provide Audit Management (Chief Audit Executive) from **31/01/2019** to **31/03/2019**. This is to enable the Partnership Board to consider a more detailed proposal about the future strategy for the Internal Audit Service, and to enable the outcomes to be reported to Audit Committee in March 2019.
32. Building on our previous service update, below sets out the key objectives over the period, along with an indicator of progress to date. The references link to the External Quality Assessment recommendations (which were reported to this Committee in **July 2018**):

Action Area	Description	Progress	EQA
Audit Strategy & Operating Models	Draft the Internal Audit Strategy and delivery model options for the longer term operation of the service	50%	EQA 1.1
Audit Charter	Update the Internal Audit Charter to be compliant with the PSIAS, and to better reflect the level of service for each Authority. Charters to also set out the roles of CAE, Committee and set out the safeguards to independence	75%	EQA 1.0, 1.2
Internal Audit Process	Undertake an exercise to refresh the audit process to ensure compliance with PSIAS and harmonised where appropriate across both Authorities with the aid of Teammate to provide efficiency and consistent working practices	100%	EQA 3.2, 3.5, 4.1, 4.2, 4.6
Brand & Presentation	Update and refresh key audit documents (audit briefs, reports, follow-ups, and management team / audit committee reports) to include recognised good practice and to meet the needs of each Partner	85%	EQA 4.2
Communication & Engagement	Create a suite of supporting literature for auditee's and the Council to raise awareness of the service and wider profession (providing clarity / education of the internal audit service, process, FAQ's and consultancy & additional services)	85%	EQA 4.1, 4.2, 5.4
Risk Management	Provide updated risk management strategies for each Partner, including recognised good practice updates, and improved risk reporting to Management Teams and Members	25%	

33. Members will continue to receive regular updates on how the above actions are being progressed, and will be a key part of the process for approving any future plans and strategies for the service.

Internal Audit Process

34. The purpose of an Internal Audit is to provide independent and objective assurance over the effectiveness of the Council’s controls, risks and governance. We achieve this by documenting, reviewing and testing the systems, processes and controls in place for each area under review.
35. The summary below shows our updated process, which takes into account the requirements of the **Public Sector Internal Audit Standards**, and creates a consistent process for Partnership Auditors to follow when undertaking work in Sevenoaks and Dartford. The updated process is effective from December along with new audit brief and report templates which enable us to more effectively communicate the outcomes of our work.



**Timings are indicative, but generally we will aim to complete our work within 10 weeks of the brief being issued, adjusting for circumstances (such as Officer leave). This is only possible with your co-operation and availability during the audit process.*

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Performance

36. Following our work to update our existing processes, we have taken the opportunity to review how we measure our activity. From 1 December we adopted a new set of performance indicators for the partnership as a whole. For the time being, we are just intending to capture the information with a view to better understand how our processes are embedding, but moving forward into 2019/20 these indicators will form a link to the Internal Audit Strategy.

Finance: Associated performance indicators	Internal processes: Associated performance indicators
<p>F1: Projects Completed within budgeted days Reported on a project by project basis <i>Indicator measures any variance between the days agreed on the final brief vs. the actual time coded on Teammate TEC</i></p>	<p>I1: Time taken between issue of the DRAFT and FINAL Audit Brief Reported on a project by project basis <i>Indicator measures the effectiveness of our project planning and time taken to prepare the work programme</i></p>
<p>F2: Chargeable days Reported on a quarterly basis Indicator measures the actual chargeable activities against the assumptions made in the audit plan</p>	<p>I2: Time taken between the issue of the FEEDBACK and DRAFT report Reported on a project by project basis <i>Indicator measures the currency of our audit finding and effective engagement between Auditors and Clients</i></p>
<p>F3: PSIAS conformance Reported annually <i>Indicator measures effectiveness of the Quality Assurance & Improvement Programme (QIAP) to ensure compliance with professional Standards.</i></p>	<p>I3: Time taken between issue of the DRAFT report and FINAL report Reported on a project by project basis <i>Indicator measures the effectiveness of our process to finalise audit reports and issue the report in a timely manner</i></p>
Client satisfaction: Associated performance indicators	Learning & Development: Associated performance indicators
<p>C1: Respondents satisfied with the conduct of the Auditor Reported on a project by project basis <i>Indicator measures Client satisfaction with how we undertook the work, and takes into account our professionalism, approach and competence</i></p>	<p>L1: Audit actions fully implemented within agreed timescales Reported on a quarterly basis <i>Indicator measures the successful implementation of audit actions and the effectiveness of our follow-up process</i></p>
<p>C2: Respondents agreement with the audit actions Reported on a project by project basis <i>Indicator measures Client agreement to the audit findings and resulting actions from our audit work</i></p>	<p>L2: Training & development days Reported annually <i>Indicator measures our investment and time spent on training and development against the assumptions made in the audit plan</i></p>

37. As we move into quarter 4 we will begin to collate and report against these indicators and include an update in our next progress report in March 2019.

Acknowledgements

38. We would like to take this opportunity to thank Officers, Managers and Members for their ongoing support and assistance as we undertake our work throughout the year. Internal Audit continues to be seen as a critical friend within the Council and we are pleased to report that we do not receive any undue pressure or hindrance when undertaking our work.
39. Managers and Officers embrace the findings of each review, and we are pleased to see an appetite to seek improvement through the audit process. This, in part, is made possible through the hard work and dedication of our team, and the open and transparent approach they adopt when undertaking our work.

Appendix I

Definitions of Assurance ratings:

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

Audit Committee 2018/19 - Work Plan (as at 13/12/18)

	8 January 2019	28 March 2019	18 July 2019	17 September 2019
Internal Audit (Irregularities to be reported confidentially as & when necessary)	Internal Audit Report	Future of Internal Audit Services Report Internal Audit Report Internal Audit Plan 2019/20	Annual Self-Assessment Review of the Effectiveness of the Internal Audit Service 2018/19 Internal Audit Annual Report	
Risk Management				
Accounts and External Audit	Annual Audit Letter 2017/18 Housing Benefit Subsidy 2017/18	Annual Governance Statement 2018/19 Statement of Accounts 2018/19 - setting up a Member Working Group External Audit - Annual Audit Plan	Statement of Accounts 2018/19	

	8 January 2019	28 March 2019	18 July 2019	17 September 2019
Other	Member Development - Assurance on Value for Money	Annual Report to Council Member Development - Procurement and Contract Procedures	Audit Committee Terms of Reference Review of the Effectiveness of the Audit Committee 2018/19 Counter Fraud and Compliance Report 2018/19	