

## AUDIT COMMITTEE

Minutes of the meeting held on 28 March 2019 commencing at 7.00 pm

Present: Cllr. Grint (Chairman)

Cllr. Reay (Vice Chairman)

Cllrs. Ball, Clack, Layland, McArthur and Searles

Apologies for absence were received from Cllrs. Purves and Williamson

Cllr. Scholey was also present.

### 33. Minutes

Resolved: That the minutes of the meeting of the Audit Committee held on the 8 January 2019 be agreed and signed as a correct record.

### 34. Declarations of Interest

No additional declarations of interest were made.

### 35. Actions from the Previous Meeting

The actions were noted.

### 36. Responses of the Council, Cabinet or Council Committees to the Committee's reports or recommendations (if any)

There were none.

### 37. Member Development - Procurement and Contract Procedures

At the meeting of the Audit Committee on the 17 October 2018 it was agreed that a series of Member Development Briefings would be scheduled for the remaining 2018/19 meetings.

The Committee welcomed the Chief Officer Environmental and Operation Services who delivered a presentation on Procurement and contract procedures, focusing on the Council's procurement strategy. Members were invited to ask questions. It was advised that small and medium sized businesses were not necessarily discouraged by the paperwork involved in putting forward their services, and smaller and more local firms were sometimes awarded contracts. Members questioned the resources needed to meet the EU procurement requirement of advertising contracts worth over a certain amount in the Supplement to the Official Journal of the European

Union (OJEU). They were advised that the Council was required to pay a small fee to advertise and also to consider the working hours taken to submit the advertisement.

It was confirmed that the questionnaire and evaluation to be completed when submitting an application was adapted for different sizes and types of contracts and safety assurance was provided through health and safety reports. Members were advised that contractors would be informed before the bid of how their application would be evaluated. Preference would not usually be given to providers who had previously been awarded contracts, except for small jobs and minor maintenance for which the Council had a database of suitable providers. Members questioned whether procurement procedures formed part of the Council's Value for Money Assessment. The representative in attendance from the Council's external auditors Grant Thornton explained how although procurement procedures weren't considered directly and had not been identified as an area for specific attention this year, they were considered from an assurance perspective.

Resolved: That the report be noted.

38. External Audit - Annual Audit Plan 2018/19

The Chairman welcomed Sebastian Evans from Grant Thornton who presented the External Audit Plan for the year ending 31 March 2019. He advised that of the significant risks considered included, fraudulent transactions in the revenue cycle and management override of controls were presumed risks and non-specific to Sevenoaks. Other risks considered were valuation of land and buildings, valuation of pension fund net liability and significant risk relating to Governance arrangements over future income generation.

The external auditor noted that the introduction of a significant risk was not a result of any deterioration of the Council's ability to meet Audit requirements. The potential significant risk was associated with income generation, specifically the new companies Quercus 7 and Quercus Housing. Members were advised that Quercus 7 and Quercus Housing did have organisational experience however their role in the market place presented a potential risk and their statuses as independent companies. It was noted that the respective risk assessments had been reviewed by the relevant Advisory Committees and were managed by the Council through the Trading and Guarantor Boards (comprised of Cabinet Members). Members acknowledged that the Audit fee had decreased since last year and were advised that fees were closely linked to efficiency year on year however the level of service provided by the external auditor remained the same.

Resolved: That the report be noted.

39. Internal Audit Charter 2019

The Interim Audit Manager introduced a report which proposed an updated Internal Audit Charter from 2019. The Charter set out the authority, responsibility and

## Audit Committee - 28 March 2019

scope of the Audit Service. The Charter incorporated recommendations made by the 2017 External Quality Assessment and had been fully updated and to ensure compliance.

Members questioned the extent to which Council employees were made aware of the work of the Audit Service and were advised that the Audit Team were engaging primarily with Managers to develop their understanding of internal audit and prepare them for upcoming audits in their sections. The Interim Audit Manager outlined the Audit team's future plan for increased engagement including an open day, training sessions and support relating to risk management.

Members approved of the changes made to the Charter and considered it to be easier to understand than the previous Charter.

Resolved: That the contents of the report be noted, and the revised Internal Audit Charter approved.

### 40. Internal Audit Progress Report

The Interim Audit Manager presented the report which set out the progress made by the Internal Audit Team in delivering the Annual Internal Audit Plan 2018/19 and a broader update of the service and its developments. The Committee's attention was drawn to a new style of reporting on assurance projects in response to an Action requested by the Committee at the previous meeting. The Committee were advised that since the publishing of the agenda the Audit projects relating to Markets and Business Rates Systems Mapping had been finalised, the Payroll review and the ICT Audit Needs Assessment had moved to the draft report stage and the Private Sector Letting Scheme and Homelessness Reduction Act work had progressed to the fieldwork stage. The Interim Audit Manager was confident that the projects would be delivered by 30 April 2019.

It was confirmed that there had been no change in the resourcing of the Internal Audit Team since the last committee meeting however a restructure was being planned. Updates on the delivery of the plan, and findings of internal audit work would be reported throughout the year. A tabled document showed the Audit Plan progress and it was noted that despite have slightly underutilised the days allocated to the Audit Plan, output remained on track. It was also noted that the Interim Audit Manager's contract (a secondment with Mid-Kent) had been extended to cover 1 April 2019 to 31 March 2020.

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.

### 41. Internal Audit Plan 2019/20

The Interim Audit Manager presented the report which detailed the Audit Plan work to be undertaken in 2019/20. The report also provided information related to

## Audit Committee - 28 March 2019

the planning process, outcomes of planning consultations and the resources necessary to deliver the plan. The Audit Committee is required through its Terms of Reference to consider and approve the plan each year.

*Action 1: The Internal Audit Plan 2019/20 is to be circulated to all Members in May.*

Resolved: That the draft Internal Audit Plan for 2019/20 be approved.

### 42. Statement of Accounts 2018/19 - Establishment of Member Working Group

The Chief Finance Officer introduced a report outlining the plans for the Committee to set up a Member working group to review the 2018/19 draft Statement of Accounts. Members were advised that due to the upcoming election, they would be unable to set up the working group until Membership of the Audit Committee was known. It was suggested that a Special Audit Committee take place on 21 May 2019 to allow the Committee to form the Working Group and assign membership.

Resolved: That a Member Working group be set up at a special Audit Committee on 21 May 2019 after membership of the Committee has been agreed, to review the 2018/19 draft Statement of Accounts.

### 43. Annual Governance Statement 2018/19

The Chief Finance Officer presented the report. The Annual Governance Statement (AGS) was a corporate document that explained the Council's governance arrangements and the controls it employs to manage the risk of failure to achieve strategic objectives. It was owned by all Senior Officers and Members of the Council. The process confirmed that the Council has sound systems of internal control and good governance arrangements in place. No significant governance issues had been raised through the AGS process.

Resolved: That the Annual Governance Statement 2018/19, which accompanied the Council's Accounts be agreed for signature by the Leader of the Council.

### 44. Draft Audit Committee Annual Report 2018/19

The Committee considered the Chairman's annual report for submission to the Council meeting on 30 April 2019 which set out the scope and responsibility of the Committee and gave an overview of the meetings and reports considered. The Committee wanted to express their thanks to the Chairman, Officers and also their fellow Committee Members for their contribution over the past 4 years.

Resolved: That the report be commended to Council.

## Audit Committee - 28 March 2019

### 45. Work Plan

Members noted that they had found the training session on Procurement useful and questioned if any training sessions were planned for subsequent meetings. They were advised that there was no training planned for the meeting on 18 July 2019 however the Committee would be invited to select briefings for 2019/20 at the July meeting. Members wished to thank the Portfolio Holder for Finance for his continued presence and support at meetings of the Audit Committee.

THE MEETING WAS CONCLUDED AT 8.21 PM

CHAIRMAN

