

28 March 2019 at 7.00 pm

Conference Room, Argyle Road, Sevenoaks
Despatched: 20.03.19



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 8 January 2019 as a correct record.	(Pages 1 - 4)	
2. Declarations of Interest Any declarations of interest not already registered.		
3. Actions from the 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 - Procurement and Contract Procedures	(Pages 7 - 18)	Richard Wilson Tel: 01732 227262
6. External Audit - Annual Audit Plan 2018/19	(Pages 19 - 36)	Adrian Rowbotham Tel: 01732 227153
7. Internal Audit Charter 2019	(Pages 37 - 48)	Russell Heppleston Tel: 01732227053
8. Internal Audit Progress Report	(Pages 49 - 64)	Russell Heppleston Tel: 01732227053
9. Internal Audit Plan 2019/20	(Pages 65 - 86)	Russell Heppleston Tel: 01732227053

- | | | | |
|-----|--|-------------------|---------------------------------------|
| 10. | Statement of Accounts 2018/19 -
Establishment of Member Working Group | (Pages 87 - 88) | Alan Mitchell
Tel: 01732227483 |
| 11. | Annual Governance Statement 2018/19 | (Pages 89 - 100) | Adrian Rowbotham
Tel: 01732 227153 |
| 12. | Draft Audit Committee Annual Report 2018/19 | (Pages 101 - 104) | Councillor
John Grint |
| 13. | Work Plan | (Pages 105 - 106) | |

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 8 January 2019 commencing at 7.00 pm

Present: Cllr. Grint (Chairman)

Cllrs. Ball, Clack, Layland and Searles

Apologies for absence were received from Cllrs. McArthur and Purves

Cllr. Scholey was also present.

24. Minutes

Resolved: That the minutes of the meeting of the Audit Committee held on the 16 October 2018 be agreed and signed as a correct record.

25. Declarations of Interest

No additional declarations of interest were made.

26. Actions from Previous Meeting

The actions were noted.

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

There were none.

28. Member Development - Assurance on Value for Money

At the meeting of the Audit Committee on 16 October 2018 it was agreed that a series of Member Development Briefings would be scheduled for the remaining 2018/19 meetings.

The Committee welcomed Sarah Ironmonger, the Engagement Lead and Sebastian Evans, the Audit Manager from the Council's External Auditors, Grant Thornton to the meeting. The representatives tabled a [document](#) for delivering a briefing session to the Committee covering Assurance on Value for Money. Members were invited to ask questions. It was advised that before giving an 'adverse' opinion the auditors would engage in conversation relating to the concerns. 'Except for' opinions would relate to singular areas for concern where all other functions were satisfactory. Value for Money assurance encompassed services the Council gave and received. Grant Thornton's feedback from Local Authorities had shown they would

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like issues to be raised early and have flexibility when deciding the scope of the audit. It was noted that any increase in scope may have cost implications.

Between reviews and reports Members were advised that Grant Thornton met quarterly with Officers and if significant issues were identified they would be brought to the attention of the Committee.

The Committee thanked Grant Thornton for providing the briefing.

29. External Audit - Annual Audit Letter 2017/18

The Grant Thornton Representatives summarised the key findings of the 2017/18 audit. The work carried out during the year consisted of audit of the accounts, Value for Money and the certification of the housing benefit grant claim. The Audit of the Accounts and Value for Money had also been presented to the Audit Committee on 19 July 2018.

Members were advised that the Pension Liability in the 2016 valuation had improved compared to the previous valuation. The next triannual valuation would take place in late 2019. Members raised concerns about the accuracy of valuations in a time of national uncertainty and were assured by Grant Thornton representatives that those issues would be considered when auditing the accounts.

Resolved: That the report be noted.

30. External Audit - Housing Benefit Subsidy 2017/18

Sarah Ironmonger and Sebastian Evans introduced a report on Housing Benefit Subsidy 2017/18. Grant Thornton, as the Council's external auditor, was required to certify certain grant claims submitted by the Council. 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.

Grant Thornton Representatives reported that errors had been identified in the 2017/18 return however the number continued to be small with a low monetary value. Members were advised that errors had been identified in 70 to 75% of all authorities for Housing Benefit Subsidy Claim forms. Second samples were tested for Incorrect Claimant Income and Overpayment Classification for Rent Allowances. Members requested more information on claimants who had been underpaid and were advised that for the cases identified the amount had been corrected.

The audit fee for grant claims in 2017/18 was £13,250 which was lower than the previous years.

Resolved: That the report be noted.

31. Internal Audit Progress Report

The Interim Audit Manager introduced the report which set out the progress made by the Internal Audit Team in completing the 2018/19 Audit Plan. Members were

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advised that the Interim Audit Manager's appointment had been extended from the end of January to the end of March.

Members considered the Audit work completed and it was noted that completion of the 2018/19 Audit Plan was on schedule. The Interim Audit Manager reminded Members of the restructuring of reports following the October 2018 Audit Committee which aimed to provide full reports with details on each of the summaries.

It was noted that since the publication of the agenda, the completed audit projects 'Community Infrastructure Levy' and 'Paypal - Data Analysis' had been finalised and of the audit projects awaiting completion, 'Council Tax Mapping' (shared) and 'Markets' had progressed to feedback stage.

The backlog of food inspections within Environmental Health was said to be related to a high volume of work due to inspections being required for all new premises and changes of management. Members raised questions on the high priority Print Studio recommendation which had been an agreed deferral. It was advised that its continued deferral had been agreed by management and compensatory controls had been put in place until the recommendation could be carried out. Concern was expressed on repeat deferrals of high and medium risk recommendations.

Action 1: That the Interim Audit Manager include information and details of the recommendation on the specific risks ranked Medium or higher.

Members wished to congratulate the Interim Audit Manager on his extended appointment and were pleased with the recent improvements to the shared service.

Resolved: That the Internal Audit Progress Report be noted.

32. Work Plan

It was noted that the Revised Internal Audit Charter would be considered at the Committee meeting on 28 March 2019.

THE MEETING WAS CONCLUDED AT 8.19 PM

CHAIRMAN

ACTIONS FROM THE MEETING HELD ON 08.01.2018

Action	Description	Status and last updated	Contact Officer
ACTION 1	That the Interim Audit Manager include information and details of the recommendation on the specific risks ranked Medium or higher.	January 2019: Further details included for 'audit actions' that are of High priority and above March 2019: Summaries updated to include more detail on Medium, High and Very High priority actions arising from our audit work	Russell Heppleston Ext. 7053

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MEMBER DEVELOPMENT - PROCUREMENT AND CONTRACT PROCEDURES

Audit Committee - 28 March 2019

Report of Chief Officer Environmental and Operational Services

Status For Information

Key Decision No

This report supports the Key Aim of the Council's promise to provide value for money.

Portfolio Holder Cllr. John Scholey

Contact Officer Richard Wilson, Ext. 7262

Recommendation to Audit Committee:

To note the report.

Introduction and Background

- 1 At a previous meeting Members of the Audit Committee requested a Member development item on Procurement and contract procedures.

Procurement Strategy

- 2 The Council's current Procurement Strategy was last revised and adopted by Cabinet in March 2016. A copy is attached as an appendix. The Strategy is currently due for a review in line with latest best practise and the recently adopted Council Plan.

- 3 Procurement is managed internally by a Corporate Procurement Group comprising of Senior Officers from the following teams:-

Direct Services; Emergency Planning and Property Services; Economic Development and Property; Legal; Parking; IT; Environmental Health; Housing and Health; Finance; Audit and Transformation and Strategy. The group is chaired by the Chief Officer, Environmental and Operational Services.

- 4 The Corporate Procurement Group plays a key role in minimising risk to the Council and regular internal audit checks provide assurance that appropriate procedures are being followed and recommendations for improvements are considered and implemented.

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- 5 A key role of the group is to ensure good procurement practise is embedded across the Authority by use of:
- Annual Forward Procurement Planning
 - Understanding of Procurement Legal requirements (EU Procurement rules and internal financial procedure rules)
 - Electronic tendering and advertising contract opportunities on the Kent Business Portal
 - Whole life evaluation
 - Use of waivers
 - Framework agreements
 - Training for staff
 - Internal audit reviews
 - Regular strategy reviews

Key Implications

Financial

The procurement strategy is designed to support the delivery of best value in all decision making for the purchase of goods and services. Adoption of the strategy will continue to promote effective use of Council resources ensuring value for money is achieved.

Legal Implications and Risk Assessment Statement.

Failure to follow appropriate procurement legislation and guidance has the potential to create significant implications for the Authority. The strategy promotes best practise and officers are clear in the requirements to adhere to financial procedure rules, and to take the professional advice of the Council's legal service to ensure legislation and guidance is followed in all procurement activity.

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 - Procurement Strategy 2016

Background Papers

None

Richard Wilson

Chief Officer Environmental and Operational Services

Sevenoaks District Council

Procurement Strategy



Procurement Strategy

This strategy sets out a clear framework for procurement at Sevenoaks District Council. It reflects the Council Vision and Promises and aligns with the financial and contract procedure rules set out in the Council's Constitution.

The Strategy is reviewed annually by the Council's Officer Procurement Group and updated as necessary to reflect developments in best practice procurement. Where updates are required the Procurement Strategy is reported to Members for approval.

We are always interested in ways to improve our approach to the Procurement and welcome your suggestions.

Contact us

Policy & Performance
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policy@sevenoaks.gov.uk

Publication details

Purpose of the Procurement Strategy

To ensure that the Council adopts appropriate principles in the purchase of goods and services, in accordance with legislation and its own contract and financial procedure rules.

Publication date

January 2016

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1. Background & Information

Introduction

Procurement is the process of acquiring goods, works and services from a range of suppliers. The process spans the whole cycle from the identification of needs through to the end of a services contract or the end of the useful life of an asset.

Procurement is broader than just buying or commissioning, it is about securing goods and services that best meet the needs of service users and the local community.

Procurement is a tool that when used effectively helps the Council to achieve its overall objectives. It remains critical to deliver best value in procurement but that does not mean that the key focus should be on price. It is important that procurement decisions are made in line with wider service and Council objectives. For Sevenoaks District Council this means considering environmental, social and community benefits alongside financial cost. Striking this balance is at the heart of best value procurement

Council Vision & Promises

All procurement activity is undertaken to help the Council achieve its vision and promises. The vision of the District Council can be summarised as:

“Pride in the District of Sevenoaks by working with the Community as a whole, to sustain and develop a fair, safe and thriving local economy.”

The Council’s promises are to:

- Provide value for money;
- Work in partnership to keep the District of Sevenoaks safe;

- Provide the high quality services residents want;
- Protect the Green Belt; and
- Support and grow the local economy.

The principal aim of this Procurement Strategy is to set a clear framework for best value procurement that enables the Council to achieve these promises and deliver its vision for the District.

Procurement at Sevenoaks District Council

Procurement is a key function that is embedded across all Council services. The Council has an established Officer Procurement Group with the primary objective to embed best practice procurement across the Council and oversee and champion improvement in procurement practices across the Council. Each Officer on the Procurement Group acts as a ‘Procurement Champion’ within their service area to ensure a best practice approach is adopted whenever a procurement exercise is undertaken. ‘Procurement Champions’ are supported by independent advice from the Council’s Legal Service.

This approach ensures the Council has a pool of procurement experience to draw on to deliver its aim of embedding best practice procurement across the Council.

The production of annual Procurement Plans is a key tool for services. They set out what needs to be procured each year, at what point in time and by which procurement method, i.e. quote, tender or EU procurement. The Procurement Plans form the basis for all procurement activity at Sevenoaks District Council.

2. Procurement Principles

Best Value

The Council seeks to deliver the best value for money in the procurement of all goods and services. This may not always be the lowest price but the procurement option that delivers the best value for money over the whole life of the product or contract.

An assessment of best value will incorporate a number of the principles set out in this strategy.

Social Value

The Public Services (Social Value) Act 2012 requires the Council to consider, at pre-procurement stage, how what is to be procured may improve social, environmental and economic well being of the District.

The Council will consider how social value could be improved through its procurement and will consult with the community on the design of procurement specifications to enhance social value where it is necessary to do so.

The Social Value Act is applied only to public service contracts and framework agreements to which Parts A and B of Schedule 3 of the Public Contracts Regulations 2006 apply and only those within this that are above EU thresholds in value.

Sustainability

Sustainability is an important consideration when making procurement decisions. It ensures that the Council considers the environmental impact of its procurement decisions.

Environmental impact is assessed at the key stages of procurement to ensure that principles of waste reduction,

recycling and use of environmentally acceptable materials are met.

Tools have been developed to assist officers in applying sustainability considerations, primarily through 'Pre-Qualification Questionnaires'.

Equality and Diversity

All procurement procedures comply with the Council's Equalities Statement and the Disability Discrimination Act.

The Council has regard to appropriate workforce strategies through the procurement process and includes an assessment of a potential suppliers approach to equalities and diversity as part of the tender evaluation criteria.

Tools have been developed to ensure officers apply Equalities criteria to procurement decisions including through 'Impact Assessment' templates.

Collaboration and Working in Partnership

The Council is committed to collaborating with other local authorities and organisations in the procurement process whenever it is appropriate. At each point a procurement need arises the Council always considers whether working in partnership or collaborating could deliver better outcomes or value for money.

Supporting Local Business and Small and Medium Enterprises

The Council is committed to supporting local businesses and community organisations, as well as small and medium enterprises (SMEs) to compete for and win contracts, insofar as it is possible within the legal framework.

3. Effective Practice & Decision Making

Effective practice

The Council fulfils its statutory duties meeting both EU Directives and UK statutory requirements, and taking account of case law that emerges. The Council also ensures that it follows the rules set out in its Constitution.

No one individual is permitted to authorise all stages of the procurement process. The authority to release funds from a budget is separated from the authority to certify the purchase, so as to ensure that at least two people are involved in determining that the purchase is legitimate, necessary and that it delivers value for money.

The Council's Officer Procurement Group oversees and champions best practice in procurement and works to ensure effective practice in all procurement. The Group is supported by advice from the Council's Legal Service and periodic Internal Audit reviews provide valuable feedback on the effectiveness of procurement practice.

Ethical behaviour

The highest standards of professional behaviour are expected from all Councillors and Officers in their dealings with partners and suppliers. The Council must always act with integrity and, where possible, with openness in undertaking procurement.

Any conflicts of interest in the procurement process are documented and managed in line with the Council's Constitution.

The Council must always act fairly with suppliers in all matters, including prompt payment in accordance with

agreed terms. There is no favouritism or bias shown towards one supplier over another. Procurement decisions must always be communicated clearly.

Decision Making

Procurement decisions are based on clear and justifiable evidence. They are transparent and have an audit trail which can be scrutinised.

Criteria are established prior to invitations to tender to enable a balanced evaluation to be made which takes into account quality, deliverability and fitness for purpose. Such criteria are shared with potential suppliers.

Procurement decisions are always made on the basis of the whole life evaluation of quotes and tenders.

Continuous Improvement

Procurement opportunities are always seen as an opportunity to improve. This can be improved outcomes for service users or the local community, better performance levels or reduced cost.

Continuous improvement is also applied to the on going training and development of officers involved in the procurement process and the tools the Council uses to assist in procurement activity. This includes the use of annual procurement plans, flow charts of procurement rules, user friendly guides and best practice advice on the Council Intranet and the use of the South East Business (SEB) portal.

Where contracts run for a number of years the contract is sufficiently flexible to provide for continuous improvement through the period of the contract.

3. Effective Practice & Decision Making

(continued)

Risk Management

The Council ensures that any risk to the authority or the community it serves, is properly recognised in all its procurement dealings. Risks are identified, evaluated and managed at every stage of the procurement process in accordance with the Council's risk management strategy and framework.

Safeguarding

The Council's Safeguarding Policy seeks to enhance the quality of life of children and vulnerable adults through consultation with them about the services we provide, identifying and responding to child and adult protection issues, seeking to prevent cases of abuse, promoting good practice and sharing information to assist in the prevention of abuse.

Where it is appropriate in the services being procured the Council is committed to ensuring suppliers have appropriate safeguarding measures in place and are aware of their requirements under the Council's Policy.

Staffing-related issues

Employees affected by any procurement process are consulted and those who may transfer as a consequence of a procurement decision will be protected under the Transfer and Undertaking Protection Regulations (TUPE).

The Council is committed to ensuring that contractors are good employers, and will look to ensure that contractors (and their subcontractors) utilise local labour wherever possible, particularly for apprenticeship schemes and similar.

4. Additional Information

Links to plans and strategies

The Council's Procurement Strategy is aligned to the commitments made in a number of other Council plans and strategies. These include the:

- Council's Constitution;
- Financial Procedure Rules;
- Contract Procedure Rules;
- Financial Strategy;
- Human Resources Strategy;
- Equality Statement;
- Safeguarding Policy;
- IT Strategy; and
- Risk Management Strategy.

Guidance for officers

Further procurement guidance is available on the Council's Intranet. This information includes:

- Procurement Policies;
- 'How to' Procurement Guides; and
- Best practice tools and advice.

Guidance for suppliers

Further procurement guidance is available to all potential suppliers on the Council's website. This information includes:

- Suppliers Guide;
- Financial Thresholds for contracts and tenders;
- Contract Register (through SEB Portal); and
- Current Contract Opportunities (through SEB Portal).

Sevenoaks District Council

Procurement Strategy

If you have any comments about this document or require further copies, please contact:

Policy & Performance
Sevenoaks District Council
Argyle Road
Sevenoaks
Kent
TN13 1HG

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Further information about Procurement is available on the Council's website at www.sevenoaks.gov.uk/procurement

Other formats:

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January 2016



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EXTERNAL AUDIT - ANNUAL AUDIT PLAN 2018/19

Audit Committee - 28 March 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 Grant Thornton would like to present the External Audit Plan for the year ending 31 March 2019.

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 2019.

Background Papers None

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Adrian Rowbotham

Chief Finance Officer

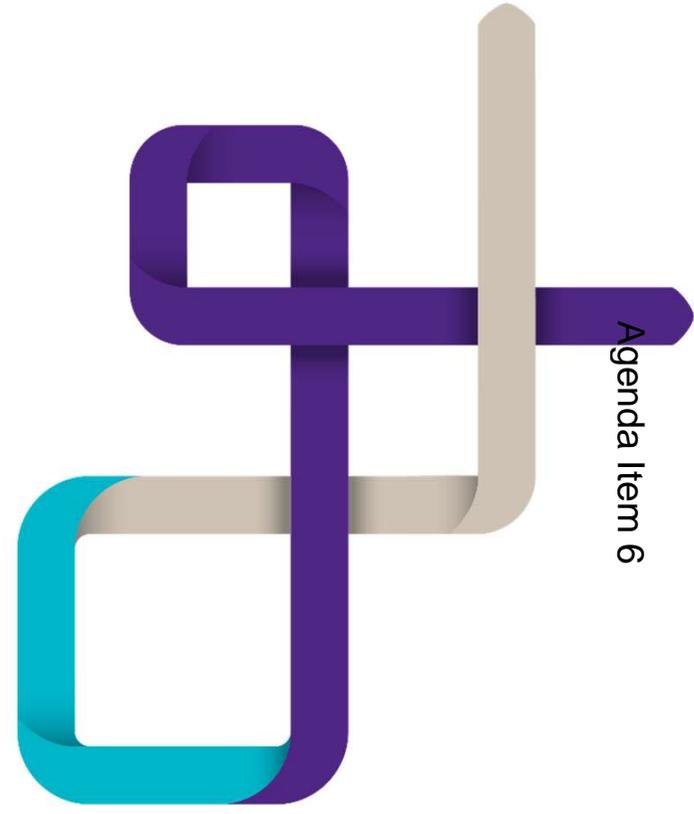


External Audit Plan

Year ending 31 March 2019

Sevenoaks District Council
14 March 2019

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Your key Grant Thornton team members are:

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Section

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2. Key matters impacting our audit
3. Significant risks identified
4. Other risks identified
5. Other matters
6. Materiality
7. Value for Money arrangements
8. Audit logistics, team & fees
9. Early Close
10. Independence & non-audit services

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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 Authority or all 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 Authority') 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 out in our 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 :

- Authority's financial statements 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 Authority 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 Authority 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 Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of your business and is risk based..

Significant risks

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

- revenue cycle includes fraudulent transactions (although in the case of Sevenoaks District Council we have been able to rebut this risk; see page 5)
- management override of controls
- valuation of land and buildings
- 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 £1.180 million (PY £1.062 million) for the Authority, which equates to 2% of your prior year gross expenditure for the year. 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 £0.059 million (PY £0.053 million).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following VfM significant risk:

- Governance arrangements over future income generation

Audit logistics

Our interim visit took place in February 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 £33,230 (PY: £43,156) for the Authority, subject to the Authority meeting our requirements set out on page 13.

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..

Key matters impacting our audit

Factors

The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents.

At the end of November 2018, you are projecting an unfavourable variance of £0.140 million, which represents 0.95% of the net service expenditure budget. Since then, a revised 10 year budget has been presented. (February 2019).

For the first time, this includes a 10 year balance sheet as well as a 10 year revenue budget. The revenue budget projects that there is no unfunded budget gap over the 10 year period, with contributions from the Stabilisation Reserve able to cover any budget gaps (of £2.729 million over the 10 year period.)

Brexit

There is uncertainty surrounding the outcome of the 'deal/no deal' decision to be made on 29th March 2019. There will be national and local implications resulting from Brexit that will impact on you which you will need to plan for. You will need to review your arrangements and plans to mitigate any risks arising including considering whether there is an impact on your asset valuations and the costs of some services.

Changes to the CIPFA 2018/19 Accounting Code

The most significant changes relate to the adoption of:

- IFRS 9 Financial Instruments which impacts on the classification and measurement of financial assets and introduces a new impairment model.
- IFRS 15 Revenue from Contracts with Customers which introduces a five step approach to revenue recognition.

Trading and housing subsidiaries

In 2015, you set up Quercus7 Limited, a subsidiary that will act as a Trading Company.

In 2017 this was followed by Quercus Housing Limited, a subsidiary to enable you to provide affordable housing funded from S106 contributions.

Quercus 7 began trading in January following its first property acquisition. While Quercus Housing is not currently trading, there is a probability that material capital acquisitions occur before year end in one or both entities.

As these subsidiaries continue to expand, the preparation of group accounts will need to be considered going forward.

New Audit Methodology

We will be using our new audit methodology and tool, LEAP, for the 2018/19 audit. It will enable us to be more responsive to changes that may occur in your organisation our knowledge of you into risk assessment and testing approach.

Agenda Item 6

Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to material uncertainty about the going concern of the Authority and will review related disclosures in the financial statements.
- We will follow up on recommendations from the 2017/18 Audit Findings Report
- We will keep you informed of changes to the financial reporting requirements for 2018/19 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 2018/19 CIPFA Code.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions (rebutted)	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, 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	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. You face external scrutiny of your spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

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 Report in July 2019.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings	<p>The Authority revalues its land and buildings on a five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£33 million of property, plant and equipment in 2017/18) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • test revaluations made during the year to see if they had been input correctly into the Authority's asset register

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 Report in July 2019.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£91 million in the Authority's balance sheet in 2017/18) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.

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 Report in July 2019.

Other risks identified

Other risks are, in the auditor's judgement, those 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 if misstatement for an other risk is lower than that for a significant risk and they are not considered to be areas that are highly judgemental, 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
Group Accounts	<p>In 2015, you set up Quercus7 Limited, a subsidiary that will act as a Trading Company.</p> <p>In 2017 this was followed by Quercus Housing Limited, a subsidiary to enable you to provide affordable housing funded from S106 contributions.</p> <p>Quercus 7 began trading in January following its first property acquisition. While Quercus Housing is not currently trading, there is a probability that material capital acquisitions occur before year end in one or both entities.</p> <p>As these subsidiaries continue to expand, the preparation of group accounts will need to be considered going forward.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the capital and operational activity taking place within Quercus7 and Quercus Housing; • evaluate management's determination and disclosures over whether group accounts are required or not. <p>Any first-year adoption of group accounts is likely to have resource and fee implications; should this occur, the Audit Committee will be requested to approve an additional fee.</p>

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 Report in July 2019.

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 read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Authority.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA.
- 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 legislation and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements;
 - issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State.
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
 - Issuing an advisory notice under Section 29 of the Act.
- 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 Authority'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

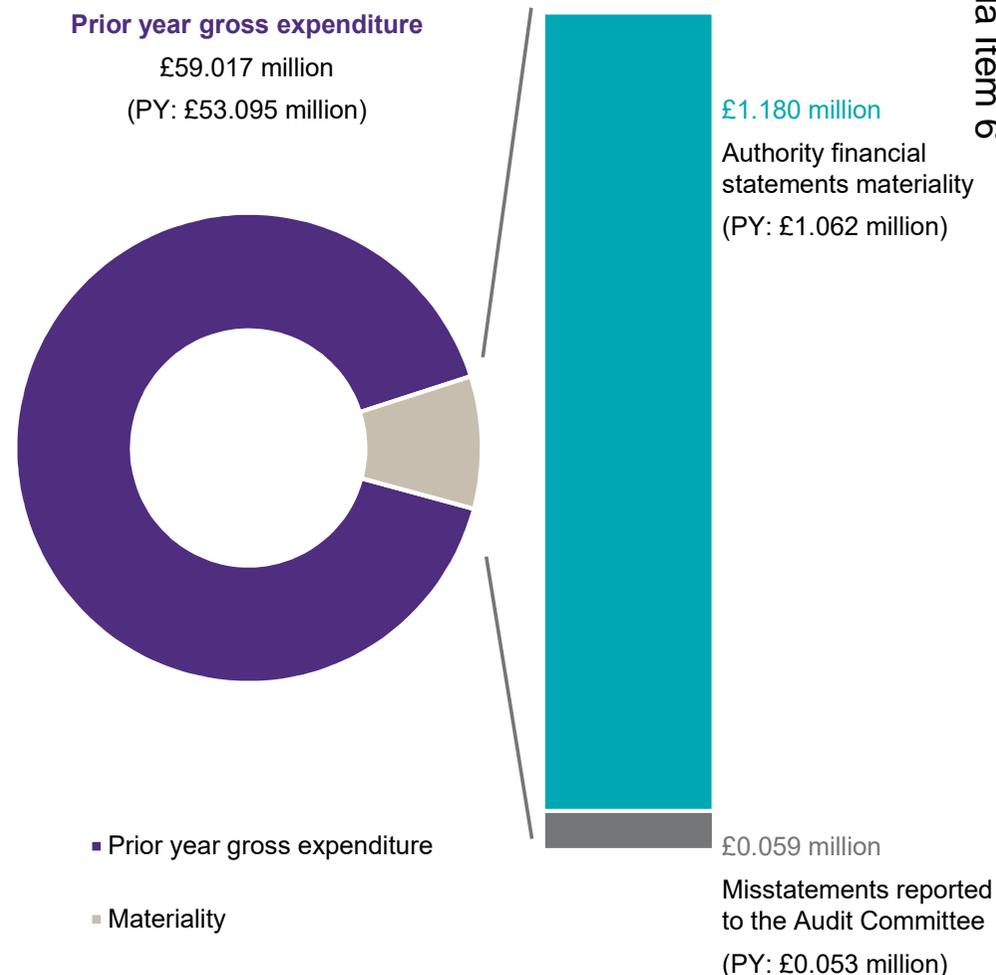
We have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1.180 million (PY £1.062 million) for the Authority, which equates to 2% of your prior year gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision.

We 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 Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.059 million (PY £0.053 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

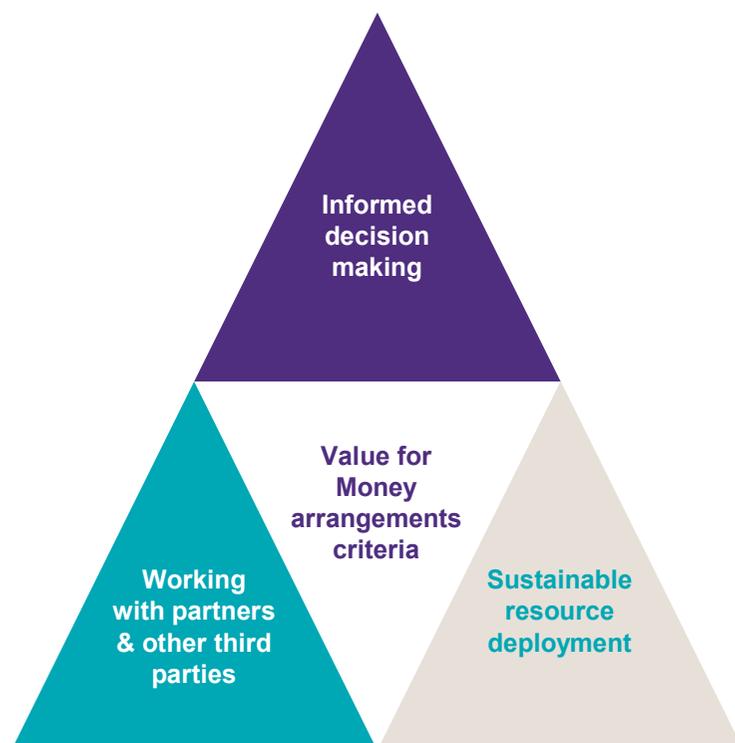
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

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:



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Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

Governance arrangements over future income generation

Income generation forms a key part of your 10-year budget; income from property investment income is planned to increase from £0.735 million per year in 2018/19 to £1.655 million per year in by 2028/29.

Alongside the existing Property Investment Strategy, during the year, an Income Generation Group (IGG) (led by the Head of Finance) was set up for the purpose of looking at existing income streams but also as a forum for identifying new opportunities and putting business cases in place for consideration at a Senior Management Team level.

Your financial planning has historically been accurate and robust, and you have a track record of hitting your planned results. Moreover, through the Property Investment Strategy you already have organisational experience of property investment more broadly. However, all forms of income generation carry an element of risk and need to be supported by informed decision making.

Part of your wider income generation plans will be delivered through subsidiary companies. In 2015, you set up Quercus7 Limited, a subsidiary that will act as a Trading Company. In 2017 this was followed by Quercus Housing Limited, a subsidiary to enable you to provide affordable housing funded from S106 contributions.

Quercus 7 began trading in January following its first property acquisition. While Quercus Housing is not currently trading, there is a probability that significant capital acquisitions occur before year end in one or both entities.

Although fully owned by Sevenoaks District Council, the two subsidiaries are legally separate entities. The acquisition strategy set out in the Property Investment Strategy aims to integrate the activities of Quercus7 (although not Quercus Housing, which is funded separately through S106 contributions) into your overall strategy, and so governance and oversight arrangements will need to be effectively integrated to ensure appropriate value for money is being obtained.

We will review your project management and risk assurance frameworks to understand how you are identifying, managing and monitoring risks and consider these arrangements against good practice. We will consider the composition, structure and outputs of the IGG and how effective these arrangements are in enabling you to obtain value for money from income generation opportunities.

Agenda Item 6

Audit logistics, team & fees



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Sarah Ironmonger, Engagement Lead

Responsible for overall client relationship, quality control, provision of accounts opinions, meeting with key internal stakeholders and final authorisation of reports. Attendance at Audit Committee (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 Committee (alongside Engagement Lead as required).



Ibukun Oluwasegun, 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 £33,230 (PY: £43,156) for the financial statements audit and £16,000 for grants certification completed under the Code.

In setting your fee, we have assumed that the scope of the audit, and the Authority 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 31 July audit timeframe

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

In 2017/18, the audit process to meet the early deadline ran smoothly overall and we were able to bring forward some of the audit work to earlier in the year.

Going into 2018/19, 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
- 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

Where individual clients are not able to 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 12). 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

Working together we can minimise the risk of a delayed audit or additional audit fees being incurred, your part is to:

- 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 any 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.

We confirm that we have implemented policies and procedures to meet the requirements of 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 2017 which set out supplementary guidance on ethical requirements for auditors of local public bodies.

Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. The following other services were identified/ No other services were identified:

Service	£	Threats	Safeguards
Audit related			
Certification of Housing Benefit Grant	16,000	Self-interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £16,000 in comparison to the total fee for the audit of £44,300 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

Non-audit related

Non-audit services

No non-audit services were identified.

Independence & non-audit services

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Authority's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.



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INTERNAL AUDIT CHARTER 2019

Audit Committee - 28 March 2019

Report of Audit Manager

Status For Decision

Key Decision No

Executive Summary: The Audit Charter (appendix A) sets out the purpose, authority and responsibility of the Audit Service. Following updates the professional standards and recommendations from the 2017 External Quality Assessment of the Internal Audit service, the Charter has been fully updated and refreshed to ensure compliance. Notably, the Charter includes those safeguards that are necessary to protect the objectivity and independence of the service, in addition to being reflective of specific governance arrangements for the Council.

Portfolio Holder Cllr. John Scholey

Contact Officer Russell Heppleston, Ext. 7053

 Adrian Rowbotham, Ext. 7153

Recommendation to Audit Committee: That the Internal Audit Charter (Appendix A) is agreed

Reason for recommendation: As those charged with governance, the Audit Committee is required through its Terms of Reference to consider and approve the Charter.

Introduction and Background

- 1 The Internal Audit Charter is a requirement of the [Public Sector Internal Audit Standards](#) (PSIAS). It is a key governance document that sets out the purpose, authority, and responsibility. In addition, the Charter reinforces the ‘mission’ of Internal Audit as a service that provides vital assurance, insight and improvement to the Council. The Audit Committee last considered and approved the Internal Audit Charter in January 2016.

- 2 In April 2017 the Standards were updated, and additional application notes and guidance was put in place to assist with compliance. As such, when the Partnership had the follow-up review to the 2015 External Quality Assessment (EQA), a number of gaps were identified. PricewaterhouseCoopers LLP (PWC) who conducted the review, made the following recommendations:

1.2 Internal Audit Charter

A number of improvements should be made as follows:

- The Charter should clearly define the 'board' and 'senior management' within the Authority;
 - Further detail should be included on work undertaken outside of the audit programme and independence safeguards in place to maintain auditor independence;
 - The PSIAS state that the Charter should define the role of Internal Audit in fraud related work; this is not captured in the Charter at present; and
 - Reporting in place, including the annual summary report should be noted in the Charter.
-

- 3 Following the appointment of a new Interim Audit Manager (Chief Audit Executive) in August 2018, we have taken the opportunity to completely review, update and refresh the Charter for 2019. The Charter (attached in Appendix A) incorporates all of the 2017 updates to the Standards, addresses the gaps identified in the EQA and seeks to set out in greater clarity the purpose and responsibility of the service for the Council.

Key Implications

Financial

Effective governance of the Partnership is vital to ensure delivery of an effective audit service. The work undertaken by the Partnership is 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.

The Charter is required by Public Sector Internal Audit Standards and is a key governance document for the service. If Members decide not agree the Charter, then the risk is that the service will not be meeting / complying with 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

This report allows Members to discuss and approve the Internal Audit Charter. The new look Charter addresses all of the findings and outstanding actions from the 2017 External Quality Assessment (EQA). As such, we have taken the opportunity to refresh the format, include direct links to the Standards, and improve clarity but simplifying wording and using Plain English where possible.

Appendices

Appendix A - Internal Audit Charter 2019.

Background Papers

The previous Charter was reported to the Audit Committee in January 2016 and is publically available on the Council's [website](#).

The action plan and update from the follow-up of the External Quality Assessment (EQA) were reported to the Audit Committee in July 2018. Papers are available on the Council's [website](#).

Adrian Rowbotham
Chief Finance Officer

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Internal Audit Charter

March 2019



Introduction

The [Public Sector Internal Audit Standards](#) provide 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 ⁽¹⁰¹⁰⁾ elements of the International Professional Practices Framework (IPPF) which is applicable to all UK Local Authorities:



The Standards require for Internal Audit to implement and maintain an **Internal Audit Charter** ⁽¹⁰⁰⁰⁾. The Charter defines formally the purpose, authority and responsibility of Internal Audit.

Mission & Core Principles

The IPPF's overarching mandated Mission for internal audit services is: ***'to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.'*** The 'Core principles' that underpin delivery of the IPPF mission require internal audit functions to:

- Demonstrate integrity;
- Demonstrates competence & due professional care;
- Be objective and free from undue influence (independent);
- Align with the strategies, objectives and risks of the organisation;
- Be appropriately positioned and adequately resourced;
- Demonstrate quality and continuous improvement;
- Communicate effectively;
- Provide risk-based assurance;
- Be insightful, proactive, and future-focused; and
- Promote organisational improvement

Definition of Internal Auditing:

'An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'

(PSIAS March 2017)

Authority ⁽¹⁰⁰⁰⁾

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.”

Deriving authority from those Regulations and those authorising this Charter, Internal Audit is free to plan and undertake any audit work necessary to fulfil its scope ^(1110.A1) (the scope of the service is covered later in this document). To enable full discharge of its duties, Internal Audit are authorised to:

- Have a right of direct access to the Chair of the Audit Committee and Chief Executive ^(1110 PSR & 1111);
- Have free and unrestricted access to all services, records (including those held electronically), property and personnel;
- Obtain assistance where necessary from Council officers and third parties (including contractors) necessary to fulfil the scope of each audit engagement;

Purpose ⁽¹⁰⁰⁰⁾

Internal audit is a vital component to the Council's effective running, and will provide assurance, advice and insight to help protect and enhance the internal control, governance and risk management arrangements. The role of internal auditing has a mandatory definition within the Standards, as:

‘an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’

The service has a wider role to be the Council's 'critical friend', able to confidently challenge current practice, champion best practice and support management in improvement. This is achieved through internal audit providing a combination of assurance and consulting activities.

Responsibility ⁽¹⁰⁰⁰⁾

Responsibility for maintaining an effective system of internal audit within Sevenoaks District Council lies with the Chief Finance Officer (S151 Officer).

Provision of the internal audit service is through the **Dartford and Sevenoaks Internal Audit Partnership**, a shared service of audit and risk professionals. The role of Chief Audit Executive (CAE) is fulfilled by the Audit Manager, who is responsible for managing the internal audit service in accordance with the IPPF and arrangements as set out in this Charter.

For the purposes of this Charter the following definitions apply:

- **The Board:** Those charged with governance. For Sevenoaks this role is fulfilled by the [Audit Committee](#). The Board is responsible for approving the Charter, Audit Plan, and the scope of any external assessment or significant consultancy engagement. The Board will receive the results of the internal audit activity and outcomes of the Quality Assurance Improvement Programme (defined later in this document).
- **Senior Management:** Those responsible for executive leadership and direction. For Sevenoaks this role is fulfilled by the **Strategic Management Team**. Senior Management is engaged in approving the Charter, Audit Plan, and will receive the results of internal audit work as set out in the scope of this Charter.

The Audit Manager reports organisationally to the Audit Committee, and, with respect to activities undertaken at Sevenoaks, reports administratively and functionally to the Chief Finance Officer (Section 151 Officer).

Independence & objectivity ⁽¹¹⁰⁰⁾

Internal Audit will remain free from undue interference in determining the scope and nature of its work and communicating its results. The Audit Manager will comment on and confirm the independence and objectivity of the service in individual reports and, at least annually, to the Audit Committee.

Auditors must maintain 'an unbiased attitude that allows them to perform their engagements in such a manner that they believe in their work product and that no quality compromises are made' (PSIAS March 2017). Objectivity requires auditors to be impartial and to avoid conflicts of interests that may otherwise impact on their professional judgement.

To achieve the degree of independence and objectivity necessary to effectively discharge its responsibilities, arrangements are in place to ensure the internal audit activity:

- Are not authorised to perform executive or operational responsibilities;
- Cannot initiate or approve accounting transactions (outside of administration of the service)
- Cannot direct the activities of any Council employee (outside of administration of the service)
- Has the freedom and authority to report in their own name
- Will ensure the planning process recognises and addresses potential conflicts of interest through internal audit staff not undertaking an audit for at least 1 year in an area where they have had previous operational roles ^(1130.A1) and through adherence to the Council's declaration of interest processes

The Audit Partnership:

Formed in 2010 the Internal Audit partnership between Dartford and Sevenoaks provides internal audit, risk and governance services. Delivering in excess of 800 audit days a year, the team of auditors work across the Partnership conducting audit reviews and providing consultancy and risk management services.

If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to 'Senior Management' and 'the Board'.

Due Professional Care ⁽¹²⁰⁰⁾

Internal auditors will perform work with due professional care, competence and diligence. Internal auditors cannot be expected to identify every control weakness or irregularity but their work is designed to enable them to provide reasonable assurance regarding the controls examined within the scope of their review.

Internal auditors will have a continuing duty to develop and maintain their professional skills, knowledge and judgement based on appropriate training, ability, integrity and objectivity. Internal auditors will appraise themselves of the 'Mission', 'Core Principles', 'Definition of Internal Auditing', the 'Code of Ethics' and the 'Standards' and will work in accordance with them in the conduct of their duties.

Internal auditors will be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest. They have a direct, personal responsibility to report any suspicions of fraud, corruption or improper conduct to the Audit Manager in accordance with agreed procedures.

Internal auditors will treat the information they receive in carrying out their duties as confidential. There will be no unauthorised disclosure of information unless there is a legal or professional requirement to do so. Confidential information gained in the course of internal audit work will not be used for personal gain, and will be managed in accordance with data protection and relevant information governance policies.

Scope of Work

Assurance

Internal Audit work includes tasks that support the annual Audit Opinion. This assurance work covers three areas:

- **Internal Control:** The process for assuring achievement of the Council's objectives in operational effectiveness and efficiency, reliable financial reporting and compliance with laws, regulations and policies. It incorporates both financial and non-financial systems.
- **Corporate Governance:** The system of rules, practices and processes by which the Council is directed and controlled.
- **Risk Management:** The process of identifying, quantifying and managing the risks that the Council faces in attempting to achieve its objectives.

In addition to those three core areas Internal Audit may, subject to specific arrangements, undertake engagements in the areas of non-audit work, counter fraud and operational risk management as detailed in this Charter.

Internal Audit Plan ⁽²⁰¹⁰⁾

The Audit Manager produces an Annual Risk Based Internal Audit Plan to determine the priorities of the internal audit activity. The plan is developed in consultation with management, taking into account of the Council's priorities, objectives, risk management framework and internal audits own judgement of risks.

Strategic Management Team is consulted on the Annual Risk Based Internal Audit Plan, which will detail internal audit activities. The plan is reported the Audit Committee for approval.

A resource assessment will be conducted each year by the Audit Manager as part of the risk based audit plan to ensure that the resources needed to achieve that plan are appropriate, sufficient, and can be effectively deployed ⁽²⁰³⁰⁾. The Audit Manager is responsible for delivery of the plan and providing updates of progress throughout the year.

Non Audit Work

Consultancy ⁽¹⁰⁰⁰⁾

Internal Audit resource may sometimes be more usefully focussed towards providing advice and consultancy rather than assurance. Consultancy (such as advice, guidance and training) are activities undertaken by internal audit that are intended to add value and improve governance, risk management and control processes.

As such, the Standards allow for consultancy to happen, providing that safeguards are in place to manage any potential or perceived impairment to independence and objectivity ^(1112 PSR). For Sevenoaks non-audit work may be commissioned providing that:

- The nature, objective and scope are defined and agreed
- The request has been approved by a member of the Strategic Management Team
- The service has the right skills, experience and available resource, and
- Internal Audit involvement does not constitute a conflict of interest and will not involve assuming a management role in providing advice

The Audit Manager is responsible for ensuring all requests are reviewed in accordance with the above criteria before making the final decision. With respect to significant requests, defined as those which require the purchase of additional resources or amendment to the agreed audit plan, the Audit Manager will seek approval from the Chair of the Audit Committee and the Chief Finance Officer.

The outcomes of consultancy engagements will be communicated to the Board as part of the regular reporting of internal audit activities.

Risk Management

Internal Audit is responsible for co-ordinating risk management work, and for developing the risk management approach with the Risk Management Group. These roles, along with authoring risk reports, providing training and advice / coaching are all roles that are legitimate internal audit roles as defined by the IIA's position paper on *The Role of Internal Auditing in Enterprise-Wide Risk Management*. In taking these roles, the following safeguards to independence are in place:

- Internal separation of duties between the officers co-ordinating risk management and those undertaking audits
- Overall responsibility for the risk management sits with Strategic Management Team and the Audit Committee, and are reported as separate functions to the internal audit service
- Resource to provide risk management services is made available and reported in the audit plan, agreed by the Audit Committee
- Internal Audit do not set the risk appetite for the Council, or take operational responsibility for risk actions
- Any review or internal audit of the effectiveness of the risk management process will be undertaken independently from outside of the audit partnership. This enables independent assurance to be provided to the Board

Counter Fraud

The role of internal audit with regards to Counter Fraud is set out in the [Anti-Fraud and Corruption Strategy](#). Internal audit may assist or lead in the identification and investigation of suspected fraudulent activity. This may include referrals through the Council's [Whistleblowing Policy](#), the [National Fraud Initiative](#), or matters identified during the course of internal audit work. Such investigations present a potential impairment to independence, however, safeguards are provided through the Quality Assurance & Improvement Programme (QAIP). The outcomes of counter fraud work are communicated to Senior Management and the Audit Committee where appropriate to do so.

Management Responsibilities

To be effective, the Internal Audit service requires full co-operation of senior management. In approval of this Charter the Audit Committee and the Chief Finance Officer direct management to co-operate with the Internal Audit service in the delivery of their work. This includes, but is not limited to, agreeing suitable briefs for audit engagements, acting as audit sponsors, providing access to appropriate records, personnel and systems, responding to draft reports and implementing audit actions in line with agreed timescales.

Senior management will also update the Audit Manager of significant proposed changes to processes, systems, organisational structure, newly identified significant risks and cases of suspected or detected fraud, corruption or impropriety.

Senior management will also ensure that the Internal Audit service has sufficient resources to fulfil the Risk Based Internal Audit Plan as agreed by the Audit Committee.

Reporting ⁽²⁴⁰⁰⁾

The Audit Manager will deliver an **annual opinion** ⁽²⁴⁵⁰⁾ a report that can be used by the organisation to inform its Annual Governance Statement. The audit opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of internal controls, governance and risk management. The annual report will incorporate as a minimum:

- The scope including the time period covered for the opinion
- Scope limitations
- Consideration of all related projects including the reliance on other assurance providers
- A summary of the information that supports the opinion
- The risk or control framework or other criteria used as a basis for the overall opinion, and
- The overall opinion, judgment or conclusion reached
- A statement on conformance with the Public Sector Internal Audit Standards, the independence of the service, and the results of the Quality Assurance and Improvement Programme.

Internal audit will communicate the results of audit reviews, consultancy engagements, and updates on the performance of the internal audit activity to Senior Management and the Audit Committee.

Quality Assurance and Improvement Programme ⁽¹³⁰⁰⁾

The audit partnership has a quality assurance programme that covers internal and external assessments.

Internal assessments ⁽¹³¹¹⁾: The Partnership conducts an annual self-assessment against the Standards and has an action plan in place to ensure areas of non-compliance are improved. Audit Management review and sign-off of all stages of the audit process to ensure scope, fieldwork and conclusion of the work is consistent with the Standards.

External assessment ⁽¹³¹²⁾: The Partnership had an External Quality Assessment in 2015 and a follow-up in 2017. Results and subsequent follow-up actions were reported to the Audit Committee. The Audit Manager will keep the need for external assurance under review and agree the scope of such work with the Chief Finance Officer and Chairman of the Audit Committee as the need arises. This includes an assessment of the competence and professionalism of the external reviewer.

Review

The Charter will be reviewed annually and any changes reported to the Audit Committee for approval.

The Audit Manager will disclose any areas of non-conformance ⁽¹³²²⁾ with the Code of Ethics or the Standards, including the impacts on the overall scope or operation of the internal audit activity to senior management and the Audit Committee if identified.

The Charter is authorised within Sevenoaks District Council with the agreement of the Chairman of the Audit Committee and Chief Finance Officer

Agreed by Audit Committee: **March 2019**

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INTERNAL AUDIT PROGRESS REPORT

Audit Committee - 28 March 2019

Report of	Audit Manager
Status	For Consideration
Key Decision	No

Executive Summary: The attached report (appendix A) is our third progress report to the Committee and details the progress (to March 2019) towards completing the 2018/19 Audit Plan. Following adoption of a new format for reporting during the last meeting (January 2019) 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 Officer	Russell Heppleston, Ext. 7053 Adrian Rowbotham, Ext. 7153

Recommendation to Audit Committee: 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.

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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 January 2019.

Appendices

Appendix A - Internal Audit Progress Report
(March 2019)

Background Papers

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

Adrian Rowbotham
Chief Finance Officer

DARTFORD & SEVENOAKS AUDIT PARTNERSHIP

Internal Audit Progress Report

March 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. The table below shows how we have utilised audit days up to February 2019:

Category	2018/19 Plan Days	Outturn to December 2018	Outturn to February 2019	Days Remaining
2017/18 Assurance Projects	0	8	8	0
2018/19 Assurance Projects	256	127 (+27 between Oct-Dec)	165 (+38 between Jan – Feb)	91
Contingency and Consultancy Reported as: <i>General administration/Committee reporting/service development/Audit Planning/risk management/joint working</i>	156	126 (+43 between Oct - Dec)	147 (+21 between Jan- Feb)	9
Totals (18/19 Work Only)	412	253	312	100

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12. Based on the figures above, we have utilised just over 75% of the planned days towards the 18/19 audit plan.
13. When bearing in mind the progress against the plan and that we will be completing some projects in April (detailed in the tables below), we are satisfied that we have the necessary days available to deliver the remaining projects on the plan.

Audit Work

14. The table below shows delivery of the audit plan up to the time of publishing this report (Mid-March 2019).

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	Substantial
7	ADDED PayPal – Data Analysis	10	December 18	n/a
8	SDC5-DBC4-18/19 Council Tax Systems Mapping - SHARED	20*	February 19	Full

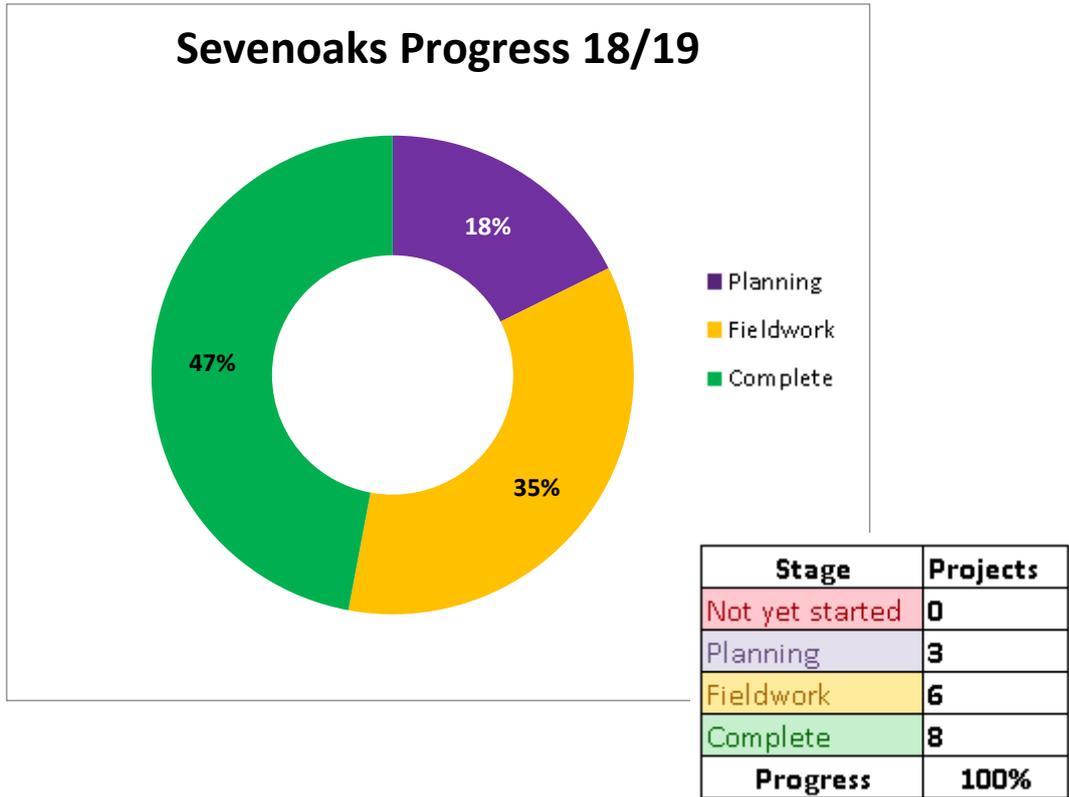
*Days shared with Dartford

Audit projects awaiting completion

Sevenoaks Audit Plan 2018/19				
No	Title	Budget	Expected	Progress
9	SDC10-18/19 Markets	10	March 19	Draft Report
10	SDC6-DBC5-18/19 Business Rates Systems Mapping - SHARED	10*	March 19	Fieldwork
11	SDC13-18/19 Payroll	10	March 19	Fieldwork
12	SDC4-18/19 – Accounts Receivable Systems Mapping	15	March 19	Fieldwork
13	SDC15-18/19: ICT Audit Needs Assessment	10	March 19	Fieldwork
14	SDC12-18/19 Business Continuity	10	March 19	Fieldwork
15	SDC2-18/19 Private Sector Letting Scheme	10	March 19	Planning
16	SDC3-18/19 Homelessness Reduction Act	10	April 19	Planning
17	SDC14-18/19 GDPR	15	April 19	Planning

*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 January 2019.

Shared – Council Tax Systems Mapping – Issued in February 2019

17. We conclude based on our audit work that the controls in place over the Council Tax system provide **FULL** assurance.
18. Dartford (DBC) and Sevenoaks (SDC) collect in the region of £150m of Council Tax (CT) each year. The vast majority of the funds collected are distributed onwards to the precepting bodies, including Kent County Council and Kent Police and Crime Commissioner and Kent & Medway Fire & Rescue Service
19. This review provides independent assurance over the adequacy of controls for the Council Tax process. We mapped the system from billing through to recovery and identified the key controls and risks. Our testing of the key controls confirms that the system is effective in **design** and **operation**. We identified no errors in our key controls testing.

PayPal: Data Analysis – Issued in December 2019

20. We were asked to collate and analyse transaction and usage data since the implementation of PayPal to support the post-implementation review of the project. The purpose of our work was to determine if value for money is being provided by the system. The outcomes of our analysis will be used to assist decision making over the longer term plan to use PayPal.
21. The scope of this work included:
 - a. To document, by way of a flowchart, the current processes and controls in place for the services that offer PayPal as a payment method
 - b. To collate activity data (including which areas have most take up)
 - c. To establish and calculate current transactions costs charged by PayPal relative to usage
 - d. To calculate the current cost (by way of resource and time) to the Council for PayPal transactions
 - e. To establish PayPal usage at other local authorities
 - f. To analyse data collated and report findings
22. As this work was undertaken as consultancy, no assurance rating was issued and we did not make any recommendations.

Community Infrastructure Levy (CIL) – Issued in December 2018

23. The purpose of this audit review was to provide independent assurance over the effectiveness of the controls for the implementation and administration of the Community Infrastructure Levy (CIL).
24. Following the completion of our fieldwork, and subsequent feedback with Officers, we conclude that there is a sound framework in place to administer the CIL scheme. Liabilities are calculated in accordance with the agreed fees, and applied in compliance with the parameters of the scheme. Funds are allocated with full regard to the agreed infrastructure headings through the CIL Spending Board. Our testing identified some areas for improvement. Firstly to bring Officer Delegations (for CIL exemptions) up to date. Secondly, to review and clarify the pre-requisite for Member Support as part of the Spending Board decision making.
25. It is our opinion, based on the results of our work, that the controls in place provide **Substantial Assurance**. We raised 2 actions which are summarised below:

Priority Ranking	Number of recommendations
Medium	2

CIL - Delegations	Medium Priority
<p>Finding: The delegations outlined for Officers in Development Services (pre-July 2018) do not include specific reference to authorise exemptions from CIL charges</p> <p>Action: Update officer delegations to include CIL exemptions</p>	
Response	
<p>Response: Agreed - The delegations to Managers have been updated in accordance with the recommendation</p> <p><i>Action was taken during the reporting phase of the audit to implement this action</i></p>	

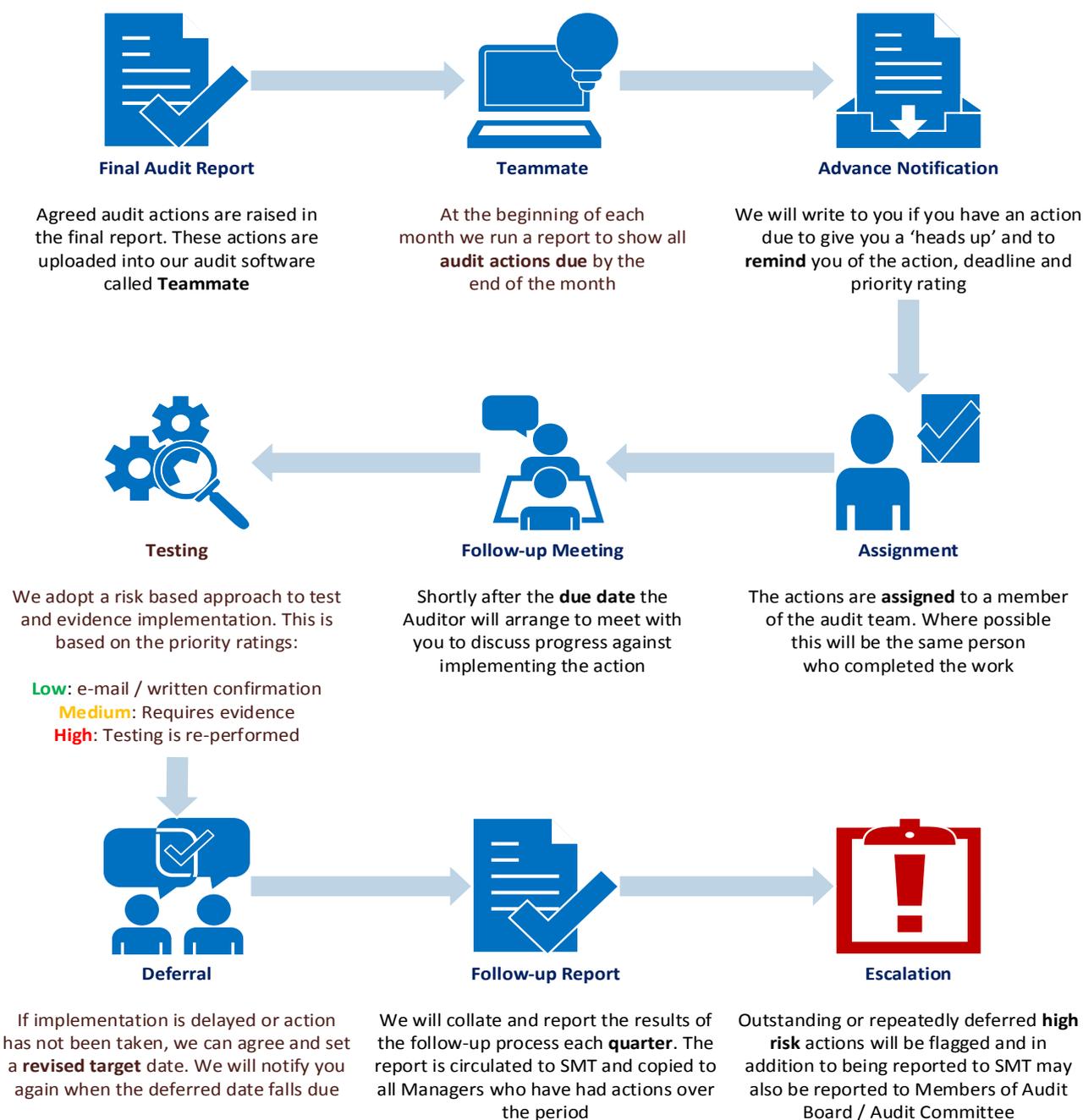
CIL - Governance	Medium Priority
<p>Finding: Our testing identified an instance where a scheme did not include the details of a supporting ward member</p> <p>Action: Clarify the current prerequisite requirements for Ward Member support and update the Constitution accordingly to reflect any agreed changes</p>	
Response	
<p>Response: Agreed - A review of CIL Governance will be conducted in Quarter 1 2019/20</p> <p><i>This action will be followed up between April – June 2019</i></p>	

DARTFORD & SEVENOAKS AUDIT PARTNERSHIP

Follow-up of Audit Actions

The mission of internal audit is to **enhance and protect organisational value by providing risk-based and objective assurance, advice and insight**. We achieve this by undertaking audit reviews which document, review and test the systems, processes and controls in place. Our findings sometimes identify instances where controls are not operating as effectively as they could, and so we seek to address these areas by raising **audit actions**.

Through discussion and feedback during the audit process, agreed actions are published in the audit report and we agree **target dates** in which to implement the agreed actions. This summary sets out the process we adopt to follow-up on the progress of implementing audit actions and also shows how the results are communicated to Management and Members. The process below shows the **'typical'** path, but in reality we are able to adapt on a case by case basis to reflect the circumstances of each service.



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

Audit actions

26. We raise recommendations to assist management in addressing control failings, or to suggest service improvements following the results of our testing. In accordance with our new follow-up process (outlined above) all audit actions are tracked and followed up when they fall due. The table below shows the current actions, and progress against implementation:

Project	Report Issue Date & Rating	Recs Agreed	Delayed	Agreed Deferrals	Not due	Closed	Completed	Full Completion date
IT Acquisitions 2017/18	28/6/17 Substantial Assurance	2	0	0	1 (Low) ¹	0	1	-
Tree Application – Decision Making 2017/18	15/12/17 Limited Assurance	3	0	0	0	0	3	Feb 2019
Members’ Expenses 2017/18	13/3/18 Substantial Assurance	1	0	0	0	0	1	Feb 2019
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	0	3 (1 High, 2 Medium) ¹	0		-
Fly-Tipping 2018/19	September 2018 Full Assurance	2	0	0	0	0	2	Feb 2019
Environmental Health – Food Safety 2018/19	December 2018 Substantial Assurance	3	0	0	0	0	3	March 2019
CIL 2018/19	December 2018 Substantial Assurance	2	0	0	1 (Medium)	0	1	
TOTAL		21	0	0	6	0	15	

27. Based on the results of our current follow-up work, there are **6** actions that are ‘live’ and which we are monitoring. We will report progress on the implementation of these actions as they fall due.

28. All of the actions due within the period were implemented as agreed.

¹ Agreed deferral to April as per January 2019 progress report

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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. The Audit Manager Chairs 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. **We will be working with Strategic Management Team in early 2019/20 to refresh the Council's Risk Management Strategy.**
 - **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.
31. We will continue to report outcomes to the Audit Committee throughout the year.

Service update

32. In the January Partnership Board meeting, the Board agreed to extend the secondment with Mid Kent Audit, to provide Audit Management (Chief Audit Executive) from **01/04/2019** to **31/03/2020**.
33. 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 Audit Board 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	75%	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, Audit Committee and set out the safeguards to independence	100%	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 board reports) to include recognised good practice and to meet the needs of each Partner	100%	EQA 4.2
Communication & Engagement	Create a suite of supporting literature for auditees 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)	90%	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	40%	

34. 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.

Acknowledgements

35. 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.
36. 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 Findings Priority Ratings

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

INTERNAL AUDIT PLAN 2019/20

Audit Committee - 28 March 2019

Report of	Audit Manager
Status	For Consideration
Key Decision	No

Executive Summary: In accordance with [Public Sector Internal Audit Standards](#) the Audit Service is required to establish a risk-based plan to determine the priorities of the internal audit service. This report details the audit planning process, and outcomes of planning consultations, and the resources necessary to deliver the plan. The report also provides details of the work to be undertaken over 2019/20. The Audit Committee, is required through its Terms of Reference to consider and approve the plan each year. Updates on the delivery of the plan, and findings of internal audit work will be reported throughout the year.

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

Recommendation to Audit Committee:

- a) That the Internal Audit Plan 2019/20 (appendix A) is approved
 - b) That the future work to review the Audit Partnership is noted
-

Reason for recommendation: The Internal Audit service is a required under the Public Sector Internal Audit Standards to have a plan that sets out the priorities and activities to be undertaken each year. As those charged with governance, the Audit Committee is required through its Terms of Reference to consider and formally approve the plan, and to provide ongoing oversight of the internal audit service.

Introduction and Background

- 1 In accordance with professional standards (Public Sector Internal Audit Standards) an annual audit plan is devised setting out the priorities and activities to be undertaken. This risk-based plan is aligned to the key risks of the Council, the corporate priorities and plans, and has consideration to the wider risks facing the Sector. The attached report (Appendix A) sets out the

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audit planning process, an assessment of how audit resources will be deployed during the year, and details of the audit work to be completed.

- 2 The Audit Committee, is required through its Terms of Reference to consider and approve the plan each year. Updates on the delivery of the plan, and findings of internal audit work will be reported throughout the year.
- 3 Following the appointment of a new Interim Audit Manager (Chief Audit Executive) in August 2018, the Audit Committee has been kept up to date with changes to the service. This work has been ongoing, but has been focussed on improving and enhancing the service. The audit plan (Appendix A) includes further details and steps necessary to restructure the service in early 2019/20 and to set a longer term strategy. Members will continue to be informed as this work progresses through the year.

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.

The audit plan is risk-based, and is therefore directly aligned to key risks. There are 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

The report requires Members to consider and agree the audit plan for 2019/20, and to note the future plans for the service over the same period.

Appendices

Appendix A - Internal Audit Plan 2019/20

Background Papers

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

Adrian Rowbotham
Chief Finance Officer

DARTFORD & SEVENOAKS AUDIT PARTNERSHIP

Internal Audit Plan

2019/20

Sevenoaks



Introduction

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

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

The Regulations state that services must follow the [Public Sector Internal Audit Standards](#) – which are mandated across the whole of the 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.

The 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.

In order to ensure that we work in accordance with the Standards and deliver on our mission we have an ***Internal Audit Charter***. The Charter sets out our purpose, authority and responsibility as an internal audit service for Sevenoaks District Council. Members will have opportunity to consider the Charter in conjunction with this report.

The Standards also set out the requirements over the audit plan. Specifically standard 2010:

2010 Planning

The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals.

Interpretation:

To develop the risk-based plan, the chief audit executive consults with senior management and the board and obtains an understanding of the organisation’s strategies, key business objectives, associated risks and risk management processes. The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organisation’s business, risks, operations, programmes, systems, and controls.

In accordance with that requirement, this report sets out the internal audit plan, it provides Members with a summary of the steps taken to develop, identify, assess and formulate the Audit Plan for 2019/20 and beyond, in addition to providing details of the audit activities and allocation of resources for the year.

Risk Based Planning

The Standards require that we apply a risk-based approach to our audit plan. As part of this assessment we need to be aware of and consider the risks directly facing the Council, in addition to the wider Sector and economic risks. We then need to apply our own risk assessment that includes an internal audit judgement of risk, plus the Council’s own assessment of risk.

We have undertaken a full risk based planning exercise this year to identify all of the auditable areas across the Council (the “**audit universe**” – Appendix I). The illustration below sets out how we have undertaken the audit planning exercise for 2019/20:



We applied a risk assessment (Appendix II) to each of the audit areas identified. This assessment takes into consideration the following criteria:

- **History:** Audit work undertaken in previous years and the overall conclusions
- **Frequency:** The length of time since we last conducted work in the area
- **Finance:** The level of materiality to the Council budget
- **Regulatory:** The legal, statutory or regulatory framework for the area
- **Priorities:** Links with the Council strategy and corporate plan
- **Inclusion:** Whether it is an area of regular audit attention
- **Change / Environment:** The stability of the operating environment

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Resulting from this exercise was a fully assessed and prioritised audit universe. As this is the first time that we ran this exercise, we identified a significant number of 'new' audit areas:

Sevenoaks Audit Universe	
Projects with past audit history	86
NEW Audit Areas	97
Total Audit Entities	183

Global and Sector Risks

In drawing together the audit plan, we also need to consider global and sector risks. This includes updates provided by relevant professional bodies, such as CIPFA. We also consult with our internal audit colleagues through groups such as London and Kent Audit Groups and through review of other published audit plans in the South East.

These sources give us insight into both the key issues facing local government and how other audit teams are responding either directly through the audit plans, or by providing advice and guidance. To show our consideration as part of the 2019/20 audit plan, we have used the [Risk in Focus 2019](#) publication from the Institute of Internal Auditors:

Hot Topics	Audit Partnership Response
IT Governance	The ICT Audit Needs Assessment being undertaken in March 2019 will result in a technical ICT audit plan which can be programmed in over the next few years
Post-GDPR Data Protection	We are completing a post-GDPR review in April 2019. The results of which will be incorporated into future audit planning
Digitalisation, Automation & AI	The ICT Audit Needs Assessment being undertaken in March 2019 will result in a technical ICT audit plan which can be programmed in over the next few years
Sustainability: Environment & Social Ethics	We have included audit work on the Local Air Quality Management plans for 2019/20.
Bribery & Corruption Compliance	Our work in 2019/20 will aim to strengthen governance arrangements. In particular the Counter Fraud Risk Assessment and Whistleblowing Policy work
Communication: Brand and Reputation	Reputational risk will be a key feature in the review of the Council's risk management framework
Workplace Culture	We have programmed in some specific HR Policy review work, and will be working across the Partnership to explore how workplace culture could be incorporated into every audit that we undertake
Risk Management & Governance	Our work in 2019/20 will aim to strengthen governance arrangements. In particular the Corporate Governance Framework assessment and Risk Management Framework

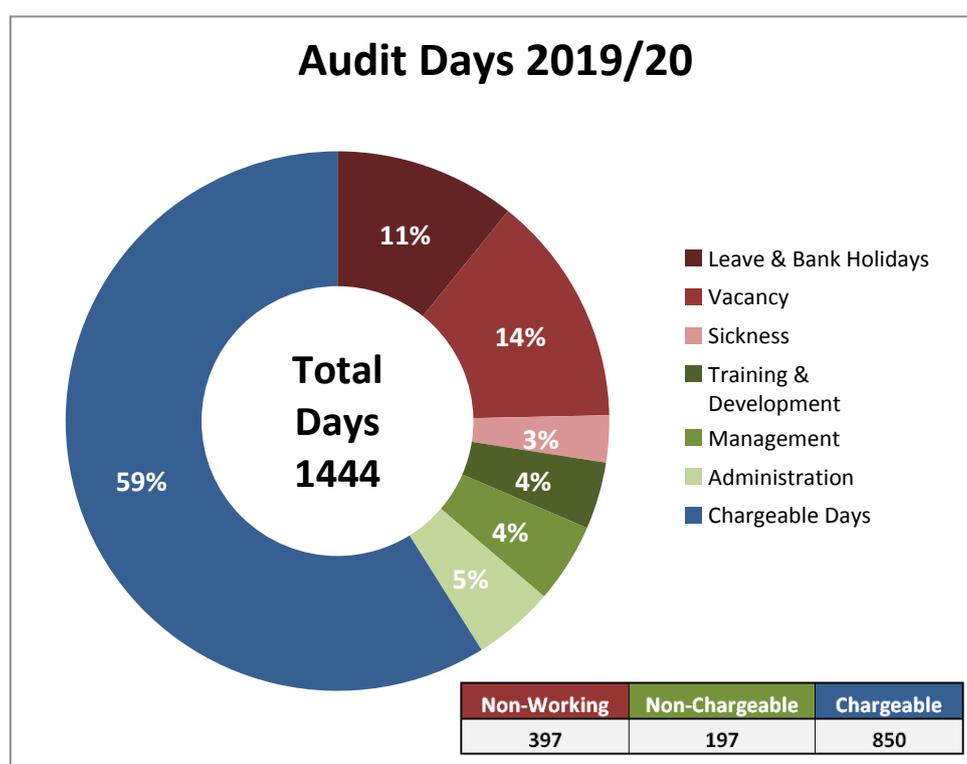
Given the scale of the exercise and the number of new audit areas resulting from the consultations and risk assessment exercise, we have drawn together a plan for 2019/20 of key risk areas only. However, the planning process is continuous, and as we work through the year, these assessments will be enhanced and developed in order to bring together a long term strategy in 2020/21 covering the next 3-5 years.

Once the planning exercise was complete, and we identified the audit priorities for 2019/20 we then need to consider the available resources to deliver the plan.

Resources

The Partnership consists of 5.8 FTE, plus 0.5 admin support. To calculate the total amount of resources available we take the total available days and subtract various categories of non-working and non-audit time. This enables us to ensure that we factor in the ongoing support and development of the service, in addition to the administrative demands of the role. We have factored in a small vacancy assumption for part of the year, as we continue to hold vacancies until the service review and restructure work has been completed (an update on this is provided later in this report).

The illustration below shows the breakdown of the total available days for the year:



The Partnership has access to 850 chargeable audit days for 2019/20. This is an increase of 26 on the 2018/19 plan. These days are split 50/50 for **Sevenoaks** and **Dartford**, and the available days are allocated to the audit plan. We are able to ensure flexibility in how those days are deployed depending on the demand from each partner. The table below shows the allocation of the **425** audit days for Sevenoaks:

Activity	Dartford		Sevenoaks	
	18/19	19/20	18/19	19/20
Risk Management		10		10
Counter Fraud		5		5
Member Support/Training/Meetings		10		10
Follow-Up		15		15
Audit Planning		10		10
Advisory & Consultancy		50		74
Total non-audit	156	95	156	119

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Available for projects	256	330	256	306
Total Days	412	425	412	425

Audit Standards requires us to assess whether the resources available are sufficient to fulfil the audit needs of the Council each year. In order to make this judgement, we consider:

- **Whether we had sufficient resource to complete our prior year plan**
 - On the whole the 18/19 audit plan will be achieved, this has been made possible through support from contractors – this resource remains available for 2019/20
- **Whether the size and complexity of the organisation has changed over the last year**
 - The Council has not undergone any significant changes over the last year
- **Whether the organisation's appetite for risk has changed**
 - The Council continues to pursue its corporate priorities, and commitment to deliver key strategic projects
- **If there have been any significant changes to the control environment, including any adverse audit opinions and response to our audit findings**
 - We issued no adverse opinions in 2018/19 and have continued to see positive responses to our findings
- **Whether there have been significant changes to professional standards**
 - There have been no significant updates to the Public Sector Internal Audit Standards

Based on the criteria above, we believe we have sufficient resources to deliver the 2019/20 plan.

The Audit Partnership 2019/20 and beyond

We have kept Members up to date with the progression of our service objectives following appointment of the Interim Audit Manager (Chief Audit Executive) in August 2018. The main focus over 2018/19 has been about developing the service, improving quality, and addressing the outstanding actions from the 2017 External Quality Assessment follow-up.

As we move forward into 2019/20 we will complete the work to review the Partnership and implement a new structure designed to create a sustainable, high quality, and fully compliant Internal Audit service. Without a doubt, this work will result in service disruption, change, and a period of embedding, all of which need to be factored into our 2019/20 plan. We have responded to this mainly by factoring a vacancy assumption for the first part of the year, this will enable us to maintain momentum of the work, alongside delivery of the restructure.

We set out a summary of the key steps below:

- **April 2019:** Following a period of consultation, the new service structure is agreed
- **May 2019:** Assessments are undertaken to align skills, knowledge and competencies with the roles and responsibilities in the new structure
- **June 2019:** Vacancies are advertised
- **July 2019:** Appointments are offered, and depending on notice periods, recruitment exercises are closed
- **August 2019 onwards:** New structure is live and induction and embedding work commences
- **September 2019 onwards:** Work begins to draft the longer term strategy for the Partnership

Agenda Item 9

- **December 2019 to March 2020:** Audit planning exercise undertaken to draft a 3-5 year assurance plan, showing coverage of the audit universe and alignment to strategic objectives

We will continue to keep Members updated with progress through our usual quarterly update reports.

Audit Plan 2019/20

The outcomes of our audit projects are concluded in one of two ways, those that lead us to issue an assurance rating (**rated**) and those that do not (**not rated**). Members will be familiar with our assurance ratings, and we have kept them the same for 2019/20 (Appendix III). We recognise that Internal Audit resources may sometimes be more usually focussed on supporting work in progress, or providing advice and insight. In these circumstances, an assurance rating is not appropriate. However, we do issue reports for this type of work and will continue to provide summaries in our reporting to Members.

The table below sets out our audit plan for 2019/20. We have categorised our work into 3 types of assurance:

- **Finance:** Those areas that present a material impact on the Council budget;
- **Governance:** Areas that sit in the corporate centre, such as laws and regulations
- **Risk-Based:** Operationally focussed work that looks at how effective controls are at managing key service risks

The plan also includes a short note on the objective of the work, and how we have allocated our available resources to each assurance area. The scope and individual budget for each project will be confirmed and agreed at planning stage. The work will be undertaken in accordance with our revised audit process, our quality assurance and improvement programme, and our performance will be measured using our new performance indicators (most recently reported to Audit Committee in **January 2019**).

Ref	Service Area	Audit Title	Type	Notes
SDC01	Financial Services	Capital Programme: Monitoring	Finance	Rated – To identify and review the controls in place to monitor spend against the agreed Capital Programme.
SDC02	Revenues & Benefits Partnership	Housing Benefits (Shared Service with Dartford)	Finance	Rated – Full systems based audit to map the system, identify key controls and risks and test effectiveness of controls.
SDC03	Financial Services	Budgetary Control & Monitoring	Finance	Rated – To identify and review the controls in place to monitor spend against the Council's budget, including guidance and support provided to budget managers.
SDC04	Parking Services	Pay and Display Income	Finance	Rated – To establish and test the controls in place over the collection, receipt and banking of pay and display income.
SDC05	Financial Services	Accounts Payable (Creditors)	Finance	Rated – Full systems based audit to map the system, identify key controls and risks and test effectiveness of controls.
FINANCE ASSURANCE			50 Days	

Ref	Service Area	Audit Title	Type	Notes
SDC06	Procurement	Contract Procedure Rules	Governance	Rated – To review and evaluate the rules, incorporating insight from other Local Authority rules, and to test compliance with the rules.
SDC07	Legal & Democratic	Scheme of Delegations & Decision Making	Governance	Rated – To document and review the schemes of delegations and to verify that decisions have complied with agreed delegations.
SDC08	Customer & Service Delivery	Complaints	Governance	Rated – To review the effectiveness of the procedures and processes in place to manage and respond to complaints.
SDC09	Audit Partnership	Fraud Risk Assessment	Governance	Not-Rated – Assessment against the Fighting Fraud and Corruption Locally checklist.
SDC10/DBC11*	Customer & Service Delivery	Programme Governance	Governance	Not-Rated – Programme governance health-check for corporate projects.
SDC11	Financial Services	Annual Governance Statement	Governance	Not-Rated - Work to review and update the Council's Annual Governance Statement.
SDC12	Legal & Democratic	Corporate Governance Code	Governance	Not-rated – Assessment against the Delivery Good Governance in Local Government Framework .
GOVERNANCE ASSURANCE			70 Days	
SDC13/DBC16*	Environmental Health Partnership	Animal Welfare / Control <i>(Shared Service with Dartford)</i>	Risk Based	Rated – To review the implementation and effectiveness of procedures following the introduction of new Regulations in October 2018.
SDC14	Housing & Health	Housing Allocations Policy	Risk Based	Rated – To review compliance with the Housing Allocations Policy.
SDC15	Planning	Development Management: Enforcement	Risk Based	Rated - To review the process for creating, documenting and executing planning control notices.
SDC16/DBC26*	Revenues & Benefits Partnership	Application of discretionary powers <i>(Shared Service with Dartford)</i>	Risk Based	Rated – To review a sample of discretionary policies and test application and issue.
SDC17	Direct Services	Grounds Maintenance	Risk Based	Rated – Review of the arrangements and processes in place to effectively deliver the ground maintenance service.
SDC18	Emergency Planning &	Private Sector Housing: Enforcement	Risk Based	Rated – This review will include the Housing Health & Safety

Ref	Service Area	Audit Title	Type	Notes
	Property Services Manager			Rating System (HHSRS) and Homes in Multiple Occupation HMO's).
SDC19/DBC17*	Environmental Health Partnership	Local Air Quality Management <i>(Shared Service with Dartford)</i>	Risk Based	Rated – To document and review the processes and controls in place to collect, monitor and report air quality data.
SDC20	Community Safety	Community Safety Partnership	Risk Based	Rated – To establish how the Council collects, maintains and reports data to support achievement of the Community Safety priorities.
SDC21	Direct Services	Fleet Management	Risk Based	Rated – This review will include the maintenance and replacement programme, procurement, and control of the fleet while in operation.
SDC22	Direct Services	Purchasing & Stock Management	Risk Based	Rated – To review the controls in place over the finance and administration processes at the depot (Dunbrik).
SDC23	Direct Services	Domestic Waste & Recycling	Risk Based	Rated – To review the controls in place to manage key risks associated with the waste collection service. Including the data transfer between the Council and KCC.
SDC24	Human Resources	Policy Compliance	Risk Based	Rated - To review a sample of HR policies and test compliance.
SDC25	Human Resources	Recruitment Process	Risk Based	Rated – <i>Limited scope</i> : Review will focus on the 'on-boarding' of new staff, including induction.
RISK BASED ASSURANCE			186 Days	
TOTAL DAYS: 306				

*Audit resource shared with Dartford

Appendix I: Sevenoaks Audit Universe

Chief Officer	Service Area	Auditable Areas
Chief Executive	Chief Executive	Quercus 7 (trading company)
		Quercus Housing (Ltd)
		Working Groups / Governance
Chief Officer - Environment & Operational Services	Environment & Operational Services	Corporate Health & Safety
		Contract Procedure Rules
		Contract Waivers
		Procurement
		Contract Management
	Direct Services	CCTV
		Emergency Stand by Service
		Countryside
		Grounds Maintenance
		Markets
		Abandoned vehicles
		Financial Management System (TASK)
		Pest Control
		Purchasing & Stock Management
		Bulky Refuse
		Cesspool Emptying
		Commercial Waste
		Domestic Waste & Recycling
		Fly-tipping
		Green waste collection
		CDSU (Cleaning District Support Unit)
		Public Conveniences
		Street Cleansing
		Fleet Management

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Vehicle Testing (Inc. MOT Servicing)

Chief Officer	Service Area	Auditable Areas
Page 78 Chief Officer - Environment & Operational Services (continued)	Licensing Partnership	Licensing: Administration & Fees
		Licensing: Compliance
		Taxi & Hackney Licenses
		Temporary Event Notices
		Licensing Partnership Arrangements
	Environmental Health Partnership	Food Safety
		Health & Safety in commercial premises
		Infectious Disease Control
		Paid for advice (Primary Authority Scheme)
		Animal Welfare / Control
		Consultancy: Planning / Licensing
		Contaminated Land
		Local Air Quality Management
		Pollution Control: Environmental Permitting
		Private Water Supplies
	Parking	Statutory Nuisance
		Parking Enforcement
		Parking Enforcement - Tandridge
		Pay and Display Income
		Residents / Business Parking Permits
		Parking Suspensions and Waivers
	Emergency Planning & Property Services	Season Tickets
		Asset Maintenance
		Property Income
		Facilities Management (General)
		Post, scanning and indexing
		Hospital Discharge Project
		Better Care Fund (Inc. DFG)
Private Sector Housing: Enforcement		
Traveller Sites / Encampments		
Business Continuity		

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		Emergency Planning
		Safety Advisory Group

Chief Officer	Service Area	Auditable Areas
Page 79 Chief Officer of Communities & Business	Economic Development & Property	"Team Around the Business"
		Economic Development Action Plan
		Property Management
		Property Investment
		Visit Kent Service Level Agreement
	Housing & Health	Housing Allocations Policy
		Housing Register
		Homelessness Reduction Act (implementation)
		Relief Duties: Emergency Accommodation
		Prevention Duties: Housing Advice & Prevention
		Empty Homes Initiatives
		HERO Project
		Private Sector Letting Scheme
		Public Health: Health in all Policies
		Public Health: One You
		Community Grants
		Community Plan
	Leisure Trust Monitoring	
	Community Safety	Dunton Green Community Development Project
		Anti-Social Behaviour
		Community Safety Partnership
		CSU: Day Tasking Process
		Safeguarding
		Community Projects & Funding / Income

Chief Officer	Service Area	Auditable Areas
Chief Officer Corporate Support	Customer Services & Delivery	Programme Governance
		Project Management Framework
		Complaints
		CRM System
		Customer Services
		Payment Kiosk
		Freedom of Information (Fol)
	Information & Communications Technology (ICT)	Service Desk (IT Support)
		ICT Audit Needs Assessment (March 2019)
		GIS - Data Quality
		Local Land Charges
	Human Resources	Culture / Value Framework
		Wellbeing Programme
		Officer Declarations
		Absence Management
		Change Management
		Performance Management / Capability
		Staff appraisals
		Policy Compliance
		Workforce Planning / People Strategy
		Apprenticeships
		Corporate Training
		Professional / Qualifications Training
		Payroll (System)
		Agency Staff, Consulting & Contracting
		Recruitment Process
Retention & Succession		
Legal & Democratic	Data Protection (GDPR)	
	Member Training & Development	
	Members Allowances	

		Members Expenses
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Chief Officer	Service Area	Auditable Areas
Chief Officer Corporate Support (continued)	Legal & Democratic (continued)	Corporate Governance Review
		Scheme of Delegations & Decision Making
		Case Management - Fee Earning
		Case Management - Time Recording
		LEXCEL Accreditation
		Gifts and Hospitality
		Member Declarations
		Officer Code of Conduct
		Member Induction
	Elections	Elections Process
		Electoral Registration
		Absent Voters

Chief Officer	Service Area	Auditable Areas
Chief Finance Officer	Chief Finance Officer	Budget Setting
		Annual Governance Statement (AGS)
		Shared Service / Partnership Governance
		Property Investment Strategy
	Financial Services	Budgetary Control & Monitoring
		Capital Programme: Strategy
		Capital Programme: Monitoring
		Banking Contract
		Cash Collection Contract
		Cashier Duties
		Payment / Credit Cards
		Accounts Payable (Creditors)
		Accounts Receivable (Debtors)
		Bank Reconciliation
		Feeder Systems & Journals
		Income Generation
		Insurance
		Transparency of Spending
		Treasury Management
		VAT Management (Make Tax Digital)
	Revenues & Benefits Partnership	Debt Recovery Policy
		Business Rate Relief Fraud Work
		Data Matching (NFI / KIN / HBMS)
		Fraud & Error Red. Incentive Scheme
		Council Tax Reduction
		Universal Credit
		Discretionary Housing Payments
		Application of discretionary powers
Housing Benefits		
Business Rates		

		Council Tax
	Audit Partnership	Counter Fraud Risk Assessment
		Risk Management

Chief Officer	Service Area	Auditable Areas
Chief Officer Planning	Chief Officer Planning	Community Infrastructure Levy (CIL)
	Planning	Development Management: Enforcement
		Planning Admin & Fees
		Planning Application Performance
		Pre-Application Advice
		Housing Strategy
		Conservation & Design
		Local Plan
	Building Control Partnership	Building Control Partnership
	Head of Transformation & Strategy	Transformation & Strategy
Assets of Community Value (Localism)		
Corporate / Strategic Planning		
Performance Management Framework		
Public Sector Equalities Duty		
Service Planning		
Customer Re-design Programme		
Digital Transformation		
Print Room		
Communication & Consultation Manager		Communication Strategy
		Internal Communications & Intranet
		Press & Public Relations
		Website
		Public Consultations

Summary

Total Projects	Finance	Governance	Risk Based
183	22	24	137

Appendix II

Risk Assessment Model:

		1	2	3
History	<i>What have been past audit conclusions of the area?</i>	Positive	Adverse	No / New
Frequency	<i>When did we last undertake the audit?</i>	Within 5 years	Within 3 years	Due / New
Finance	<i>How material is the spend or income of the audit area?</i>	Budget / income less than £500k	Budget / income between £500k - £1m	Budget / income into multiple £m's
Regulatory	<i>Is there a legal / regulatory requirement for the audit area?</i>	Discretionary Service	Regulated / Contracted Service	Statutory Service
Priorities	<i>What is the link to the Council's Corporate Plan?</i>	Operational	Corporate	Strategic
Inclusion	<i>Do we need to review this area regularly</i>	Occasional (5 years +)	Frequent (3 years)	Annual / New Area
Change / Context	<i>What do we know about the environment of the audit area?</i>	Stable / Minimal or No Change	Some Volatility / Isolated Change	Volatile / Significant Change
Overall Rating		1 - 10	10 - 17	18 - 21

Appendix III

Definitions of Assurance ratings:

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

STATEMENT OF ACCOUNTS 2018/19 - ESTABLISHMENT OF MEMBER WORKING GROUP

Audit Committee - 28 March 2019

Report of Chief Finance Officer

Status For Decision

Key Decision No

Portfolio Holder Cllr. John Scholey

Contact Officers Adrian Rowbotham, Ext. 7153

Alan Mitchell, Ext. 7483

Recommendation to Audit Committee: That a Member Working group be set up, after membership of the Committee has been agreed, to review the 2018/19 draft Statement of Accounts

Introduction and Background

- 1 The overall timetable reducing the time available to produced audited financial statements was introduced for 2017/18 so that the draft Statement of Accounts must be prepared by 31 May, audited and approved by members by 31 July.
- 2 For a number of 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 should give 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, Reay, McArthur, and Searles

Key Implications

Financial

None directly arising from this report.

ANNUAL GOVERNANCE STATEMENT 2018/19

Audit Committee - 28 March 2019

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 Adrian Rowbotham, Ext. 7153

Recommendation to Audit Committee:

It be resolved that the Annual Governance Statement 2018/19 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 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 they are considered annually by an appropriate body of the Council. The way that we do this, is through the Annual Governance Statement. This report (Appendix a) sets out the governance arrangements and the system of internal control that operated during 2018/19 and up to the time of the review (March 2019).

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

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Annual Governance Statement process is informed by the Accounts and Audit (England) Regulations, which requires that:

“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 complies 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 Interim Internal Audit Manager, Chief Executive (also as Head of Paid Service) and the Monitoring Officer, prior to consideration and endorsement by the Strategic Management Team. 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.
- 5 As this meeting is prior to the end of the financial year, a further check will be carried out to see if any new issues have arisen. If they have, the AGS will be amended and reported to a future Audit Committee.

Outcome of the Process

- 6 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. There is no perceived impact on end users.

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 2018/19 and in the period leading up to the preparation of the AGS and the Council's Accounts.

Appendices

Appendix A - Annual Governance Statement
2018/19

Background Papers

None

Adrian Rowbotham

Chief Finance Officer

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ANNUAL GOVERNANCE STATEMENT 2018/19

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, in particular the Annual Audit Opinion;
- 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 is owned by all Senior Officers and Members of the Council, because governance itself relies on all Officers and Members. 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 and 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. Under the Local Government Act 1999 the Council has a duty 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 (Chartered Institute of Public Finance and Accountancy / Society of Local Authority Chief Executives) Framework Delivering Good Governance in Local Government. A copy of the code can be obtained from the Internal Audit Team 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 to assess 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 and delivering objectives and priorities.

3.3 The governance framework has been in place at Sevenoaks District Council for the year ended 31 March 2019 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 up to November 2018 were set out in its Corporate Plan, and was replaced by the Council Plan for the remainder of the year, which was approved by Council on 20 November 2018. The Corporate Plan and Council 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.
- 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 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

The Council’s Internal Audit service is provided in partnership with Dartford Borough Council.

During 2018/19, the internal audit team have worked to deliver and achieve the annual audit plan, approved by the Audit Committee in April 2018. The service has provided regular updates to Members on the outcomes of audit work, progress on implemented audit actions, and also updates regarding the outstanding actions from the External Quality Assessment.

In August 2018 the Council entered into a secondment with Mid Kent Audit for the provision of an Audit Manager, a role that also fulfils the Chief Audit Executive functions. Over the course of the year the service has taken steps to review, update and improve delivery of audit work, and the Internal Audit process has been revised to reflect the requirements of the Public Sector Internal Audit Standards (PSIAS).

Internal audit have issued no adverse audit conclusions in 2018/19, and audit actions have been agreed and fully implemented. The Audit Committee request details of outstanding or deferred high priority actions, and while the Committee has not expressed any concerns over 2018/19, they have the power to invite Officers to attend meetings to provide updates directly.

Individual audit reports continue to be issued and distributed to relevant Chief Officers, with copies to the Chief Executive and Section 151 Officer.

The effectiveness of the Internal Audit service was assessed in 2017/18 (using the PSIAS checklist) following the formal follow-up of the EQA by PricewaterhouseCoopers. The assessment highlighted a number of outstanding actions which have been address during 2018/19. The assessment will be undertaken again in early 2019/20 to inform the Annual Audit Opinion. The outcomes, along with any actions will be reported to the Audit Committee in July 2019.

The service review and future strategy of the Internal Audit partnership will be finalised in the coming year (2019/20) and the Audit Committee, as those charged with governance, will provide continued oversight and direction as required. As such, the operation of the service will also be monitored by the Strategic Management Team, and the Section 151 Officer.

b) External Audit

The external audit service is provided by Grant Thornton. The External Auditor's reports are sent to 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 2017/18.

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 Risk Management Group and reported to the Audit Committee as appropriate.

Strategic risks are aligned to Council's promises and objectives and are actively monitored and updated throughout the year. In 2018/19 the strategic risk register was reviewed and updated, and was reported to the 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. 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, re-conferred by an external inspection regime in January 2019. The Council was the first local authority nationally to achieve this standard in 2016. Staff appraisals take place annually and are aligned to the values, behaviours and objectives of the Council. Training and development plans are part of the appraisal process and are used to identify any training needs over the year. As part of the ongoing commitment to develop and nurture staff 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. There have been no issues raised during the year that have impacted on the governance framework for the Council.

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. There were no disclosures or internal investigations during the year.

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 2018/19.

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 2018/19, 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 audit service 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 2017/18, 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 available to the Audit Committee upon request, and the outcomes of audit work is reported regularly. Each year the Committee receive the Annual Internal Audit Report, which includes the Annual Opinion on the Council's internal control, risk management and governance arrangements. The interim opinion for 2018/19 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:

DRAFT AUDIT COMMITTEE ANNUAL REPORT 2018/19

Audit Committee - 28 March 2019

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 2018/19.
- 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

- | | |
|--------------|---|
| July 2018 | <ul style="list-style-type: none">• Annual Self-Assessment Review of the Effectiveness of the Internal Audit Service 2017/18• Internal Audit Annual Report 2017/18• Internal Audit Recommendations Outstanding• External Review of Internal Audit - Update |
| October 2018 | <ul style="list-style-type: none">• Internal Audit Progress Report |
| January 2019 | <ul style="list-style-type: none">• Internal Audit Progress Report |
| March 2019 | <ul style="list-style-type: none">• Internal Audit Progress Report• Internal Audit Plan 2019/20 (including the future of the Internal Audit service)• Revised Audit Charter |

Agenda Item 12

Governance, Risk & Anti-Fraud

- July 2018
 - Audit Committee Terms of Reference
 - Counter Fraud and Compliance Report 2017/18
 - Review of the Effectiveness of the Audit Committee
- October 2018
 - Affordable Housing Company - Risk Assessment (presentation by Lesley Bowles, Chief Officer Communities and Business)
 - Members' Allowance Scheme Monitoring
 - Strategic Risk Update
 - Member Development Proposal
- March 2019
 - Annual Governance Statement 2018/19

Accounts and External Audit

- July 2018
 - Statement of Accounts 2017/18
- January 2019
 - External Audit - Housing Benefit Subsidy 2017/18
 - External Audit - Annual Audit Letter 2017/18
- March 2019
 - Statement of Accounts 2018/19 - Establishment of Member Working Group
 - External Audit - Annual Audit Plan

- 4 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.
- 5 Training of Audit Committee Members is important so as to ensure that they can add value to the discussions at the Committee. A Member Development Proposal was presented at the October meeting and Members agreed to have regular training sessions to ensure they are knowledgeable about the items in the Committee's Terms of Reference. The following training has taken place:
 - Grant Thornton provided a briefing on 'Assurance on Value for Money' on 8 January 2019.
 - Officers provided a briefing on 'Procurement and Contract Procedures' on 28 March 2019.
- 6 Further training will be scheduled at future meetings.

- 7 In addition to the core work of the Committee, a Member Working Group took place in June 2018 to review the draft Statement of Accounts. Its findings were reported back to the full Audit Committee at its meeting in July. The external auditors commented favourably on Members' involvement in the Annual Accounts process.
- 8 Russell Heppleston commenced as the Interim Audit Manager in August 2018. Russell has brought in some new ideas regarding the committee reports which has helped with Member engagement. The Internal Audit Service is currently in the process of being restructured which should add more value to the Council going forward.
- 9 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.
- 10 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, Russell Heppleston and Lisa Nyon for the help and support they have given the Committee during the year.

Cllr John Grint
Chairman, Audit Committee

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Audit Committee 2018/19 - Work Plan (as at 14/03/18)

	28 March 2019	18 July 2019	17 September 2019	28 February 2020
Internal Audit (Irregularities to be reported confidentially as & when necessary)	Internal Audit Report Internal Audit Plan 2019/20 Revised Audit Charter	Internal Audit Annual Report & Annual Opinion 2018/19 Internal Audit Progress Report 2019/20	Internal Audit Progress Report 2019/20	Internal Audit Progress Report 2019/20
Risk Management			Strategic Risk Register	
Accounts and External Audit	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		External Audit - Annual Audit Letter 2018/19 External Audit - Housing Benefit Subsidy 2018/19

	28 March 2019	18 July 2019	17 September 2019	28 February 2020
Other	<p>Annual Report to Council</p> <p>Member Development - Procurement and Contract Procedures</p>	<p>Audit Committee Terms of Reference</p> <p>Review of the Effectiveness of the Audit Committee 2018/19</p> <p>Counter Fraud and Compliance Report 2018/19</p>	<p>Members' Allowance Scheme Monitoring</p>	