

15 July 2021 at 7.00 pm

Council Chamber, Argyle Road, Sevenoaks

Published: 07.07.21



The meeting will be livestreamed to Youtube here:

[https://www.youtube.com/channel/UCIT1f\\_F5OfvTzxjZk6Zqn6g](https://www.youtube.com/channel/UCIT1f_F5OfvTzxjZk6Zqn6g)

Members of the public who wish to attend in person, are requested to wear face masks and observe social distancing. For health and safety reasons, access may be limited and will be on a first come first served basis

## Audit Committee

### Membership:

Chairman, Cllr. McGarvey; Vice-Chairman, Cllr. Morris

Cllrs. Barnes, Brown, Kitchener, London, Osborne-Jackson, Pender 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. <b>Minutes</b> To agree the Minutes of the meeting of the Audit Committee held on 30 March 2021, as a correct record.	(Pages 1 - 6)	
2. <b>Declarations of Interest</b> Any declarations of interest not already registered.		
3. <b>Actions from Previous Meeting (if any)</b>	(Pages 7 - 8)	
4. <b>Responses of the Council, Cabinet or Council Committees to the Committee's reports or recommendations (if any)</b>		
5. <b>Audit Committee Member Development - Counter Fraud and Whistle Blowing</b>	(Pages 9 - 12)	Francesca Chivers, Tel: 01732227053 Glen Moore, Tel: 01732227471
6. <b>External Audit Housing Benefit Subsidy 2019/20</b>	(Pages 13 - 22)	Adrian Rowbotham Tel: 01732 227153

- |     |  |                   |                                       |
|-----|--|-------------------|---------------------------------------|
| 7.  | <b>Counter Fraud and Compliance Report 2020/21</b>                             | (Pages 23 - 24)   | Glen Moore<br>Tel: 01732227471        |
| 8.  | <b>Statement of Accounts 2020/21 - Establishment of a Member Working Group</b> | (Pages 25 - 26)   | Alan Mitchell<br>Tel: 01732227483     |
| 9.  | <b>Internal Audit Annual Report and Annual Opinion 2020/21</b>                 | (Pages 27 - 66)   | Francesca Chivers<br>Tel: 01732227053 |
| 10. | <b>Annual Governance Statement 2020/21</b>                                     | (Pages 67 - 82)   | Adrian Rowbotham<br>Tel: 01732 227153 |
| 11. | <b>Audit Committee Terms of Reference</b>                                      | (Pages 83 - 90)   | Adrian Rowbotham<br>Tel: 01732 227153 |
| 12. | <b>Review of the Effectiveness of the Audit Committee 2020/21</b>              | (Pages 91 - 98)   | Adrian Rowbotham<br>Tel: 01732 227153 |
| 13. | <b>Independent Audit Committee Members</b>                                     | (Pages 99 - 102)  | Adrian Rowbotham<br>Tel: 01732 227153 |
| 14. | <b>Work Plan</b>   | (Pages 103 - 104) |                                       |

#### EXEMPT INFORMATION

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

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

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

**AUDIT COMMITTEE**

Minutes of the meeting held on 30 March 2021 commencing at 5.00 pm

Present: Cllr. McGarvey (Chairman)

Cllr. Morris (Vice Chairman)

Cllrs. Barnes, Brown, Kitchener, London, Osborne-Jackson, Pender and Williamson

Cllr. Griffiths was also present.

**DEFERMENT OF AGENDA ITEMS**

With the agreement of the Committee, the Chairman deferred Agenda item 9, 'Statement of Accounts 2020/21 - Establishment of Member Working Group' to the next meeting on 15 July 2021 as the deadline for signing the accounts had been extended allowing the Working Group to meet at a later date.

60. Minutes

Resolved: That the Minutes of the meeting of the Audit Committee held on 3 November 2020 be agreed and signed as a correct record.

61. Declarations of Interest

No additional declarations of interest were made.

62. Actions from Previous Meeting

There were none.

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

There were none.

64. Member Development

The Head of Legal and Democratic Services briefed Members on the role and functions of the Audit Committee, decision-making processes within the organisation, and governance.

Resolved: That the Members Development be noted.

65. External Audit - Annual Audit Letter 2019/20

The Chairman welcomed Paul Cuttle from Grant Thornton who presented the Annual Audit Letter for 2019/20. The letter included key findings of the previous year including audit of the accounts and value for money.

Following queries, Members were advised that materiality was defined as the size of the misstatement in the financial statements that would lead to a change or influence in economic decisions. The materiality set for the audit of the Council's financial statements was £1,110,000 which was 2% of the Council's gross revenue expenditure. The lower threshold was set at £55,000, anything above which had been reported to the Audit Committee in findings.

It was clarified that if there was a factual error found which was below the £55,000 threshold but it was believed there were likely more errors of this nature, the data would be extrapolated.

Resolved: That the report be noted.

66. External Audit - Annual Audit Plan 2020/21

Paul Cuttle from Grant Thornton presented the External Audit Plan for the year ending 31 March 2021. He advised that the significant risks considered included recognition of fraud in expenditure, management override of controls, and revenue cycles including fraudulent transactions. Other risks included the valuation of land and buildings as well as valuation of the pension fund net liability.

The approach for value for money arrangements for 2021 had changed. The National Audit Office introduced a new code of practice which included a new criteria that work would be completed against, more extensive reporting overall instead of reporting by exception, and the replacing of the binary qualified or unqualified approach with more sophisticated judgements.

Following queries on the increase in audit fees, Members were advised that changes to the approach to value for money arrangements and increased audit requirements of revised ISAs accounted for the proposed increase in 2020/21.

Resolved: That the report be noted.

67. Statement of Accounts - 2019/20 - Update

The Head of Finance presented the report which updated Members on the progress of the accounts since the previous meeting. The accounts had received a full clean audit opinion on 30 November 2020.

Correcting adjustments made in the 2019/20 tri-annual valuation gave rise to a £18.9m experience item adjustment. This was related to an error made by the actuaries in 2016/17 resulting in a significant change included in the 2019/20 Pension Fund Accounts. From 2016/17 to 2018/19 the Pension disclosure and accounting accurately reflected the information provided by Barnett Waddingham, actuaries of the Kent Pension Fund at the time. Due to the size of the error, it was classed as a material error. Although the error had caused concern, it did not have detrimental or real cost implications.

A letter of complaint was sent to Kent County Council Pensions, who were Barnett Waddingham's client, to formally raise the error on Sevenoaks District Council's behalf.

*Action 1: That a summary of the response received from Kent County Council Pensions regarding the error be circulated to Members of the Committee.*

Members praised Officers involved for completing the audit on time. In particular, the Council's Head of Finance and Grant Thornton's Sebastian Evans were praised for addressing the error in a timely manner.

Member expressed their thanks to Grant Thornton's staff Sebastian Evans who had recently left Grant Thornton, and Sarah Ironmonger whose 5 year term overseeing the Council had been concluded.

Resolved: That the report be noted.

68. External Quality Assessment

The Audit Manager presented the report which outlined the findings of the External Quality Assessment (EQA). The strengths of the Internal Audit Partnership included their reflection of the Standards and quality assurance & improvement programme. There were suggested areas to improve such as increasing the efficiency of audit work and continuing to develop quality of work. Overall, the assessor concluded the partnership had 'partially' conformed with Standards. Eight recommendations provided in the report had been accepted.

Prior to the EQA, a full self-assessment was undertaken. The EQA conclusions were largely aligned with the conclusions of the self-assessment.

Resolved: That the report be noted.

69. Internal Audit Progress Report 2020/21

The Audit Manager presented the report which set out internal audit progress and its outcomes since the last meeting. Whilst progress against the plan was not as advanced as desired, there had been further progress than this time the previous

year. It was likely that all work from 'Plan A' would be complete in time for the Annual Opinion in July. It was noted that cyber security, housing allocations policy and air quality had limited assurance.

Resolved: That the report be noted.

70. Internal Audit Plan and Charter 2021/22

The Audit Manager presented the report which provided the framework for Internal Audit activity in the 2021-22 financial year. The Internal Audit Charter set out the purpose, authority and responsibility of Internal Audit.

The Internal Audit Plan included work to be undertaken in 2021-22. It also provided information relating to the planning process, outcomes of planning consultations and the resources necessary to deliver the plan. The Audit Committee was required through its Terms of Reference to consider and approve the plan each year. Plan A included audits that the team intended to deliver which were already scheduled in. Plan B were additions which would be picked up if the resources were available. A new definition of assurance levels would be introduced to allow assurance to be easily comparable across financial years.

Key Performance Indicators had been reviewed and changed for 2021-22 to make the measurements more meaningful.

Following queries, it was clarified that Dartford Borough Council and Sevenoaks District Council had separate Internal Audit plans.

Resolved: That

- a) the Internal Audit Charter, be approved;
- b) the Internal Audit Plan 2021-22, be approved;
- c) the revised set of Key Performance Indicators, be approved; and
- d) the new assurance levels and definitions for 2021-22, be noted.

71. Annual Report to Council

The Audit Committee Annual Report 2020/21 to be presented to Full Council summarised the work of the Committee during the 2020/21 year.

Resolved: That the report be noted.

72. Work Plan

The work plan was noted with the Statement of Accounts 2020/21 - Establishment of a Member Working Group to take place at the next meeting on 15 July 2021.

The meeting on 2 November 2021 would be brought forward to 23 September 2021.

The Statement of Accounts 2020/21 item would be moved to meeting on 23 September 2021.

The External Audit - Annual Audit Letter 2020/21, scheduled for the meeting on 25 January 2022, would be removed from the work plan.

THE MEETING WAS CONCLUDED AT 6.26 PM

CHAIRMAN

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ACTIONS FROM THE MEETING HELD ON 30 March 2021			
Action	Description	Status and last updated	Contact Officer
Action 1	That a summary of the response received from Kent County Council Pensions regarding the error be circulated to Members. (Minute 67)	Email sent to Members on 15/04/21.	Alan Mitchell, Ext. 7483

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## MEMBER DEVELOPMENT - COUNTER FRAUD AND WHISTLE BLOWING

Audit Committee - 15 July 2021

**Report of:** Deputy Chief Executive and Chief Officer - Finance and Trading

**Status:** For Consideration

**Key Decision:** No

**Portfolio Holder:** Cllr. Matthew Dickins

**Contact Officer(s):** Francesca Chivers, Ext. 7053, Glen Moore, Ext. 7471

**Recommendation to Audit Committee:**

- (a) The member development be noted.
- (b) Decide which member development subject they wish to receive at the next Audit Committee.

### Introduction and Background

- 1 The Committee regularly reviews the development needs of its Members and the following training has been provided since the current Audit Committee was formed in May 2019:

Committee Date	Training Provided
17 September 2019	Public Sector Internal Audit Standards (PSIAS)
28 January 2020	Risk Management
16 July 2020	Understanding Local Government Accounts
30 March 2021	<ul style="list-style-type: none"> <li>• Organisational Knowledge</li> <li>• Audit Committee Role and Function</li> <li>• Governance (all three subjects were provided in one session by Martin Goodman, Head of Legal and Democratic Services)</li> </ul>

### Audit Committee Member Development Programme

- 2 In November 2020 Members were asked for their views as to their current knowledge levels by completing a questionnaire based on 'Audit Committee - knowledge and skills framework' included in the CIPFA (Chartered Institute

## Agenda Item 5

of Public Finance and Accountancy) document 'Audit Committees - Practical Guidance for Local Authorities and Police'.

- 3 Based on the questionnaire responses and the work plan of reports due to be presented at each committee, a programme was devised with the remaining parts listed below:

Committee Date	Training Scheduled
15 July 2021	<ul style="list-style-type: none"><li>• Counter Fraud and Whistle Blowing</li></ul>
2 November 2021	<ul style="list-style-type: none"><li>• Internal Audit</li></ul>
To be confirmed	<ul style="list-style-type: none"><li>• Understanding Local Government Accounts (dependent on the date the 2020/21 Annual Accounts are due to be presented to the committee)</li><li>• External Audit</li><li>• Risk Management</li></ul>

- 4 Due to the deadline for the 2020/21 accounts being changed by Government, the meeting originally scheduled for 2 November 2021 has been changed to 23 September 2021.
- 5 The Committee is required to decide whether they wish the member development at the meeting on 23 September 2021 to be either:
- Internal Audit, or
  - Understanding Local Government Accounts.
- 6 Each member development session will last for up to 20 minutes and be presented at the start of an Audit Committee.

### Key Implications

#### Financial

There are no financial implications.

#### Legal Implications and Risk Assessment Statement.

There are no legal implications.

#### Equality Assessment (Compulsory heading - do not delete)

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

**Appendices**

None

**Background Papers**

None

**Adrian Rowbotham**

**Deputy Chief Executive and Chief Officer - Finance & Trading**

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## EXTERNAL AUDIT - HOUSING BENEFIT SUBSIDY 2019/20

Audit Committee - 15 July 2021

**Report of:** Deputy Chief Executive and Chief Officer - Finance & Trading

**Status:** For Information

**Key Decision:** No

**Portfolio Holder:** Cllr. Matthew Dickins

**Contact Officer:** Adrian Rowbotham, Ext. 7153

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

### Introduction and Background

- 1 Grant Thornton, as the Council's external auditor, is required to certify certain grant claims submitted by the Council. This certification typically takes place six to nine months after the claim period but has taken longer this time, and represents a final but important part of the process to confirm the Council's entitlement to funding.
- 2 Only one claim was certified for 2019/20, the Housing Benefit Subsidy Claim, relating to expenditure of £22.5m.

### Annual Outcome

- 3 Housing Benefit Subsidy is a complex claim. Errors were identified in the 2019/20 return; however, the number continues to be small. This reflects the measures taken over recent years. Although the impact of these errors on the value of the overall claim was relatively minimal, it is important to claimants that their benefit is calculated correctly. The Department for Work and Pensions (DWP) stipulates high standards of accuracy resulting in any claims being incorrect by as little as 1p are classified as errors and additional testing is then required on a larger sample.

### Key Implications

#### Financial

The financial implications are included elsewhere in this report.

#### Legal Implications and Risk Assessment Statement.

There are no legal implications.

## Agenda Item 6

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

### Equality Assessment (Compulsory heading - do not delete)

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 Housing Benefit Assurance Process Report 2019/20

#### **Background Papers**

None

**Adrian Rowbotham**

**Deputy Chief Executive and Chief Officer - Finance & Trading**





**Grant Thornton UK LLP**

110 Bishopsgate  
London  
EC2N 4AY  
T +44 (0)20 7383 5100  
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**To:** Housing Benefit Subsidy Team, Housing Delivery Division, DWP Business Finance & Housing Delivery Directorate, Room B120D, Warbreck House, Blackpool, Lancashire FY2 0UZ.

**And:** The Section 151 Officer of the Sevenoaks District Council.

**Housing Benefit (Subsidy) Assurance Process 2019/20 Module 6 DWP Reporting Framework Instruction (Applicable to England only) Reporting accountants' report for the Housing Benefit Subsidy claim form MPF720A, year ended 31 March 2020**

This report is produced in accordance with the terms of our engagement letter with the Sevenoaks District Council dated 20 November 2019 and the Standardised Engagement Terms in Appendix 2 of HBAP Module 1 2019/20 issued by the Department for Work and Pensions (DWP) for the purpose of reporting to the Section 151 Officer of the Sevenoaks District Council (the 'local authority') and the DWP.

Our report is prepared solely for the confidential use of the local authority and the DWP and solely for the purpose of facilitating the claim for Housing Benefit subsidy on form MPF720A dated 29 April 2021.

This report should not be copied, referred to or disclosed, in whole (save as otherwise permitted by the Standardised Engagement Terms) or in part, without our prior written consent. Without assuming or accepting any responsibility or liability in respect of this report to any party other than the local authority and DWP, we acknowledge that the local authority and/or DWP may be required to disclose this report to parties demonstrating a statutory right to see it.

This report is designed to meet the agreed requirements of local authority and DWP as described in the DWP HBAP reporting framework instruction 2019/20.

This report should not therefore be regarded as suitable to be used or relied by any other party for any purpose or in any context. Any party other than the local authority and DWP which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so entirely at its own risk. To the fullest extent permitted by law, we accept no responsibility or liability in respect of our work or this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by the reliance of anyone other than the addressees on our work or this report.

**Respective responsibilities of the local authority and the Reporting Accountant**

We conducted our engagement in accordance with HBAP Modules 1 and 6 2019/20 issued by the DWP, which highlight the terms under which DWP has agreed to engage with Reporting Accountants.

As Section 151 Officer of the local authority, you have responsibilities under the Income-related Benefits (Subsidy to Authorities) Order 1998. You are also responsible for ensuring that the local authority maintains accounting records which disclose with reasonable accuracy, at any time, the financial position of the local authority. It is also the Section 151 Officer's responsibility to extract relevant financial information from the local authority's accounting records, obtain relevant information held by any officer of the local authority and complete the attached form MPF720A in accordance with the relevant framework set out by DWP.

**Our approach**

For the purpose of the HBAP engagement we have been provided with a signed copy of form MPF720A 2019/20 dated 29 April 2021 by the Section 151 Officer. The Section 151 Officer remains solely responsible for the completion of the MPF720A and is the signatory on the local authority's certificate on claim form MPF720A.

Our engagement was carried out in accordance with the DWP reporting framework instruction which has been prepared in accordance with the International Standard on Related (ISRS) 4400, Engagement to perform agreed-upon-procedures regarding financial information. The purpose of the engagement is to perform the specific test requirements determined by DWP on the defined sample basis as set out in HBAP Modules of the HBAP reporting framework instruction on the local authority's form MPF720A dated 29 April 2021, and to report the results of those procedures to the Local Authority and the DWP.

The results of these are reported on in appendices A, B, C and D.

**Inherent limitations**

The procedures specified in DWP's HBAP Reporting framework instruction does not constitute an examination made in accordance with generally accepted auditing standards, the objective of which would be the expression of assurance on the contents of the Local Authority's claim for Housing Benefit subsidy on form MPF720A. Accordingly, we do not express such assurance. Had we performed additional procedures or had we performed an audit or review of the Local Authority's claim for Housing Benefit subsidy on form MPF720A in accordance with generally accepted auditing or review standards, other matters might have come to our attention that would have been reported to you. This report relates only to the Local Authority's form MPF720A and does not extend to any financial statements of the Local Authority, taken as a whole.

This engagement will not be treated as having any effect on our separate duties and responsibilities as the external auditor of the Local Authority's financial statements. Our audit work on the financial statements of the Local Authority is carried out in accordance with our statutory obligations and is subject to separate terms and conditions. Our audit report on the

Local Authority's financial statements is made solely to the Local Authority's members, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work was undertaken so that we might state to the Local Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Local Authority and the Local Authority's members, as a body, for our audit work, for our audit reports, or for the opinions we have formed in respect of that audit.

### **Summary of HBAP report**

#### **Summary of Initial Testing**

In accordance with HBAP modules, an initial sample of cases was completed for all general expenditure cells. We performed all the testing:

Cell 011 Non HRA Rent Rebates - Incorrect Local Housing Allowance (LHA) rate applied

Initial testing of cell 011 identified that the Local Authority has incorrectly applied the LHA rate in two claims. There were 120 cases within cell 011 relating to LHA rates, therefore 100% additional testing was performed and no further errors were identified. However, the initial error resulted in an amendment to the subsidy form.

Cell 094 Rent Allowances: - Incorrect Occupational Pension

Initial testing of cell 011 identified that the Local Authority has incorrectly calculated the occupational pension for 1 case. As it was not possible to correctly establish the error for amendment additional testing of 40 cases was completed for the error.

Cell 094 Rent Allowances: - Incorrect Earnings calculation

Initial testing of cell 094 identified that the Local Authority has incorrectly calculated the earnings for 1 case. As it was not possible to correctly establish the error amendment, additional testing of 40 cases was completed for this error.

### **Completion of Modules**

The Specific Test Requirements set out in Module 1 Appendix 3 have been completed, including testing required by Modules 2 and 5 as detailed below.

Completion of Module 2:

We have completed Module 2 uprating checklist and no issues were identified.

Completion of Module 5:

We have completed the questionnaire for the appropriate software supplier and no issues were identified.

### **Summary of testing arising from Cumulative Assurance Knowledge and Experience**

In line with the requirements of HBAP Modules we have undertaken CAKE testing based upon findings reported in the preceding HBAP report. Where appropriate the Local Authority have completed testing of the sub populations for:

- Non HRA Rent Rebates – Earnings incorrectly calculated within Cell 011. No further errors identified.
- Non HRA Rent Rebates – Ineligible service deduction incorrectly applied within Cell 011. Further errors were identified.
- Rent Allowances – Earnings incorrectly calculated within Cell 094 (similar issue identified in current years initial testing as stated above).

We have re-performed a sample of the Authority's testing and confirm the tests we have carried out concur with the Authority's results. The results are outlined in the appropriate appendix.

### **Summary paragraph**

For the form MPF720A dated 29 April 2021 for the year ended 31 March 2020 we have completed the specific test requirements detailed in the DWP reporting framework instruction HBAP and have identified the following results set out in Appendix A, B, C and D.

Firm of accountants – Grant Thornton

Office - London

Contact details – Sarah Ironmonger

Sarah.L.Ironmonger @uk.gt.com

0207 865 2997

Signature



Date – 30 April 2021

## Appendix A Exceptions/errors found

### **Error Type 3 – benefit overpaid or insufficient supporting information**

#### **Cell 094 Rent Allowances – Overpaid benefit – earned income calculation error**

**Cell 094 – Rent Allowance – Total expenditure.**

**Cell Total: £22,409,125**

**Cell Total: £4,098,662 – sub population**

**Cell Population: 4,706 cases**

**Cell Population: 1032 – sub population**

**Headline Cell: £22,409,125**

Our testing in 2015/16 identified that the Authority had incorrectly calculated the earnings applied to some claims. Further errors were noted in 2016/17, 2017/18 and 2018/19.

Testing of the initial sample identified one case with a value of £2,795 where earnings were incorrectly calculated resulting in an error of £6. Given the nature of the population and error (current year and prior years), an additional random sample of 40 cases was tested. A further 6 cases, with a total value of £30,459, were identified where calculation of earnings was incorrect. The details of the additional testing errors identified are listed below:

- 2 cases (value: £12,205) which resulted in an overpayment of housing benefit to a total of £1 due to miscalculation of claimant's earnings. The 2 errors have been classified as errors for subsidy extrapolation purposes.
- 2 cases (value: £5,316) which resulted in an underpayment of housing benefit to a total of £8 due to the miscalculation of claimant's earnings. As there is no eligibility to subsidy for benefit which has not been paid, the underpayments identified do not affect subsidy and have not, therefore, been classified as errors for subsidy extrapolation purposes.
- 2 cases (value: £12,939) which had no impact on housing benefit awarded.

The following table is based on these findings:

Sample	Movement / brief note of error:	Original cell total: sub population (claims with earning)	Sample error:	Sample value:	Percentage error rate	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]
Initial sample – 8 cases	Incorrect Calculation of Earnings	£4,098,662	(£6)	£31,019		
Additional sample - 40 cases	Incorrect Calculation of Earnings	£4,098,662	(£1)	£144,904		
Combined sample – 48 cases	Combined - Incorrect Calculation of Earnings	£4,098,662	(£7)	£175,923	(0.0039%)	(£162)
Adjustment Cell 114 is overstated	Combined sample - cell 114 is overstated	£4,098,662	(£7)	£175,923	(0.0039%)	(£162)
<b>Total corresponding adjustment</b>	<b>Total amendment of cell 114</b>					<b>£162</b>

### Error Type 3 – benefit overpaid or insufficient supporting information

#### Cell 094 Overpaid benefit – Incorrect Calculation of Occupational Pension

##### Cell 094 – Rent Allowance – Total Expenditure

**Cell Total: £22,409,125**

**Cell Total: £1,737,335 – sub population**

**Cell Population 4,706 cases**

**Cell Population: 453 cases - sub population**

**Headline Cell: £22,409,125**

Testing of the initial sample identified 1 case (value: £7,149) where the occupational pension was incorrectly calculated. Given the nature of the population and error, an additional random sample of 40 cases was tested by the Local Authority.

A further 6 cases, with a total value of £21,313, were identified where calculation of occupational pension was incorrect. The details of the additional testing errors identified are listed below:

- 4 cases (value of £10,853) which resulted in an overpayment (total of £154) of housing benefit and, therefore have been classified as errors for subsidy extrapolation purposes. The errors ranged from £13 to £105.
- 2 cases (value of £10,460) which resulted in an underpayment of housing benefit to a total of £8. As there is no eligibility to subsidy for benefit which has not been paid, the underpayments identified do not affect subsidy and have not, therefore, been classified as errors for subsidy extrapolation purposes.

This is the first year this issue has been reported in our HBAP Report.

The following table is based on these findings:

Sample	Movement / brief note of error:	Original cell total: sub population (claims with earning)	Sample error:	Sample value:	Percentage error rate	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]
Initial sample – 3 cases	Incorrect Calculation of Occupational Pension	£1,737,335	(£0)	£12,728		
Additional sample - 40 cases	Incorrect Calculation of Occupational Pension	£1,737,335	(£154)	£160,885		
Combined sample - 43 cases	Combined - Incorrect Calculation of Occupational Pension	£1,737,335	(£154)	£173,613	(0.09%)	(£1,536)
Adjustment Cell 114 is overstated	Combined sample - cell 114 is overstated	£1,737,335	(£154)	£173,613	(0.09%)	(£1,536)
<b>Total corresponding adjustment</b>	<b>Total amendment of cell 114</b>					<b>£1,536</b>

## Appendix B Observation

### **Error Type 3 – Benefit overpaid or insufficient supporting information.**

#### **Cell 11 Non HRA Rent Rebate – Earnings incorrectly calculated**

##### **Cell 11 Non HRA Rent rebates**

**Cell Total: £242,472**

**Cell Total - £17,811- sub population:**

**Cell Population: 120**

**Cell Population: 15 - sub population:**

**Headline Cell £242,472**

In the 2018/19 HBAP report, we reported that the Local Authority had incorrectly awarded benefit as result of a miscalculation of earned income and thus, CAKE testing was completed by the Local Authority in 2019/20.

We have not identified any errors relating to earned income within our initial testing. There were 15 cases within Cell 011, the Local Authority has tested 100% of the population to ensure the earned income has been correctly calculated.

No claims were identified to be in error from the CAKE testing.

We have re-performed the test on 4 cases and the Authority's findings on those claims were correct.

### **Error Type 3 – Benefit overpaid or insufficient supporting information.**

#### **Cell 11 Non HRA Rent Rebate - Ineligible service deduction incorrectly applied**

##### **Cell 11 Non HRA Rent rebates**

**Cell Total: £242,472**

**Cell Total – sub population: £63,960**

**Cell Population: 120**

**Cell Population: - sub population: 36**

**Headline Cell £242,472**

In the 2018/19 HBAP report, we reported that the Local Authority had incorrectly applied ineligible service deduction on 4 cases which led to overpayments of housing benefit. A 100% check was completed by the Local Authority for this error in 2019/20 and 5 errors were identified. Our initial testing in 2019/20 did not identify any errors in relation to ineligible service deductions. However, the Local Authority restrict the eligible rent to the Local Housing Allowance rate. No claim was under/overstated in cell 012 or cell 014 and the under/overstatement is all held in cells 013 and 015 which attracts nil subsidy, therefore no amendment to the claim was required.

We have re-performed the test on 9 cases and the Authority's findings on those claims were correct.

**Appendix C: Amendments to the claim form MPF720A****Error Type 3 – Benefit overpaid or insufficient supporting information.****Cell 11 Non HRA Rent Rebate – LHA Rate incorrectly applied****Cell 11 Non HRA Rent rebates****Cell Total: £242,472****Cell Population: - sub population: £242,472****Cell Population: 120****Cell Population: - sub population: £242,472**

Initial testing of cell 011 identified that the Local Authority has incorrectly applied the LHA rate on 2 cases (value: £5,705). 1 case resulted in an underpayment of housing benefit of £97 and 1 case resulted in an overpayment of housing benefit of £1,004. Given the nature of the population and error, 100% additional testing was performed by the Local Authority. There were 120 cases in cell 011 relating to LHA rates and no additional cases were identified to be in error.

We have re-performed the test on 12 cases and the Authority's findings on those claims were correct.

As a result, the following cells have been adjusted for overpayment:

- Cell 014 Expenditure up to the lower of 90% of the appropriate LHA rate for the property, and the upper limit (£500 or £375): by £1,004 (overstated).
- Cell 015 Expenditure above the lower of 90% of the appropriate LHA rate for the property plus the management costs element, and the upper limit (£500 or £375): by £1004 (understated).

**Appendix D Additional issues**

No additional issues to report.



## COUNTER FRAUD & COMPLIANCE TEAM REPORT 2020/21

Audit Committee - 15 July 2021

**Report of:** Deputy Chief Executive and Chief Officer Customer and Resources

**Status:** For Consideration

**Key Decision:** No

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

**Portfolio Holder:** Cllr. Dickins

**Contact Officer(s):** Glen Moore, Ext. 7471

**Recommendation to Audit Committee:**

That Members note the work of the Counter Fraud & Compliance Team carried out during the year ended 31 March 2021.

**Reason for recommendation:** The Audit Committee is required to review the work of the Counter Fraud & Compliance Team

### Introduction and Background

- 1 The Counter Fraud & Compliance Team is the authority's counter fraud resource in relation to external fraud matters.
- 2 Sevenoaks District Council will not tolerate fraud and corruption in the administration of its responsibilities and is committed to providing the best value for money
- 3 The Counter Fraud & Compliance Team co-ordinates the Council's participation in government led counter fraud initiatives as well as devising pro-active exercises designed to protect Council revenues and resources.

### Summary of Key Issues in the Report

- 4 A summary of the key activities of the Counter Fraud & Compliance Team during 2020/21.
- 5 A summary of future plans for 2021/22

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### Key Implications

#### Financial

Not applicable.

#### Legal Implications and Risk Assessment Statement.

The Council is required to have effective counter fraud arrangements in place in order to safeguard public funds and prevent the pursuance of crime. The Counter Fraud & Compliance Team will contribute towards the council's fraud prevention initiatives.

#### Equality Assessment

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

### Conclusions

This report sets out the work conducted by the Counter Fraud & Compliance Team during 2020/21. Members are requested to note the report and the plans for the future.

#### **Appendices**

Appendix A - Counter Fraud & Compliance Team End of Year Report 2020/21

#### **Background Papers**

None

**Jim Carrington-West**

**Deputy Chief Executive and Chief Officer Customer and Resources**

**STATEMENT OF ACCOUNTS 2020/21 - ESTABLISHMENT OF MEMBER WORKING GROUP**

**Audit Committee - 15 July 2021**

**Report of:** Deputy Chief Executive and Chief Officer - Finance and Trading

**Status:** For Decision

**Key Decision:** No

**Executive Summary:** This report seeks to establish a member working group.

**This report supports the Key Aim of:** effective management of the Council's resources.

**Portfolio Holder:** Cllr. Matthew Dickins

**Contact Officers:** Alan Mitchell, Ext.7483

Adrian Rowbotham Ext. 7153

**Recommendation to Audit Committee:**

That a Member Working group be set up, to review the 2020/21 draft Statement of Accounts with delegated authority to recommend changes to the draft whilst ensuring adherence to statutory regulations for the purposes of reporting back to the Audit Committee.

**Reason for recommendation:**

This recommendation supports the sound control of the Council's finances

**Introduction and Background**

- 1 It has just been announced that the timetable to produce audited financial statements for 2020/21. The draft Statement of Accounts must be prepared by 31 July and then audited and approved by members by 30 September.
- 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 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.

## Agenda Item 8

- 4 The working group should meet in early August and then report to the next Audit Committee.
- 5 Members of last year's working group were Cllrs. McGarvey, Kitchener, Morris, and Pender.

### 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**

None

#### **Background Papers**

None

**Adrian Rowbotham, Deputy Chief Executive and Chief Officer - Finance and Trading**

## INTERNAL AUDIT ANNUAL REPORT AND OPINION 2020/21

Audit Committee - 15 July 2021

**Report of:** Audit Manager

**Status:** For Consideration

**Also considered by:** None

**Key Decision:** No

**Portfolio Holder:** Cllr. Matthew Dickins

**Contact Officer:** Francesca Chivers, Ext. 7053

**Recommendation to Audit Committee:**

- (a) Note the contents of the report

**Reason for recommendation:** In accordance with professional standards (Public Sector Internal Audit Standards) the Chief Audit Executive (Audit Manager) must deliver an overall Opinion to conclude on the effectiveness of the Council's internal control, governance and risk management. The Opinion is used to inform the Annual Governance Statement which in turn supports the Financial Statements.

### Introduction and Background

- 1 The report sets out the Internal Audit Annual Opinion on the effectiveness of the Council's internal control, governance and risk management arrangements including a summary of the work taken into consideration when forming the Opinion.
- 2 The Audit Committee is required through its Terms of Reference to consider the Opinion each year, and to maintain oversight of the Internal Audit service and the work undertaken to support the overall Opinion.

### Other options Considered and/or rejected

None

### Key Implications

#### Financial

There are no direct financial implications associated with this report.

## Agenda Item 9

### Legal Implications and Risk Assessment Statement.

Under the Accounts and Audit Regulations, the Council is required to maintain an adequate and effective system of internal audit. Internal Audit is further required to comply with Public Sector Internal Audit Standards. The Annual Opinion is a requirement of those Standards.

Links to the Corporate Risk Register are provided within Appendix A.

### Equality Assessment

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

### **Conclusion**

The Opinion is a conclusion on the effectiveness of the Council's internal control, governance and risk management arrangements as required through professional standards. Members are asked to note the overall Opinion.

#### **Appendices**

Appendix A - Internal Audit Annual Opinion

#### **Background Papers**

[Internal Audit Plan 2020/21](#)

**Francesca Chivers**  
**Audit Manager**

**DARTFORD & SEVENOAKS AUDIT PARTNERSHIP**

# **Internal Audit Annual Report and Opinion**

**15 July 2021**



## Agenda Item 9

### Introduction

1. This report provides the Chief Audit Executive's (CAE) annual opinion on overall systems of risk management, governance and control. The CAE's opinion is one of the key independent means of assurance available to Members in discharging their role of overseeing the internal control processes implemented by officers and ensuring that a sound system of governance of the Council's business is in place. It should also assist Members in their review of the Annual Governance Statement (AGS).
2. The opinion takes into account all audits that have been finalised since the last annual opinion in July 2020. This is largely the outcomes of the 2020/21 Plan agreed by Members in July 2020 but also two pieces of work from 2019/20 that were not finalised until after the last opinion. The opinion also considers the results of follow up work, ad hoc advisory work and our own informal observations of the organisation through, for example, attendance at management meetings.
3. The report also contains the outcomes of our Quality Assurance and Improvement Programme (QAIP), together with the resultant action plan. This action plan will be reported periodically to Audit Committee until the actions are closed. This will enable Members to discharge their responsibility to oversee the quality and effectiveness of Internal Audit.
4. It is integral to the effectiveness of Internal Audit that the function is allowed to perform its work independently, with no constrictions on its remit. Our independence is maintained through functional reporting, including summaries of the work undertaken, to Audit Committee. We meet with individual members of Strategic Management Team to discuss any issues arising from our work where necessary and I also meet periodically with the Chief Executive. We have been given access to all information and systems requested to complete our work in 2020/21 and there are no issues that we have been prevented from reporting.
5. This year, for the first time, the assurance opinion is graded and defined; the scale used and the associated definitions are provided in **Annex H**.

### Internal Audit Progress and Activity

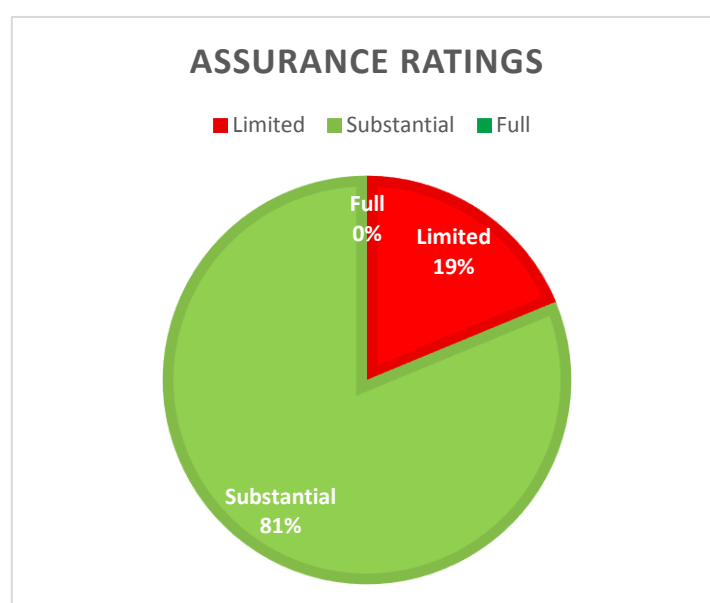
6. Members will recall that the agreed 2020/21 Internal Audit Plan was divided into two, with audits on Plan 'A' being the priorities for completion and those on Plan 'B' to be completed in the event of sufficient available resource. At the time of writing this report, all Plan 'A' audits are largely complete, with 20 now finalised and the remaining one (Housing Benefits) at reporting stage for which a provisional opinion has been given (a summary of the audit will be presented to the next Audit Committee). We have also completed one audit from Plan 'B'. Audits from Plan 'B' that have not been completed were considered for inclusion in the 2021/22 Plan as part of the prioritisation process. **Annex A** indicates which of these audits will be undertaken in 2021/22.
7. The table below contains a summary of all audits completed since the last update to Members in March 2021. Definitions of assurance ratings for individual audits are provided in **Annex G**.



Audit	Assurance rating
VAT Management (Making Tax Digital)	Advisory
Tree Maintenance	Advisory
Fleet Management	Substantial Assurance
AGS Internal Audit Overview	Advisory
Communication Strategy	Advisory
Customer Services (Telephones)	Substantial Assurance
Licensing	Substantial Assurance
Recruitment	Substantial Assurance
<i>Housing Benefits</i>	<i>Substantial (Provisional)</i>

### Internal Audit Outcomes

8. The table in **Annex A** lists all audits that form part of the Annual Opinion. This includes two from the 2019/20 financial year that were not reported as part of last year's annual opinion as they had not then been finalised. Summaries of all of these audits are in **Annex B**, with the ones that have not previously been reported to Audit Committee on pp 12 – 15.
9. Of the 24 audit reviews that are considered as part of this annual opinion, 16 were given a formal assurance rating. Definitions of the assurance ratings that have been applied to these audits are provided in **Annex G**. The chart below shows a breakdown of these audit assurance opinions.



10. Overall, whilst no audits received 'Full' assurance, the majority of audits have received 'Substantial' assurance which indicates that the control framework is generally operating well. In particular, audits which have organisation-wide relevance and therefore are integral to the core control environment, such as Budget Monitoring, HR Policy and Recruitment, all received 'Substantial' Assurance. Importantly, we have not observed deterioration in the control environment as a result of the home / hybrid working arrangements.

## Agenda Item 9

11. Further, two audits which are directly relevant to customer outcomes, Covid-19 Response and Recovery and Customer Solutions (Phones) also received 'Substantial' assurance. This is particularly important given the centrality of the concept of the 'Customer' to the Council's strategic objectives.
12. Three audits this year received 'Limited' assurance; two of these are in specific service areas and relevant managers have agreed all recommendations made with appropriate implementation dates. The other was 'Cyber Security', which does have key organisation-wide implications. As noted in the March 2021 report to this Committee, Cyber Security is an inherently high risk area. This is partially due to the shifting landscape of technical capabilities which means that the precise nature and likelihood of individual risk areas is constantly changing. It is also partially due to the potential impact of any risk materialising, which could, in the worst-case scenario, prevent the Council from running normal operations for a long period. The audit raised three high-risk actions; one is almost complete and the other two are due for implementation at the end of June. As a further means of assurance, the Local Government Association is due to undertake a review of the Council's cyber security arrangements in July 2021.
13. Whilst not given a formal assurance rating, the consultancy pieces of work also form part of the overall opinion. In taking these into account, I consider the strengths identified together with any gaps in control or unmitigated risks that the work has highlighted. Consultancy work this year has largely been in relation to areas where new strategies are being developed (Communications Strategy, Tree Maintenance and Private Sector Housing Enforcement). We have also looked at areas of change in the organisation (Contract Management and Health and Safety) and areas where there have been recent changes to best practice / legislation in the external environment (Fighting Fraud and Corruption Locally 2020 and Making Tax Digital). Finally, we reviewed the service managers' self-assessments for the Annual Governance Statement (AGS) and considered alignment with any relevant audit findings.
14. The three draft strategies that we reviewed were largely comprehensive and fit for purpose and we also found that there were suitable arrangements in place to comply with Making Tax Digital requirements. One theme emerging from our review of the strategies was the need to consider evaluation arrangements (how success is to be defined and monitored); this will be important for the organisation to consider over the forthcoming year as several other strategies are in development.
15. The Annual Opinion also takes into account the Council's strategies and objectives. These are as set out in the current Council Plan with five themes (Environment, Economy, Housing, Community Safety and Health) and three underlying principles (Excellence, Innovation, Value for Money). The summary of audits in **Annex A** indicates those which have specific relevance to the five themes; on balance these are mostly rated 'Substantial' or 'Advisory' but with no significant issues raised through the latter. A key additional objective for 2020/21 was also to deliver the pandemic response; our audit of this response confirmed that the Council was successful in its aim to deliver important additional services to vulnerable residents.

16. In total, we raised 104 recommendations during the 2020/21 financial year (including for all advisory pieces of work). Analysis of these recommendations for links across the three underlying principles identified the following:

Principle	Recommendations made
Excellence	35 (1 High)
Value for money	15 (1 High)
Innovation	6 (no High)

17. From the above analysis, the principles of value for money and innovation appear to be the most embedded, with proportionally very few audit recommendations raised. Many more recommendations were made that were linked to the 'Excellence' theme, with nearly one third falling into this category (although only one was 'High' priority). Across the board, these recommendations largely related to:

- Lack of quality assurance mechanisms within services to identify improvements or errors, and take action as a result
- Sufficiency of performance management or monitoring arrangements to set outcomes and measure achievement of these outcomes (please also see paragraph 13 relating to evaluation methods)
- Follow up or actions in response to identified issues or improvements
- Quality of recording on case files or equivalent.

In order to fully deliver the "Excellence" principle, Strategic Management Team will need to consider how to further develop a culture where quality assurance is an integral part of operations and ensure that all managers feel empowered to identify, own and address areas for development within service areas. This will need to include recognition that acknowledging areas where improvements are required should be a positive process rather than one of implied criticism.

18. Other themes identified through analysis of recommendations include:

- Training, skills and guidance – Nearly ten percent of recommendations (across a variety of areas) related to the need to identify existing / missing skills, or provide suitable training and guidance. Clearly, upskilling staff will also contribute towards the achievement of excellence.
- The customer experience - Approximately ten percent of recommendations also directly related to the customer experience, either to improve the information available to customers or to improve the customer journey through a process. None of these recommendations raised were high priority but the majority were medium priority.
- Governance - We also raised eight recommendations relating to governance. Largely, these were within the advisory pieces of work. They mainly related to the overarching framework, including roles, responsibilities and accountabilities where operationally, there is involvement across the organisation.

19. In addition to the audits set out in the original Plan as agreed by Audit Committee, we have undertaken additional ad-hoc pieces of work throughout the year. The key pieces of work include:

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- Sample testing and review of the first tranche of Business Support Grants, to ensure that these had been paid to bona fide companies and in accordance with the grant conditions.
- Membership of the Council's Core Procurement Group, including input into the development of a new approach and review of Procurement Waivers prior to Chief Officer authorisation.
- Review of the Council's Compliance and Enforcement Grant expenditure (and subsequent assurance to MHCLG) to ensure that the claim was accurate and monies had been spent in accordance with the grant conditions.
- Review of the Council's MHCLG claim for loss of income, to ensure the accuracy and validity of items claimed in accordance with the conditions of the grant.
- Review of the Counter Fraud Strategy, the Whistleblowing Policy and provision of Fraud Awareness as part of International Fraud Awareness Week (November 2020).

There are no high risk issues to bring to Members' attention as a result of this work.

### Risk Management

20. The Annual Opinion also considers risk management arrangements within the organisation. The table below provides links between Internal Audit work and the current [Strategic Risk Register](#). This does not mean that all controls have been covered as part of our audit but simply shows Members where they may be able to gain some assurance over the management of risk through our work. Most risks with no coverage will be audited as part of the proposed 2021/22 Internal Audit Plan.
21. Risk Management within the organisation as a whole has increased in momentum since 2019/20, with more regular strategic risk register updates and discussions both with individual risk owners and as a collective at Strategic Management Team. Nonetheless, the risk maturity of the organisation requires further development over the forthcoming financial year. This will include a redesign of the overarching framework, including policy and guidance, and a process for operational / service level risks, which is currently lacking.

Corporate Risk Register	Current Risk Rating	Internal Audit Coverage	Assurance Level
SR01 Finance	Medium	Budgetary Control and Monitoring Fraud Checklist	Substantial Advisory
SR02 Property Investment Strategy	Medium	No coverage	NA
SR03 Asset management & maintenance	Medium	No coverage	NA
SR04 Knowledge, capacity & culture	Medium	HR Policy Compliance (2019/20 audit reported in 2020/21)	Substantial
SR05 Technology	Medium	Cyber Security	Limited
SR06 Information & data management	Medium	Cyber Security	Limited
SR07 Legal compliance, governance & ethics	Low	Members' Expenses & Allowances Contract Management	Substantial Advisory
SR08 Capacity of community partners	Low	No coverage	NA
SR09 Health & Safety (incl. Staff Wellbeing)	Medium	Health and Safety Fleet Management Tree Maintenance	Advisory Substantial Advisory
SR10 Emergency planning & severe weather events	Medium	COVID-19 Response & Recovery	Substantial
SR11 Safeguarding	Low	No coverage	NA
SR12 Covid-19	Medium	COVID-19 Response & Recovery	Substantial
SR13 Temporary Accommodation	Medium	Private Sector Housing Enforcement	Advisory
SR14 Capital Projects	Medium	No coverage	NA

## Follow Up

22. The Annual Opinion also takes into account the results of our follow process, for actions raised as a result of Internal Audits. Internal Audit follows up all Critical, High, Medium and Low priority findings as they fall due. **Annex C** shows the results of our follow up process for the financial year 2020/21. At the time of writing, one 'High' priority action was due and partially implemented. Just over half of all actions due in Quarter 4 were implemented; the remainder were deferred. Whilst deferrals were agreed for valid reasons, the original risks do of course remain until implementation is complete. We are working with Senior Management to reduce the numbers of deferrals, including timely reminders to responsible managers from Internal Audit and the introduction of a more stringent process to request deferrals.

### Overall Opinion

23. Taking in account the information presented in paragraphs 8-22 and **Annex B** below, my overall opinion for the 2020-21 financial year is that there is “**Reasonable**” assurance over systems of risk management, governance and control. **Annex H** provides the rating scale and the definitions of each rating.

### Quality Assurance

24. Audit Committee has an important oversight role in the quality and effectiveness of Internal Audit. Members of the Committee must assure themselves that Internal Audit makes a valuable contribution to the organisation’s governance and that stakeholders can place reliance on its conclusions.
25. To facilitate this quality oversight role, Internal Audit has a Quality Assurance and Improvement Programme (QAIP), which includes Key Performance Indicators (KPIs), customer satisfaction questionnaires, annual self-assessments against professional standards and five yearly External Quality Assessments (EQA). Members will be aware that the most recent EQA took place in January 2021 and the full report was subsequently presented to Audit Committee in March 2021. The external assessment was largely in agreement with our own self-assessment and the overall conclusion was that the function is ‘Partially Conformant’ with professional standards.
26. The Key Performance Indicators for Quarter 4 (January to March 2021) are provided in **Annex D**. The KPIs illustrate that customer satisfaction is generally high and that responsible managers have accepted audit recommendations. However they also show, in line with the self-assessment and the EQA, that the function needs to improve on delivery within budget, as over-runs are currently impacting the efficiency and the effectiveness of the service.
27. For completeness, a summary of all results of the customer satisfaction questionnaire is attached at **Annex E**. These results are largely positive but do demonstrate that we need to improve our reporting, including ensuring that the client is updated on a regular basis with our findings and any changes to the timeline.
28. The results of the various strands of Quality Assurance activity combine into a single, overarching Quality Improvement Plan which is presented in **Annex F** (as at 4 June 2021). The Plan is divided into different themes encompassing internal audit activity but the fundamental objectives of the Plan are to move us into a position of being ‘Generally Conformant’ with the standards, improve service efficiency and to ensure that all audit work adds value to the Council. The Plan, including progress updates, will be presented periodically to Audit Committee (minimum six monthly) to enable monitoring and oversight.

## **Conclusion**

29. Our overall conclusion is that there is “Reasonable” assurance over systems of risk management, governance and control. This means that although these systems are generally sound, some areas for improvement were identified which, if not addressed, may put the achievement of some objectives at risk.
30. Our audit reviews this year have included some important risk areas such as Cyber Security and Health and Safety. It is a good outcome that the majority of assurance work was rated ‘Substantial’, particularly in light of the significant changes and challenges that the organisation has faced over the 2020/21 financial year. Officers have put actions in place for key risks highlighted through the audits, which, at the time of fieldwork, were not sufficiently mitigated. We will follow up and report on these actions to Members until they are closed
31. We would like to thank Officers, Managers and Members for their support and co-operation to enable us to deliver our work and achieve the completion of the core work as set out in the 2020/21 Plan.

**Francesca Chivers, CMIIA**

**Audit Manager (Chief Audit Executive)**

**Annex A – Internal Audit Outcomes 2020/21**

2019/20	Audit Title	Type	Current Status	Assurance Level	
	HR Policy Compliance	Risk-Based	Complete	Substantial	
	Animal Welfare	Risk-Based	Complete	Substantial	
Plan A	Audit Title	Type	Current Status	Assurance Level	Link to Corporate Theme
1	AGS Internal audit Overview	Consultancy	Complete	Advisory	
2	Cyber Security	Risk Based	Complete	Limited	
3	Covid-19 Response and Recovery	Risk-Based	Complete	Substantial	Community Safety
4	<i>Domestic Waste &amp; Recycling</i>	<i>Risk Based</i>	<i>Cancelled</i>		
5	Contact Centre (Phones)	Risk Based	Complete	Substantial	
6	Housing Benefits	Risk Based	Reporting	<i>Substantial (Provisional)</i>	<i>Housing</i>
7	Members Expenses & Allowances	Risk Based	Complete	Substantial	
8	Contract Management	Consultancy	Complete	Advisory	
9	Local Land Charges	Risk Based	Complete	Substantial	
10	Recruitment Process	Risk Based	Complete	Substantial	
11	Communication Strategy	Risk Based	Complete	Advisory	
12	Local Air Quality Management	Risk Based	Complete	Limited	Environment
13	Corporate Health and Safety	Consultancy	Complete	Advisory	
14	Licensing Administration & Fees	Risk Based	Complete	Substantial	Economy
15	Housing Allocations Policy	Risk Based	Complete	Limited	Housing
16	Disabled Facilities Grants	Risk Based	Complete	Substantial	Health
17	Tree Maintenance	Risk Based	Complete	Advisory	Environment
18	Planning Enforcement	Risk Based	Complete	Substantial	Environment
19	VAT Management (Making Tax Digital)	Consultancy	Complete	Advisory	
20	Counter Fraud - Assessment against FFCL	Consultancy	Complete	Advisory	
21	Private Sector Housing - Enforcement	Consultancy	Complete	Advisory	Housing
22	Budget Control and Monitoring	Risk Based	Complete	Substantial	



Plan B	Audit Title	Type	Current Status		
23	Bank Reconciliation	Finance	Not completed		
24	Insurance	Finance	Not completed		
25	Emergency Planning	Risk Based	On 2021/22 Plan 'A'		
26	Safety Advisory Group	Risk Based	On 2021/22 Plan 'B'		
27	Car Park – Season Tickets	Risk Based	Not completed		
28	Fleet Management	Risk Based	Complete	Substantial	
29	Freedom of Information	Risk Based	Not completed		
30	KCC Funding Agreement – Fraud & Error	Risk Based	Not completed		
31	Revenues and Benefits Shared Service Performance	Finance	Not completed		
32	Pre-application Planning Advice	Risk Based	Not completed		
33	Community Grants	Risk Based	On 2021/22 Plan 'A'		
34	Shared Services - Value for Money Review	Consultancy	Not completed		
35	Local Strategic Partnership	Consultancy	Not completed		

### **Annex B - Summaries of Audit Reports issued**

#### **VAT Management (Making Tax Digital) – Issued in March 2021 (Advisory)**

Making Tax Digital (MTD) requires that all VAT-registered businesses above the VAT threshold (currently £85,000) must submit their VAT returns via software and keep their VAT records digitally. It came into effect on 1 April 2019.

The purpose of our review was to provide a view on whether the Council is complying with Making Tax Digital and to consider whether the controls in place are sufficient to manage the Council's VAT records.

We found that the Council is compliant with Making Tax Digital in regards to retaining digital VAT records, in accordance with HMRC criteria, and submitting returns by set deadlines. We advised that secondary prudence checks should be implemented as a critical part of the process to assist with the identification of any errors.

#### **Tree Maintenance (Draft Strategy 2021-2031) – Issued in April 2021 (Advisory)**

We reviewed the proposed Tree Strategy in draft format, including comparison with strategies from other Councils.

We found the draft strategy to provide a logical and systematic approach to tree maintenance and development. In particular, the strategy dovetailed with the Council's environmental objectives and with legal requirements. We did not identify any significant gaps or omissions in the SDC strategy in comparison with similar strategies.

We made some suggestions to further improve the strategy, including reference to Tree Preservation Orders and arrangements for monitoring and review.

#### **Fleet Management – Issued in April 2021 (Substantial Assurance)**

Our review found that overall, vehicle maintenance is effectively managed in compliance with DVSA requirements. Enhancements are already in progress regarding current software changes, which should remove the need for paper records and provide a more efficient, electronic recording system. Until this is fully implemented, there are areas regarding data records that need to be addressed, such as access to MOT data. Other general areas requiring improvement are access to financial records and crew/vehicle monitoring.

Testing identified that although a vehicle replacement plan is in place, there is no detailed fleet management strategy covering areas such as procurement and disposal. Best practice would suggest that a strategy would assist with the provision of consistency and a clear vision.

The table below provides a summary of priority rated actions:

Priority Ranking	Number of audit actions	Actions agreed	Risk accepted by management
<b>Critical</b>	0	0	N/A
<b>High</b>	0	0	N/A
<b>Medium</b>	4	4	0
<b>Low</b>	1	1	0
<b>Advisory</b>	0	N/A	N/A
<b>Total</b>	<b>5</b>	<b>5</b>	<b>0</b>

### **Annual Governance Statement (AGS) – Issued in May 2021 (Advisory)**

As part of the process for compiling the AGS, all service managers were asked to complete a self-assessment of the controls in place within their areas. We reviewed these returns to ensure consistency with any internal audit findings throughout the year.

We provided specific feedback on individual returns to the s151 Officer for consideration. We also made some suggestions to further improve the process for future years, including review of the approach and training / guidance for service managers.

### **Licensing Administration and Fees – Issued June 2021 (Substantial Assurance)**

Sevenoaks District Council is the lead partner in a four borough partnership with Tunbridge Wells, Maidstone and Bexley, for the administration and issuing of licensing. This review concentrated on the administration and issuing of Premises Licences for SDC only.

However, the Licensing Manager informed us that a Partnership review is being undertaken to establish the level of service expected from the Administration Hub run by Sevenoaks. This was due to the Licensing Manager finding inconsistencies in approach by Partners. Once this is completed, new procedures will be drawn up and issued.

The Council's website is a good guide to new applicants but could be improved with more details on the award of a licence and the timescales involved.

All applications are recorded on the Uniform database and sample testing confirmed that information required for validating the applications was received and retained on the database and had been checked.

In relation to the annual fees, sample testing highlighted issues over delays in receiving payments. Testing highlighted issues with the administration process of transferring licences as for two relevant files, this had not been completed correctly, which resulted in the failure to raise invoices to collect funds due.

The service also highlighted that there is currently a review of 2019/20 & 2020/21 financial years as it has been found that not all income due has been collected. This is currently being investigated and where necessary invoices are being raised to collect the outstanding sums.

We have raised actions as below:

## Agenda Item 9

Priority Ranking	Number of audit actions	Actions agreed	Risk accepted by management
<b>Critical</b>	0	NA	NA
<b>High</b>	0	NA	NA
<b>Medium</b>	3	3	0
<b>Low</b>	2	2	0
<b>Advisory</b>	0	0	0
<b>Total</b>	<b>5</b>	<b>5</b>	<b>0</b>

### **Communications Strategy (Advisory) – Issued in June 2021**

Due to the CoVid-19 pandemic the Communication Strategy is still in draft form as an emergency strategy was brought in for the period. We were asked to review the draft strategy and the evaluation process for the three communication campaigns undertaken for the re-opening of the local High Streets.

We found that the draft strategy was generally sound, covering key areas, and was written clearly and concisely.

We raised some advisory recommendations regarding further areas to consider in the strategy, approval routes and the robustness of evaluation.

### **Customer Services - Telephones (Substantial Assurance) – Issued in June 2021**

The objective of this review was to establish whether the Customer Solutions Team has adequate controls in place to respond to all customer telephone enquiries efficiently, effectively and to the required standard to ensure the customer has a positive interaction with the Council. The team currently handle around 100,000 calls a year and in the 8 month period reviewed had received over 76,000 calls.

Customer Solutions have set out a Customer Services Standard which outlines the experience a customer should receive when contacting the Council by the various routes.

Our testing covering a sample of calls received over an eight month period found that staff were courteous and attempted to solve the customers' questions first time or referred on to the right service. However, it was noted that there are occasions where services are failing to contact the Customer Solutions Team about non availability of staff which causes impact to the team and customers. More communication from services or clear direction from Strategic Management Team (SMT) is required to avoid such situations in the future. The service also needs to remind staff that secondary conversations between Customer Solutions and individual services are recorded and inappropriate comments could cause embarrassment for the Council in the future if the recording is requested.

Overall, customer satisfaction surveys demonstrate good levels of customer satisfaction with the service they receive. However, it should be noted this is based on only 7% of calls actually completing the customer questionnaire and therefore some further motivation both for staff to forward the calls and the public to complete the questionnaire is needed.

The table below provides a summary of actions raised and management responses:

Priority Ranking	Number of audit actions	Actions agreed	Risks accepted by management
<b>Critical</b>	0	NA	NA
<b>High</b>	0	NA	NA
<b>Medium</b>	3	3	0
<b>Low</b>	3	3	0
<b>Advisory</b>	0	NA	NA
<b>Total</b>	<b>6</b>	<b>6</b>	<b>0</b>

#### **Disabled Facilities Grants (Substantial Assurance) – Issued June 2021**

This audit aimed to review the effectiveness of controls over the application and assessment of disabled facilities grants, in accordance with the Housing Grants, Construction and Regeneration Act 1996.

Our review found the process to assess and award Disabled Facilities Grants (DFGs) is generally sound with procedures conforming to regulations. A common theme identified throughout testing was an inconsistency in the information recorded on Uniform and the documentation uploaded to Idox.

We found the service is effective in managing its DFG cases through the various stages of the process, with progress tracked through regular meetings. The in-house supplier list and selection process is appropriate and our testing confirmed grants are accurately calculated and approved. The service may wish to consider the use of a framework agreement moving forward to further strengthen its controls.

The table below provides a summary of actions raised and management responses:

Priority Ranking	Number of audit actions	Actions agreed	Risks accepted by management
<b>Critical</b>	NA	NA	NA
<b>High</b>	NA	NA	NA
<b>Medium</b>	1	1	0
<b>Low</b>	1	1	0
<b>Advisory</b>	NA	NA	NA
<b>Total</b>	<b>2</b>	<b>2</b>	<b>0</b>

#### **Recruitment (Substantial Assurance) – Issued in June 2021**

This review was a short compliance check of key controls including right to work, references, Disclosure and Barring Service and qualifications where relevant.

We found that the vast majority of relevant checks had taken place although in a small number of instances the retention of evidence was inconsistent.

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### HR Policy Compliance 2019/20 (Substantial Assurance) – Issued in August 2020

This audit review examined the arrangements in place for review, updating and compliance with the following Human Resources policies:

- [Disciplinary Policy](#)
- [Grievance Policy](#)
- [Probation Policy](#)

We were advised that the policies had been prepared by officers from the Human Resources Team who are experienced HR professionals and hold the Chartered Institute of Personnel Development (CIPD) qualification.

The Advisory Conciliation and Arbitration Services (ACAS) provides guidance for preparing grievance and disciplinary policies. Fieldwork confirmed the ACAS guidance had been incorporated into the policies.

There are effective consultation arrangements with Strategic Management Team and staff consultation groups before an HR policy is finalised. We were able to evidence these arrangements for the two most recent policies but not for the Grievance Policy (dated 2015).

Sample testing found that cases had been conducted in compliance with the Disciplinary policy. There was only one relevant grievance; this had been dealt with timely but successfully resolved informally. Therefore we have been unable to test application of the full policy.

Sample testing also identified a few exceptions with the probation policy. In two cases, the first one or two meetings had not taken place (although the final ones had been held) because the line manager had left or was otherwise unavailable and there were no contingency arrangements. We have recommended that contingency should be in place but managers have accepted the risk of not taking action.

The table below shows the recommendations raised, the priority level and whether they have been accepted by management:

Priority Ranking	Number of audit actions	Audit Actions Agreed	Risks accepted by management
Critical	0	NA	NA
High	0	NA	NA
Medium	1	0	1
Low	0	NA	NA
Advisory	1	0	1
Total	2	0	2

### Animal Welfare 2019/20 (Substantial Assurance) – Issued in September 2020

In October 2018 the Government introduced a new [licensing regime](#) to control the following licensable activities:

- Selling animals as pets

- Providing or arranging for the provision of boarding for cats or dogs
- Hiring out horses
- Breeding dogs
- Keeping or training animals for exhibition

Since October 2019, the Environmental Health Partnership has taken over responsibility for issuing all animal licences. There are currently 70 licenced establishments which require monitoring, inspecting and renewing.

Our review found there is an experienced team consisting of inspectors and support officers who are responsible for Animal Welfare. Officer roles are clearly defined between support and operational.

We found processes in place to deal with new licence applications, inspections and renewals. Records detailing existing licence holders are managed on Uniform and Idox, and monitored using spreadsheets. However, our testing identified inconsistencies in the storing of applications and supporting documentation.

Inspections are carried out in a timely manner by experienced, qualified officers, with adequate documentation to support applications. However, we identified improvements to enhance existing controls over the monitoring and follow up of improvement notices.

There is a system in place for recording and managing complaints. We noted that a number of concerns have been raised by members of the public (nationally as well as locally) regarding alleged illegal breeding and selling of animals. This is an area where the service takes proactive action to identify establishments operating without a licence, resource permitting.

A summary of the actions raised in the review are set out below:

Priority Ranking	Number of audit actions	Audit Actions Agreed	Risks accepted by management
<b>Critical</b>	0	NA	NA
<b>High</b>	0	NA	NA
<b>Medium</b>	2	2	0
<b>Low</b>	1	1	0
<b>Advisory</b>	0	N/A	N/A
<b>Total</b>	<b>3</b>	<b>3</b>	<b>0</b>

## Members' Expenses & Allowances 2020/21 (Substantial Assurance) – Issued in September 2020

Our review found the arrangements in place to process and pay expense claims are robust in design and effective in practice. All expense payments tested were authorised, valid, supported by evidence, and paid timely. We were able to confirm that where claims had been rejected, this was appropriate.

We also found that the process in place to set up Members on the payroll and process their allowances was largely robust. However, analysis and review of the payroll records identified two instances where the special responsibility allowance had not been accurately paid (this has now been rectified) due to changes which had not been processed.

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We did not find any significant opportunities for process efficiencies although we did observe that the process is heavily paper based and the service may wish to consider more use of electronic authorisations and records in line with new corporate ways of working.

The table below shows the recommendations raised:

Priority Ranking	Number of audit actions	Audit Actions Agreed	Risks accepted by management
Critical	0	NA	NA
High	0	NA	NA
Medium	1	1	0
Low	0	N/A	N/A
Advisory	2	2	0
Total	3	3	0

### Private Sector Housing Enforcement 2020/21 (Consultancy) – Issued in September 2020

We undertook a consultancy piece of work to review the draft Private Sector Housing Enforcement Strategy against both legislation and best practice from other organisations.

We have provided the Service with our detailed analysis and there are no significant risks to bring to Members' attention.

### COVID-19 Response & Recovery (Substantial Assurance) – Issued in December 2020

The overarching objective of the audit was to undertake a 'lessons learnt' review of the Council's response to the pandemic. In addition we considered, at a high level, the adequacy of the Council's recovery planning. The findings of this report in relation to the Council's response covered the period March – July 2020 only.

Crucially, the Council achieved its objective of delivering a good service to protect and support vulnerable residents and as a result we have given **Substantial** assurance.

### Key Strengths

- Fundamentally, the response delivered its objectives and provided a good service to vulnerable residents.
- Staff involved in the response were committed to delivering outcomes for customers.
- Structures, including those for governance and decision-making, were robust in design.
- Communications and information flows up and down the organisation were good.
- The Council defined its critical services in discussion with stakeholders and review of data shows that service standards were maintained during the period.

### Areas for Development

- The remit of the District Emergency Centre was not consistently understood, which hampered its effectiveness.
- Decision-making records sometimes lacked clarity around who had made the decision or the rationale for the decision.



- Staffing elements of the response, in particular, welfare, resilience and suitability of individual personalities for particular roles, need further development.
- The Council's relationship with, and responsibilities towards, the volunteers is not structured or defined.
- Recovery plans do not define specific objectives, actions or critical success factors.

The table below summarises the recommendations raised and management's response to these recommendations.

Priority Ranking	Number of audit actions	Audit Actions Agreed	Risks accepted by management
<b>Critical</b>	0	NA	NA
<b>High</b>	0	NA	NA
<b>Medium</b>	9	9	0
<b>Low</b>	1	1	0
<b>Advisory</b>	0	N/A	N/A
<b>Total</b>	<b>10</b>	<b>10</b>	<b>0</b>

#### **Fraud Checklist- Shared Review (Advisory) – Issued in December 2020**

The Fighting Fraud & Corruption Locally 2020 (FFCL) publication is the updated counter fraud and corruption strategy for local government. It provides a blueprint for a coordinated response to fraud and corruption perpetuated against local authorities with the support of those at the top. The FFCL strategies and its tools provide ways for local authorities to develop and enhance their counter fraud response by ensuring that it is comprehensive and effective.

The checklist comprises a total of 52 measures. We have assessed 40 out of 52 checks as either compliant or partially complaint. A full breakdown is given in the table below.

The existing counter fraud arrangements at Sevenoaks District Council are heavily focussed on identification of Council Tax and Business Rates with the Counter Fraud team undertaking this work. The Internal Audit team is also involved with counter fraud by undertaking internal investigations.

The main finding is that a fraud risk assessment for the Council needs to be undertaken to identify all key fraud risks. From this risk assessment, a fraud response plan can be developed to address significant areas of potential fraud commensurate with available resources.

Assessment	FFCL Criteria
<b>Compliant</b>	19
<b>Partially Compliant</b>	21
<b>Not Met</b>	12

#### **Local Land Charges (Substantial Assurance) – Issued in December 2020**

Our review found that overall, the Council's local land charge register is being effectively administered but controls can be strengthened further.

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We confirmed that the Council is compliant with relevant legislation and that requests are being processed within the Government's target time frame of ten working days. Sample testing also confirmed that all fees due had been received before the response had been sent to the client.

The areas that need to be strengthened include management undertaking periodic quality control checks to ensure a search has been conducted correctly as search requests are received, processed and returned by the same officer. The search results are not checked for accuracy and completeness by management prior to being sent back to the requester.

The accuracy of a local land charges register is dependent on all land charges applicable to a property being linked to the property's unique property reference number (UPRN). We were informed by land charge officers that searches have been delayed on occasions if all land charges relating to a property have not been linked to the UPRN.

We have suggested actions that will strengthen controls in these areas. The table below provides a summary of priority rated actions:

Priority Ranking	Number of audit actions	Audit Actions Agreed	Risks accepted by management
Critical	0	NA	NA
High	0	NA	NA
Medium	3	3	0
Low	4	3 agreed, 1 partial	1 partial
Advisory	0	NA	NA
Total	7	6 agreed, 1 partial	1 partial

### **Budgetary Control & Monitoring (Substantial Assurance) – Issued in December 2020**

Our review found that overall, budget monitoring is being effectively administered and managed but there are aspects which could be improved, especially in mechanisms of support for budget holders. Finance intranet pages and guidance do not reflect the current set up and guidance is up to 8 years old. With the Agresso finance system recently being updated, it was an ideal opportunity to update such documentation. It was noted that the Finance Team are currently reviewing and updating the guidance which should be available on the intranet by the end of March 2021.

There is currently no training for budget holders and although the general feedback from some budget holders was that they have very close working relationships with direct support from the Finance Team, a budget holder should be able to be self-sufficient in regards to monitoring their budget position. It was noted that the training programme is currently being developed by the Finance Team to be introduced by the end of March 2021.

Whilst detailed information is provided on actual spend to enable budget monitoring, the Council does not currently use commitment accounting. This is likely to become more important over the next few years as necessary savings will require tighter monitoring and control.

We have suggested actions that will strengthen controls in these areas.

Priority Ranking	Number of audit actions	Actions agreed	Risk accepted by management
<b>Critical</b>	0	NA	NA
<b>High</b>	0	NA	NA
<b>Medium</b>	2	2	0
<b>Low</b>	2	1	1
<b>Advisory</b>	0	NA	NA
<b>Total</b>	<b>4</b>	<b>3</b>	<b>1</b>

#### **Planning Enforcement (Substantial Assurance) – Issued in January 2021**

Our review found that overall the Council’s planning enforcement team is providing a good service but needs to address failings in the management, administration and quality assurance of cases to ensure an effective service is continued.

Sample testing identified that lawful decisions are being made on breaches as the level of complaints and appeals is low. The majority of cases are being dealt with in accordance with targets set by the Council, however there is evidence that the management reviews and administration of the Uniform system could be improved.

The table below provides a summary of priority rated actions:

Priority Ranking	Number of audit actions	Actions agreed	Risk accepted by management
<b>Critical</b>	0	0	NA
<b>High</b>	0	0	NA
<b>Medium</b>	3	3	0
<b>Low</b>	2	2	0
<b>Advisory</b>	0	0	NA
<b>Total</b>	<b>5</b>	<b>5</b>	<b>0</b>

#### **Cyber Security (Limited Assurance) – Issued in February 2021**

We conclude based on our audit work that the controls in place to manage and mitigate risks associated with Cyber Security provide ‘Limited’ assurance.

Our review noted that:

- Personal firewalls are enabled on laptops;
- A formal user access control process is used to approve access permissions.
- Remote access to the network via Pulse Secure virtual private network (VPN) requires the use of multi factor authentication;
- Access to potentially malicious websites is blocked; and,
- The F-Secure malware prevention software is updated hourly and is configured to scan files and webpages as they are opened in real-time.

However, we noted that:

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- Inbound and outbound external communications are controlled by a firewall provided as part of the Kent Partnership Service Network (KPSN). However, many of the firewall rules appear redundant and two permit network traffic vulnerable to some types of malware;
- Formal change management controls are not in operation for changes to firewall rules, many of which are not documented;
- The firmware to the firewall is out of date;
- Procedures, processes and tools are not in operation to control the secure configuration of laptops and servers. For laptops, unnecessary software/utilities are not disabled or controlled.
- Passwords do not adhere to best practice as they are 7 characters long. Administrator passwords expire every 90 days, rather than the 60 day maximum recommended by the National Cyber Security Centre;
- Accounts granted administration rights to Activity Directory include:
  - 12 that appear to be used for day to day activities such as internet/email – i.e. the same account is used by a user for administration as is used for standard day to day activities;
  - 7 accounts with these rights belong to staff outside of the infrastructure team whose access may compromise segregation of duties;
  - 20 accounts that no longer need these rights, and;
  - We also noted that the Barracuda web filter does not prevent access to the internet to these users.
- Whilst a penetration test was last performed in January 2019, the retest due early 2020 was deferred as a result of Covid19 and has yet to take place.
- Despite ransomware being a risk experienced in several other local authorities, we note that no training upon information security risks takes place and there has been no testing of staff susceptibility to phishing or social engineering attacks; and
- Although SDC has a policy of installing F-Secure malware prevention on all laptops, F-Secure is not configured to detect new devices added to the network that have yet to be protected.

A summary of the actions raised in the review are set out below:

Priority Ranking	Number of audit actions	Actions agreed	Risk accepted by management
<b>Critical</b>	0	NA	NA
<b>High</b>	3	3	0
<b>Medium</b>	7	6	1
<b>Low</b>	0	NA	NA
<b>Advisory</b>	0	NA	NA
<b>Total</b>	<b>10</b>	<b>9</b>	<b>1</b>

### Health and Safety Checklist (Advisory) – Issued in February 2021

The HSE publishes a self-assessment checklist for organisations to evaluate health and safety (H&S) arrangements in place. We used this checklist to undertake a health-check style review, by evaluating available policies and procedures, establishing processes, undertaking testing and conducting interviews with a small sample of officers.

Overall the Council fully or partially complies with most aspects of the HSE checklist (65 of 70). A suite of health and safety policies and procedures provides the foundations to underpin the arrangements and practices in place and to ensure health and safety related matters are taken seriously. There are however some areas to address and opportunities to improve.

The Health and Safety Group needs more of a purpose and direction to ensure its effectiveness which could be gained through the development of an improvement plan. It should provide more of an oversight role to ensure health and safety processes and procedures are embedded across the authority. It is also vital to promote engagement across the whole workforce.

The outcomes of the assessment are summarised below:

Assessment	HSE Criteria
Fully Met	28
Compliant – could be improved	24
Partially compliant	13
Not met	5
<b>TOTAL</b>	<b>70</b>

### **Contract Management (Advisory) – Issued in February 2021**

This review was an advisory piece of work which followed on from our advisory review of Procurement in 2019/20. The Council is currently updating its procurement framework using external expertise; we made some recommendations for contract management that will feed into this piece of work to ensure that controls are robust throughout the whole commissioning lifecycle.

### **Housing Allocations Policy (Limited Assurance) – Issued in March 2021**

The Policy provides the framework by which applicants are prioritised for housing and there was evidence that the policy is regularly reviewed. We found that the shortlisting process was working accurately and that there is also a process in place to manage autobids.

However, our testing showed that the policy is inconsistently applied in practice as some cases had been processed without the necessary evidence to support the application.

Testing throughout the audit found that a quality assurance programme would benefit the service offered as, for example, there were several cases noted where communication with the customer had not been added to the customer file, where actions had not been followed up or where evidence was missing.

We would like to acknowledge that throughout the audit, the service worked swiftly to resolve any issues with individual accounts that we highlighted. However, it will be important that the service undertakes some root cause analysis to understand and address the reasons for these exceptions, to prevent recurrences.

A summary of the actions raised in the review are set out below:

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Priority Ranking	Number of audit actions	Actions agreed	Risk accepted by management
<b>Critical</b>	0	NA	NA
<b>High</b>	1	1	0
<b>Medium</b>	3	3	0
<b>Low</b>	2	2	0
<b>Advisory</b>	1	1	0
<b>Total</b>	<b>7</b>	<b>7</b>	<b>0</b>

### Local Air Quality Management (Limited Assurance) – Issued March 2021

The day to day responsibilities for the monitoring and reporting of air quality activity have been assigned to the Scientific Officer (SO) who has detailed knowledge and expertise in the subject matter. The Council also benefits from being a member of the London Air Quality Network. This provides guidance and notifications of developments relating to air quality.

The audit did however highlight some significant areas for development. A key concern is that the Council has not yet approved its revised local air quality action plan. It has been over a year since the air quality consultants Bureau Veritas were appointed to review and update the existing plan. It is a legal requirement specified by the Environmental Act 1995 that local authorities have an approved, up to date air quality action plan in place. Unfortunately delays have been created as a result of the Covid-19 pandemic impacting upon the consultant's ability to undertake the modelling necessary to verify existing AQMAs and a decision for the Action Planning Process to undergo member scrutiny and participation.

In our view, existing air quality performance indicators contain technical data, which is difficult to understand for non-specialists and no supporting explanation is provided. Although the Assistant Environmental Health Manager (Environmental Protection) stated they provided useful information for him he did agree the indicators reported on the Pentana system need to be reviewed.

We also identified that contract management arrangements between the Council and external suppliers of services could be enhanced, as agreements had not been signed, there were some minor errors within the agreements and there was a lack of clarity around how the Council received assurance that services were being delivered to an acceptable standard.

Priority Ranking	Number of audit actions	Actions agreed	Risk accepted by management
<b>Critical</b>	0	0	0
<b>High</b>	1	1	0
<b>Medium</b>	6	6	0
<b>Low</b>	0	0	0
<b>Advisory</b>	0	0	0
<b>Total</b>	<b>7</b>	<b>7</b>	<b>0</b>

## Annex C - Audit Actions

The table below shows all actions due in the 2020/21 financial year, and progress against implementation:

Project	Service Manager	Report Issue Date & Rating	Agreed actions in Final Report	Actions due 2020/21	Not yet due	Closed during 2020/21	Deferrals in Q4	Total actions complete to date	Total actions outstanding to date
Environmental Health (Food Safety) 2018/19	Annie Sargent	December 2018 <b>Substantial Assurance</b>	3	1 (M)	0	1 (M)	0	3	0
Post GDPR Review 2018/19	Martin Goodman	June 2019 <b>Substantial Assurance</b>	6	1 (M)	0	1(M)	0	6	0
Business Continuity Planning 2018/19	Alex Dawson	August 2019 <b>Substantial Assurance</b>	3	1 (M)	0	1 (M)	0	3	0
Corporate Complaints 2019/20	Amy Wilton	January 2020 <b>Full Assurance</b>	1	1 (L)	0	1 (L)	0	1	0
Members' Expenses & Allowances 2020/21	Martin Goodman	September 2020 <b>Substantial Assurance</b>	1	1 (M)	0	1 (M)	0	1	0
Animal Welfare (shared review) 2019/20	Annie Sargent	September 2020 <b>Substantial Assurance</b>	3	0	1 (M), 1 (L)	0	0	1	2
COVID-19 Response & Recovery 2020/21	Richard Morris	December 2020 <b>Substantial Assurance</b>	10	4 (M)	5 (M), 1(L)	3 (M)	1 (M)	3	7
Local Land Charges 2020/21	Fraser McGregor	December 2020 <b>Substantial Assurance</b>	6.5	3 (M), 3.5 (L)	0	2.5 (L)	3 (M), 1 (L)	2.5	4
Budgetary Control & Monitoring 2020/21	Alan Mitchell	December 2020 <b>Substantial Assurance</b>	3	2 (M), 1 (L)	0	1 (M), 1(L)	1 (M)	2	1
Planning Enforcement 2020/21	Evelyn Gilder	January 2021 <b>Substantial Assurance</b>	5	0	3 (M), 2(L)	0	0	0	5
Cyber Security 2020/21	Darren Lepper	February 2021 <b>Limited Assurance</b>	9	1 (H), 2 (M)	2 (H), 4 (M)	2 (M)	1 (H)	2	7
Housing Allocations Policy 2020/21	Rav Kensrey	March 2021 <b>Limited Assurance</b>	6	0	1 (H), 3 (M), 2 (L)	0	0	0	6

Project	Service Manager	Report Issue Date & Rating	Agreed actions in Final Report	Actions due 2020/21	Not yet due	Closed during 2020/21	Deferrals in Q4	Total actions complete to date	Total actions outstanding to date
Local Air Quality Management 2020/21	Nick Chapman	March 2021 <b>Limited Assurance</b>	7	0	1(H), 6 (M)	0	0	0	7
		<b>TOTAL</b>	<b>63.5</b>	<b>21.5</b>	<b>32</b>	<b>14.5</b>	<b>7</b>	<b>24.5</b>	<b>39</b>



## Annex D – Key Performance Indicators for Q4 Progress (January – March)

Finance: Associated performance indicators	March 2021
<b>F1:</b> Projects Completed within budgeted days Indicator measures any variance between the days agreed on the final brief vs. the actual time coded on Teammate TEC	0/3 0%
<b>F2:</b> Chargeable days (time) Indicator measures the actual chargeable activities against the assumptions made in the audit plan	Average 73%
<b>F3:</b> PSIAS conformance Indicator measures effectiveness of the Quality Assurance & Improvement Programme (QIAP) to ensure compliance with professional Standards.	Partially Conformant
Client satisfaction: Associated performance indicators	March 2021
<b>C1:</b> Overall client satisfaction with the audit experience Indicator measures overall satisfaction levels, taking into account the audit approach, conduct, findings and competence of the auditor	5/5 100%
<b>C2:</b> Respondents agreement with the audit actions Indicator measures Client agreement to the audit findings and resulting actions from our audit work	13/13 100%

Internal processes: Associated performance indicators		Q4 (Jan – Mar)
<b>I1:</b> Time taken between issue of the DRAFT and FINAL Audit Brief Indicator measures the effectiveness of our project planning and time taken to prepare the work programme		6.17 days (average)
<b>I2:</b> Time taken between the issue of the FEEDBACK and DRAFT report Indicator measures the currency of our audit finding and effective engagement between Auditors and Clients		12.5 days (average)
<b>I3:</b> Time taken between issue of the DRAFT report and FINAL report Indicator measures the effectiveness of our process to finalise audit reports and issue the report in a timely manner		14 days (average)
Learning & Development: Associated performance indicators		Q4 (Jan – Mar)
<b>L1:</b> Audit actions fully implemented within agreed timescales – Indicator measures the successful implementation of audit actions and the effectiveness of our follow-up process		DBC 2/21 100% SDC 5/5 1 100%
<b>L2:</b> Training & development days Indicator measures our investment and time spent on training and development against the assumptions made in the audit plan		41.11 Days (of 58 days)

## Annex E – Customer Satisfaction Questionnaires

### 1 - Did you feel involved in the planning and scoping of the audit?

Not at all	Not really	No opinion	Yes	Definitely	Number of Responses	Positive Responses
0	0	0	4	15	19	19

### 2 - Did you feel that the audit covered the right areas?

Not at all	Not really	No opinion	Yes	Definitely	Number of Responses	Positive Responses
0	0	0	4	15	19	19

### 3 - We kept you informed and updated throughout the audit

Yes	Could have been better	No	No opinion	Number of Responses	Positive Responses
17	1	1	0	19	17

### 4 - We were sensitive to your availability and workload

Yes	Could have been better	No	No opinion	Number of Responses	Positive Responses
17	0	1	1	19	17

### 5- Did we demonstrate sufficient knowledge of the audit area (service area)?

Yes	No	Number of Responses	Positive Responses
18	1	19	18

### 6 - Did we conduct the audit in a professional and courteous manner?

Yes	No	Number of Responses	Positive Responses
18	0	19	19

### 7 - Our audit report was.... (select those that reflect your views)

Professional	Clear / easy to read	Factually accurate	Informative / useful	Succinct	Engaging	Contemporary	Other
16	16	15	14	7	5	2	0

### 8- Do you believe the agreed actions will make a difference?

N/A - no actions were raised	Absolutely, I believe they will	Yes, I think so	I'm not really sure	No	Number of Responses	Positive Responses
0	6	10	2	1	19	16

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### 9 - How would you rate your overall audit experience?

I'd rather not say / no opinion	Never again please!	It was OK *	Positive & Helpful	Excellent	Number of Responses	Positive Responses
0	0	2	8	9	19	18

\*Counted as 0.5 each as neither positive or negative

## Annex F – Quality Action Plan

Theme	Action	Target Date	Status Update
<b>Reporting</b>	Review the assurance levels for individual reports.	To be introduced for financial year 2021/22	Complete
Reporting	Review the assurance levels for the Annual Opinion.	Graded opinion to be provided for 2020/21.	In progress and on track - graded opinion to be provided for 2020/21 reports.
Reporting	Review report format to ensure that it is fit for purpose but “lean” – only containing elements that add value to the customer. Include guidance notes.	To be introduced for financial year 2021/22.	Complete but continue to monitor - Report format has been reviewed, including guidance notes, and rolled out to team in March 2021 team meeting. If report timeliness and initial quality does not improve following additional training, may need to consider amending further by streamlining again and removing detailed findings section - this will require stakeholder consultation.
Reporting	Deliver report writing training in team meeting session.	Jul-21	On track to be delivered in July.
Reporting	Deliver root cause analysis training in team meeting session.	Aug-21	On track to be delivered in August.
Reporting	Review the Annual Opinion report template and contents to ensure that IA reports to committee are more strategic and focused on outcomes / key themes and issues.	Jul-21	In progress and on track - will be complete for Audit Board/ Audit Committee.
<b>Co ordination of Assurance</b>	Develop assurance maps for both organisations a) Discuss other forms of assurance as part of 2021/22 Audit Planning b) Add assurance maps to both Plans for 2021/22	Complete by March 2022.	In progress - discussed with managers as part of annual planning meetings. On IA Plans for 2021/22.

Theme	Action	Target Date	Status Update
Co ordination of Assurance	Develop relationships with EA 1) Set up regular liaison meetings (every 4 months?)	For 2021/22 financial year with new EA personnel.	Not yet commenced. FC to progress by end June.
<b>Planning</b>	Develop more risk-based method for 2021/22 periodic planning.	For 2021/22 financial year	2021/22 IA Plan was better developed and more relevant, however further refinements needed for 2022/23. Review again November 2021.
Planning	Maintain under review the approach to periodic planning - annually or quarterly / six monthly.	Review again for 2022/23	Review and re consider for 2022/23.
Planning	Develop Audit Strategy for the partnership.	Sep-21	Not yet commenced beyond initial outline - behind target.
Planning	Undertake Culture / Ethics / IT Governance Audits.	March 2022 (for completion of 2021/22 audits)	IT Governance audits on both Plans for 2021/22. Culture on DBC audit plan, Ethical Governance on SDC Audit Plan. Audits not yet commenced - due Qs 3 and 4.
Planning	Develop mechanism and allocate responsibilities to team members to keep knowledge of key parts of the sector up to date, share updates with team as a whole.	Oct-21	Focus at present is on core audit work, not yet discussed with the team.
<b>Data Analysis</b>	Provide Excel training to the team	Dec-20	Complete - basic data analysis provided over 2 sessions. Need to review further options once skills matrix complete.
Data Analysis	Arrange demonstration of data analysis software	Dec-20	Complete
Data Analysis	Add data analysis to team objectives	Dec-20	Complete
Data Analysis	Add to planning checklist to enforce that it is considered as part of every audit and that non-use is justified - done	Dec-20	Complete
Data Analysis	'Continual' assurance using analysis of data will be trialled as part of the 2021/22 Plans.	Complete by March 2022	Audits on Plans, individual audits not yet commenced.

Theme	Action	Target Date	Status Update
Data Analysis	Draft data analysis strategy will be prepared by September 2021 (including identification of potential costs) and shared with the s151 officers for agreement of any additional funds required, specifically for training or software	Sep-21	Not yet commenced - difficult at present due to staff changes and as other audit skills need to be fully developed first.
<b>Performance Management</b>	Review suite of KPIs to ensure they measure what we need to know and want to improve	Needs to be in place for 2021/22	Complete
Performance Management	Review calculation of CSQ measure	Needs to be in place for 2021/22	Complete
Performance Management	Quality of work including specific standards, competencies, deliverables and performance measures to be set out in a new suite of objectives for the auditors	Dec-20	Complete
<b>Quality and timeliness of audit work (also links to Performance Management above)</b>	All team members to undertake skills gap analysis against the IIA competency framework.	May-21	In progress - behind target. Staff to be reminded in team meeting 9 June, new deadline of end June set.
Quality and timeliness of audit work (also links to Performance Management above)	Training plan for 2021/22 to be developed (reliant on completion of the above action)	Jul-21	Not yet commenced - requires action above to be completed.
Quality and timeliness of audit work (also links to Performance Management above)	Develop a Customer Charter that sets out clear expectations for audit staff and clients. Include expectation that customers will be given 2 weeks to comment on draft report.	To be in place for April 2021	Complete, ongoing need to remind staff of the commitments in the Charter and to ensure they are communicating with clients.
Quality and timeliness of audit work (also links to Performance Management above)	All staff to continue to complete self assessments at the end of individual audits to identify actions for improvement going forwards.	For 2020/21 audits onwards	In progress and ongoing.

Theme	Action	Target Date	Status Update
Performance Management above)			
Quality and timeliness of audit work (also links to Performance Management above)	Training on project planning audits to be delivered as part of team meeting	May-21	Complete - delivered over two sessions - April and May 2021.
Quality and timeliness of audit work (also links to Performance Management above)	Weekly 121s and action plans.	November 2020 onwards	In progress and ongoing.
Quality and timeliness of audit work (also links to Performance Management above)	Identical audits across both sites to be allocated to same team member. Some 'task based' teams will be deployed for bigger audits in 2021/22 - Ethical Governance and Culture, will use agile techniques such as daily catch ups and specific task based timings. 'Site based' approach will be considered where practical.	Complete by March 2022	In progress. Audit allocations are complete and where possible, identical audits have been allocated to same staff member. Small teams allocated to Ethical Governance and Culture, FC to lead and adopt task-based, agile approach. 'Site' approach to be considered as relevant when staff return to office.
Quality and timeliness of audit work (also links to Performance Management above)	Review and update the Audit Manual.	Sep-21	Not yet commenced.
<b>IA Charters</b>	Review Audit Charters for both organisations.	Audit Committee / Board March 2022	Complete
<b>Data Retention</b>	Review and update the information asset register / data retention schedule.	May-21	Complete



Theme	Action	Target Date	Status Update
<b>Remote Working</b>	Complete Lessons Learned review of the past year as part of team meeting session.	Apr-21	Partially complete in May 2021, session to be finished 9 June 2021.
<b>Follow Ups</b>	Review the follow up process and consider whether quarterly would be more efficient than monthly.	Apr-21	Reviewed as a team but due to KPI and other reporting, decided to remain 'as is' at the moment, but training to be provided to the team May 2021 and auditors asked to be more 'smart' with implementation dates - eg try to have the same date for multiple recommendations where possible. Review again in October 2021.

**Annex G - Definitions of Assurance ratings – Individual Audits:**

OPINION	DEFINITIONS
<p><b>Full Assurance</b></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 <b>LOW</b> priority actions. Agreed actions will be followed up as they fall due.</p>
<p><b>Substantial Assurance</b></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 <b>MEDIUM</b> priority actions. Agreed actions will be followed up as they fall due.</p>
<p><b>Limited Assurance</b></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 <b>HIGH</b> 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><b>No Assurance</b></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 <b>HIGH</b> or <b>CRITICAL</b> 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>

**Annex H - Definitions of Assurance ratings – Overall Opinion:**

OPINION	DEFINITIONS
<b>Substantial Assurance</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Reasonable Assurance</b>	<p>There is a generally sound system of governance, risk management and control in place.</p> <p>Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.</p>
<b>Limited Assurance</b>	<p>Significant gaps, weaknesses or non-compliance were identified.</p> <p>Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.</p>
<b>No Assurance</b>	<p>Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified.</p> <p>The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.</p>

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## **ANNUAL GOVERNANCE STATEMENT 2020/21**

**Audit Committee - 15 July 2021**

**Report of:** Deputy Chief Executive and Chief Officer - Finance & Trading

**Status:** For Consideration

**Key Decision:** No

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

**Portfolio Holder:** Cllr. Matthew Dickins

**Contact Officer:** Adrian Rowbotham, Ext. 7153

**Recommendation to Audit Committee:**

It be resolved that the Annual Governance Statement 2020/21 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 2020/21 and up to the time of the review (June 2021).

### **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

## Agenda Item 10

to the 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 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.

### **Outcome of the Process**

- 5 The process confirms that the Council has sound systems of internal control and good governance arrangements in place. One significant governance issue has been raised through the AGS process which relates to the need to have a continuing assessment of the impact of the Covid-19 pandemic on council services and council systems.

### **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 2020/21 and in the period leading up to the preparation of the AGS and the Council's Accounts.

**Appendices**

Appendix A - Annual Governance Statement 2020/21

**Background Papers**

None

**Adrian Rowbotham**

**Deputy Chief Executive and Chief Officer - Finance & Trading**

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## ANNUAL GOVERNANCE STATEMENT 2020/21

### 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 Officer - Finance and Trading 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 and Scrutiny Committees).
  - 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 (Chief Officer - Finance and Trading), 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 Framework Delivering Good Governance in Local Government. 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 18 July 2019.

### **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 2021 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 are set out in its Council Plan which was approved by Council on 20 November 2018. The Council Plan sets out the actions that the Council has committed to undertake to deliver on its promises. The Sevenoaks District Community Plan Priorities document covers the period from 2019-22. Every three years the Community Plan is comprehensively reviewed in consultation with residents and other interested stakeholders. 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 put in place on 21 May 2019 operated well during the year. The arrangements continue to 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 2020/21, the Internal Audit Team have worked to deliver and achieve the annual audit plan, approved by the Audit Committee in July 2020. The service has provided regular updates to Members on the outcomes of audit work and progress on implemented audit actions. It has provided updates regarding the internal self-assessment and also the External Quality Assessment, against the Public Sector Internal Audit Standards.

Internal audit has issued three limited assurance audit conclusions in 2020/21 to date. The audit actions arising from these reviews have either been implemented or Internal Audit are continuing to liaise with relevant services to ensure they are progressed. The Audit Committee request details of outstanding or deferred high priority actions, and while the Committee has not expressed any concerns during 2020/21, they have the power to invite Officers to attend meetings to provide updates directly.

In the Internal Audit Annual Report and Opinion, the Chief Audit Executive (Audit Manager) has assessed overall systems of risk management, governance and control as “Reasonable”; this means that although systems are generally sound, some areas for improvement were identified which, until addressed, may put the achievement of some objectives at risk.

Individual audit reports continue to be issued and distributed to relevant Chief Officers and the Chief Executive.

The effectiveness of the Internal Audit service was assessed via an External Quality Assessment in 2020/21 against the Public Sector Internal Audit Standards. The outcomes from the External Quality Assessment have been used to create an audit strategy and action plan.

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 2019/20.

#### 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 and Investment Advisory Committee. The Finance Team conduct monthly client liaison meetings with responsible budget holders.

The Council has given consideration to the CIPFA Financial Management Code which is a requirement from 2021/22 and no major issues have been identified.

#### 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 Scrutiny Committee.

## 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 Revenues and Benefits, Licensing and Internal Audit.

## f) Risk Management

Strategic risks are aligned to the Council's promises and objectives. In 2020/21 the strategic risk register was reviewed and updated, and was reported to Strategic Management Team and the Audit Committee. Audit Committee Members were last provided with Risk Management training in 2019/20.

## 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. 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.

## i) Monitoring Officer

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

## j) Anti-Fraud and Corruption

The Council has a Counter Fraud and Corruption Strategy and a Whistle Blowing Policy. The Council also has a Counter Fraud and Compliance 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.

The Internal Audit Partnership reviewed and updated the Council's Counter Fraud and Corruption Strategy and Whistle Blowing Policy during 2020/21 and also completed a health-check of the Council's counter fraud arrangements.

## **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 Officer - Finance and Trading during 2020/21.
- 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 2020/21, 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. Covid-19 Governance Impacts**

- 6.1 From March 2020 there was a significant impact on Council services as a result of the Covid-19 pandemic. The Council co-ordinated a response, as well as directly responding itself, to ensure that resources were prioritised to those most in need with essential assistance being provided right across all parts of the District. Despite the challenges, the Council also maintained essential services. The robust response to the pandemic has added assurance to the effectiveness of the Council's business continuity plans, communications strategy and governance arrangements.
- 6.2 The Council responded and adhered to government guidance in response to the pandemic. Priorities were changed to focus on the need to distribute emergency food and essential services to vulnerable residents and to provide support to local businesses and protect jobs in the District.
- 6.3 The Council conducted meetings and took decisions in ways other than face to face so that lawful decisions could still be made to maintain good

governance, principles of openness and accountability. The Council adapted its approach by assessing which decisions needed to be made quickly to deal with the pandemic and which could be delayed and re-scheduled. Virtual meetings occurred to ensure that transparency and good governance continued, and we took full advantage of the flexibilities that the Coronavirus Act 2020 gave us. Meetings took place in full compliance with regulations and as required by law reverted to the status quo ante upon their expiry for all meetings after 6 May

## 7. Review of Effectiveness

- 7.1 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.
- 7.2 The External Auditor concluded that, for 2019/20, 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.
- 7.3 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 opinion for 2020/21 indicates that there is "Reasonable" assurance over the Council's systems of risk management, governance and control.
- 7.4 The Head of Paid Service, Section 151 Officer and the Monitoring Officer periodically review the Constitution, procedures for internal financial control and application of the relevant Codes of Conduct.
- 7.5 There was one significant governance issue raised in last year's AGS which related to the Covid-19 pandemic which is included in **Table 1** below.
- 7.6 One significant governance issue have been raised through the current AGS process which also relates to the Covid-19 pandemic which is included in **Table 2** below.

Certification

Signed:

Signed:



Dr. Pav Ramewal

Chief Executive

Date:

Cllr Peter Fleming

Leader of the Council

Date:

Issues Identified

Table 1: Significant Governance Issues raised in the previous (2019/20) AGS

Identified from	Issue	Description	Responsible Officer(s)
Covid-19 Pandemic	Response to the impacts of Covid-19	<p>An ongoing assessment of the impact of the Covid-19 pandemic on council services and council systems and lessons learned will be undertaken in order to ensure good governance. Council plans and the 10-year budget to be reviewed in the light of the impact of Covid-19.</p> <p>Response: Internal Audit undertook a ‘lessons learnt’ review of the Council’s response to the pandemic. In addition, the adequacy of the Council’s recovery planning was also considered at a high level.</p> <p>Crucially, the Council achieved its objective of delivering a good service to protect and support vulnerable residents.</p>	SMT

Table 2: Significant Governance Issues raised in the current (2020/21) AGS

Identified from	Issue	Description	Responsible Officer(s)
Covid-19 Pandemic	Response to the impacts of Covid-19	A continuing assessment of the impact of the Covid-19 pandemic on council services and council systems will be undertaken in order to ensure good governance. Council plans and the 10-year budget will continue to be reviewed in light of the impact of Covid-19.	SMT

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## AUDIT COMMITTEE TERMS OF REFERENCE

Audit Committee - 15 July 2021

**Report of:** Deputy Chief Executive and Chief Officer - Finance & Trading

**Status:** For Consideration

**Key Decision:** No

**Portfolio Holder:** Cllr. Matthew Dickins

**Contact Officer(s):** Adrian Rowbotham, Ext. 7153, Francesca Chivers, Ext. 7053

**Recommendation to Audit Committee:**

- (a) Note the Audit Committee Terms of Reference (Appendix A).
- (b) Provide a view as to whether the Committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas.

### Introduction and Background

- 1 At the Annual Council meeting on the 12 May 2019, Members agreed the Terms of Reference for the Audit Committee. The Terms of Reference set out the overarching roles and responsibilities of the Committee.
- 2 The Terms of Reference were previously reported to the Audit Committee on 16 July 2020. It is appropriate to include them on an annual basis to assist Members when considering other reports on the agenda.

### Evaluation to Assess Whether the Committee is Fulfilling its Terms of Reference

- 3 It is recognised good practice for the Audit Committee to undertake an annual evaluation to assess whether the Committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas.
- 4 A questionnaire was completed by Members of the Committee in November 2020 and a Member Development Programme was devised based on the responses and a Member Development subject is being covered at each meeting.

## Agenda Item 11

- 5 The Committee is asked to provide a view as to whether it is fulfilling its terms of reference and that adequate consideration has been given to all core areas.

### Key Implications

#### Financial

None

#### Legal Implications and Risk Assessment Statement.

None

#### Equality Assessment (Compulsory heading - do not delete)

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 - Constitution of Sevenoaks District Council - Part 6 - Audit Committee

#### **Background Papers**

None

**Adrian Rowbotham**

**Deputy Chief Executive and Chief Officer - Finance & Trading**

# **Constitution of Sevenoaks District Council**

## **PART 6 - AUDIT COMMITTEE**

### **1. Introduction**

- 1.1 The Council will appoint the Audit Committee to discharge the functions conferred by the Accounts and Audit Regulations 2015 in relation to the matters set out below and specifically to consider the Council's Financial and Governance arrangements, relating to the system of internal control and the effectiveness of internal audit, the annual governance statement; including the arrangements for the management of business risks, in compliance with Regulations 3 and 6 of the Accounts and Audit Regulations 2015 and any subsequent legislation.
- 1.2 The number of meetings and Terms of Reference of the Audit Committee may be reviewed from time to time by the Governance Committee which may report to the Council.

### **2. Membership of the Committee**

- 2.1 All Members of the Council, except members of the Cabinet or their deputies and the Chairman of the Council, may be members of the Audit Committee. However, no Member may be involved in reviewing a decision in which he/she has been directly involved.
- 2.2 The Committee will be made up of 9 elected Members, one of which shall serve as Chairman, that follow the political proportionality of the Council. The Chairman will not be a member of any Cabinet Advisory Committee. The membership of the Committee can be found at Appendix H - Membership of Council Committees, Cabinet and Advisory Committees.
- 2.3 The Audit Committee shall be entitled to recommend to Council the appointment of up to two additional co-opted non-voting members. Any co-opted members must have the necessary technical knowledge and skills to be of value to the business of the Committee.

### **3. Terms of Reference of the Audit Committee**

#### Audit Activity

- (a) To review, in collaboration with the Audit Manager, the Internal Audit Charter on an annual basis and to consider and approve any further development of the Council's Internal Audit Charter, Strategy or terms of reference such as shall be appropriate.
- (b) To consider and approve the annual internal audit plan, including a summary of internal audit activity regarding the level of assurance that it can give over the Council's internal control, corporate governance and risk management arrangements. Further, to commission work as

required from both Internal and External Audit.

- (c) To consider the Audit Manager's annual report and assurance opinion.
- (d) To consider quarterly progress reports from the Audit Manager regarding the progress of the Annual Internal Plan. The Committee may request to review any individual audit report should they or the Audit Manager deem it appropriate to do so.
- (e) To consider a report on the progress of all recommendations made by internal audit and other external regulatory or review agencies.
- (f) To receive and consider the annual report on the review of the effectiveness of the internal audit function.
- (g) To consider confidential reports on investigations carried out by Internal Audit of suspected fraud; corruption or bribery allegations within the Council or its partners.
- (h) To make proper arrangements regarding the appointment of the Council's External Auditor; to consider the appointed External Auditor's annual letter, relevant reports, and the report to those charged with governance.
- (i) To comment on the scope and depth of external audit work and to ensure it gives value for money.
- (j) To consider any external audit report resulting from the Statement of Accounts and any recommendations and comments received from the District Auditor.

#### Regulatory Framework

- (k) To maintain an overview of the effective development and operation of corporate governance and risk management in the Council, and to monitor compliance with statutory duties and the Council's Constitution in respect of Financial and Contract Procedure Rules.
- (l) To monitor Council policies on 'Raising Concerns at Work'; the anti-fraud and anti-corruption strategy; the Bribery Act; and the Council's complaints process; including the Council's whistleblowing arrangements.
- (m) To consider and approve the Council's Annual Governance Statement and recommend its adoption to Council
- (n) To monitor the Council's arrangements for corporate governance and if necessary to recommend actions to ensure compliance with best practice; and to also consider compliance with the Council's own and other published standards and controls.
- (o) To receive and consider reports from the monitoring officer on



lawfulness and/or maladministration; to review any issue referred by the Chief Executive, a Chief Officer, or a Statutory Officer.

- (p) To monitor the implementation of the Members' Allowance Scheme.

#### Accounts

- (q) To review the annual Statement of Accounts. Specifically to consider whether appropriate accounting policies, including International Financial Reporting Standards, have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- (r) To approve the Statutory Statement of Accounts when the deadline for approval does not allow approval by full Council.
- (s) To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts, and comments received from the District Auditor.

### **4. Audit Committee Procedure Rules**

- 4.1 The Committee will conduct their proceedings in accordance with the applicable Committee protocols as specified within Section 33 of Part 2 of the Council's Constitution, and with the further Procedure Rules set out below.

#### Appointment of Sub-Committees/Working Groups

- 4.2 The Committee may appoint Sub-Committees or working groups. These may be appointed for a fixed period or until the next Annual Council meeting.

#### Procedure at Meetings of the Audit Committee

- 4.3 The Audit Committee shall consider the following business:
  - (a) minutes of the last meeting;
  - (b) declarations of interest;
  - (c) responses of the Council, Cabinet or Council Committees to the Committee's reports or recommendations; and
  - (d) the business otherwise set out on the agenda for the meeting.

#### Meetings of the Audit Committee

- 4.4 There shall be four ordinary meetings of the Committee in each year. In addition, other meetings may be called from time to time as and when appropriate. A meeting of the Committee may be called by the Chairman of the Committee, by a quarter of the members of the Committee or by the Chief Executive (in consultation with the Chairman or Vice-Chairman, if

available) if he considers it necessary or appropriate.

- 4.5 The Audit Committee shall periodically set aside time during a meeting where any matters pertaining to the remit of the Committee may be discussed with the Audit Manager without the presence of other officers of the Council. The Chairman of the Committee will also meet informally with the Audit Manager and other relevant officers as appropriate prior to all ordinary meetings.

#### Work Plan

- 4.6 The Audit Committee will be responsible for setting its own Work Plan and in doing so shall take into account the wishes of all members on the Committee and in consultation with key officers of the Council.

#### Agenda Items

- 4.7 Any member of the Audit Committee shall be entitled to give notice to the Chief Executive that he/she wishes an item relevant to the functions of the Committee to be included on the agenda for the next available meeting of the Committee. On receipt of such a request the Chief Executive will ensure that it is included on the next available agenda and the Chairman will be informed.
- 4.8 The Audit Committee shall also respond, as soon as work plans permit, to requests from the Council and if it considers it appropriate, the Cabinet or other Committees, to review particular areas of Council activity relevant to the functions of the Committee.

#### Reports and Recommendations from the Audit Committee

- 4.9 Once it has formed recommendations, the Audit Committee will submit these in writing to the Chief Executive for consideration by the Cabinet, Council or the relevant Committee. Whenever possible a response to the submitted report and/or recommendations of the Committee will be formed within two months of it being submitted to the Chief Executive.

#### Members and Officers Attending Committee

- 4.10 In discharging its terms of reference, the Audit Committee may require any member of the Cabinet, the Chairman of a Committee, the Chief Executive, and/or any Chief Officer to attend before it to answer questions in relation to matters within their remit. For the avoidance of doubt, such a person may be required to answer questions on the Council's relationships with partner organisations, contractors and/or other public bodies, providing that person is responsible for managing that relationship as part of their duties. It is the duty of those persons to attend if so required.
- 4.11 Where any Member or Officer is required to attend the Audit Committee under this provision, the Chairman of the Committee will inform the Chief Executive. The Chief Executive shall inform the Member or Officer in writing

giving at least five clear working days notice of the meeting at which he/she is required to attend. The notice will state the nature of the item on which he/she is required to attend and whether any papers are required to be produced for the Committee. Where the Committee will require the production of a report, then the Member or Officer concerned will be given sufficient notice to allow for preparation of that documentation.

- 4.12 Where the Member or Officer is unable to attend on the required date, then the Committee shall in consultation with the Member or Officer arrange an alternative date for attendance to take place as soon as practically possible.

Attendance by Others

- 4.13 In discharging its terms of reference, the Audit Committee may review the performance/governance of partner organisations, contractors and/or other public bodies. It may also invite people other than those people referred to in paragraph 4.10 to provide it with a report, address it and/or answer questions that may be appropriate to the Committee's remit.

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## REVIEW OF THE EFFECTIVENESS OF THE AUDIT COMMITTEE 2020/21

Audit Committee - 15 July 2021

**Report of:** Deputy Chief Executive and Chief Officer - Finance and Trading

**Status:** For Consideration

**Key Decision:** No

**This report supports the Key Aim of:** Effective Delivery of the Council Plan

**Portfolio Holder:** Cllr. Matthew Dickins

**Contact Officer:** Adrian Rowbotham, Ext. 7153

**Recommendation to Audit Committee:**

- (a) That Members **discuss** and subject to comments, **approve** the Self-Assessment Review of the Effectiveness of the Audit Committee (Appendix A) for 2020/21.

**Reason for recommendation:** The Audit Committee is a key component of the Council's governance framework. It is an important source of assurance for the Council's arrangements to manage risk, maintain an effective control environment and report on financial and other performance. It is therefore vital that the Audit Committee is effective, and that we have arrangements in place to continually support, develop and enhance the Committee.

The self-assessment against CIPFA's **Audit Committees - Practical Guidance for Local Authorities** 2018 indicates that the arrangements in place are largely compliant with some areas for further consideration.

### Introduction and Background

- 1 The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for public finance. They have recognised the importance of the Audit Committee and issued a position statement setting out the functions, composition, skills and requirements. As part of this guidance, they published a self-assessment checklist against each of the key requirements.

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- 2 Members of this Committee have always supported the notion of continual development and improvement, and have accepted the underlying principles set out in CIPFA guidance. Therefore, the Committee has undertaken a self-assessment for a number of years and it is currently based on the self-assessment checklist published with the 2018 guidance.
- 3 The outcomes of the assessment (**Appendix A**) show that the Committee complies with most aspects set out in the checklist with a few areas that Members may wish to consider for future development.
- 4 The assessment has been completed as far as possible drawing from the work of the Committee and its Terms of Reference during 2020/21. The checklist incorporates the following four key areas:
  - **Audit Committee Purpose and Governance** - Does it comply with best practice?
  - **Functions of the Committee** - Is there sufficient oversight in key areas?
  - **Membership and Support** - Do Members have the right skills, training and support from the wider organisation?
  - **Effectiveness of the Committee** - How well does the Committee discharge its duties?

### Next Steps

- 5 Members are asked to review the self-assessment and consider whether they agree with the outputs, including any areas marked as not fully met. Where areas are not yet being fully met, Members are asked to agree to develop an action plan which will be reviewed throughout the 2021/22 financial year.

### Key Implications

#### Financial

This report has no financial implications.

#### Legal Implications and Risk Assessment Statement

This report has no additional legal implications.

#### Equality Assessment

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

Value for Money and Asset Management

An effective Audit Committee will contribute towards the overall management of the Council and would help to improve good value for money in service provision.

**Conclusions**

The self-assessment against CIPFA's **Audit Committees - Practical Guidance for Local Authorities 2018** indicates that the arrangements in place are largely compliant, with a few areas for development to ensure that the Committee aligns with the most up-to-date best practice.

**Appendices**

Appendix A - Self-Assessment Checklist & outcomes

**Background Papers**

CIPFA guide Audit Committees - Practical Guidance for Local Authorities (2018 Edition) - This is a purchased publication; a full copy of the guidance is available upon request.

**Adrian Rowbotham**

**Deputy Chief Executive and Chief Officer - Finance & Trading**

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## Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, then it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment can be used to support the planning of the audit committee work programme and training plans. It can also inform an annual report.

Good practice questions		Yes	Partly	No
1	Does the authority have a dedicated audit committee?	Yes		
2	Does the audit committee report directly to full council? (applicable to local government only)	Yes		
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	Yes		
4	Is the role and purpose of the audit committee understood and accepted across the authority?	Yes		
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	Yes		
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	Yes		
<b>Functions of the committee</b>				
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?			
	good governance	Yes		
	assurance framework, including partnerships and collaboration arrangements	Yes		
	<i>The Terms of Reference do not specifically reference assurance over partnership arrangements but Internal Audit has a remit to provide assurance over partnerships and collaborations, therefore it is implicitly covered.</i>			
	internal audit	Yes		
	external audit	Yes		
	financial reporting	Yes		
	risk management	Yes		
	value for money or best value	Yes		

Good practice questions		Yes	Partly	No
	counter fraud and corruption	Yes		
	supporting the ethical framework	Yes		
	<i>The Terms of Reference set out the Committee's role in counter-fraud and corruption activity but not explicitly a wider ethical framework. However as Internal Audit has a remit to provide assurance over ethical governance matters, this is implicitly covered.</i>			
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	Yes		
9	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	Yes		
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	Yes		
11	Has the committee maintained its advisory role by not taking on any decision-making powers that are not in line with its core purpose?	Yes		
	<b>Membership and support</b>			
12	Has an effective audit committee structure and composition of the committee been selected? This should include: a. separation from the executive b. an appropriate mix of knowledge and skills among the membership – see Q16 c. a size of committee that is not unwieldy d. consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement)	Yes   Yes	Yes   Partly	
	<i>A Member Development Plan is in place following a skills self assessment undertaken in 2020/21 A report on possible inclusion of an independent member will be presented at this meeting.</i>			
13	Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council or the PCC and chief constable as appropriate for the organisation?	NA	NA	NA
	<i>There are currently no independent members.</i>			

14	Does the chair of the committee have appropriate knowledge and skills?	Yes		
15	Are arrangements in place to support the committee with briefings and training?	Yes		
16	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?		Yes	
	<i>A training and development programme is in place.</i>			
17	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	Yes		
18	Is adequate secretariat and administrative support to the committee provided?	Yes		
Good practice questions		Yes	Partly	No
<b>Effectiveness of the Committee</b>				
19	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?		Partly	
20	Are meetings effective with a good level of discussion and engagement from all the members		Partly	
	<i>There is a good level of discussion in meetings but unfortunately there has been some non-attendance.</i>			
21	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?		Partly	
	<i>The Committee is able to invite leaders and managers to attend but in the 2020/21 financial year did not feel that this was necessary.</i>			
22	Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	Yes		
23	Has the committee evaluated whether and how it is adding value to the organisation?			No
24	Does the committee have an action plan to improve any areas of weakness?	Yes		
25	Does the committee publish an annual report to account for its performance and explain its work?	Yes		

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## AUDIT COMMITTEE INDEPENDENT MEMBERS

Audit Committee - 15 July 2021

**Report of:** Deputy Chief Executive and Chief Officer - Finance & Trading

**Status:** For Consideration

**Key Decision:** No

**Portfolio Holder:** Cllr. Matthew Dickins

**Contact Officer(s):** Adrian Rowbotham, Ext. 7153

Francesca Chivers, Ext. 7053

### **Recommendation to Audit Committee:**

- (a) Members give consideration to appointing independent member/s to the Audit Committee.
- (b) If Members choose to do so, recommend to Council the appointment of up to two additional co-opted non-voting members, or
- (c) If Members choose not to do so, recommend how frequently the Audit Committee should consider independent members.

### **Introduction and Background**

- 1 Within the Constitution of Sevenoaks District Council (Part 6 - Audit Committee, section 2.3) is the following:
- 2 *'The Audit Committee shall be entitled to recommend to Council the appointment of up to two additional co-opted non-voting members. Any co-opted members must have the necessary technical knowledge and skills to be of value to the business of the Committee.'*
- 3 The Audit Committee has never previously requested to take up this option but should give it consideration on a periodic basis.

### **Other Kent Councils**

- 4 The following table shows whether the other thirteen Kent councils have independent members or not.
- 5 Nine councils have no independent members, two councils have one, one council has two and one council has four.

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Council	Independent Members
Ashford	None
Canterbury	None
Dartford	None
Dover	None
Folkestone & Hythe	One non-voting independent member. Allowance of £834 per annum.
Gravesham	None
Kent CC	One independent member since January 2020. Allowance of £1,500 per annum.
Maidstone	Two non-voting parish representatives, appointed by Council. Allowance of £350 each per annum.
Medway	None
Swale	None
Thanet	None
Tonbridge & Malling	None
Tunbridge Wells	Two independent members who do not have a vote. Allowance of £800 each per annum. There is a formal recruitment process for their appointment, they are for a four-year term which can be extended to a maximum of eight years. There are also two parish council representatives on the committee who cannot vote. Their allowance is also £800 each per annum.

**Redmond Review: Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting**

- 6 The Local Audit and Accountability Act 2014 (the 2014 Act) introduced a new Audit regime for local government to replace the previous arrangements, under which the Audit Commission performed that role. This Review examined the effectiveness of local audit as now practised.
- 7 The purpose of the Review is to test not only the impact of external audit activity in local government but also to look, critically, at how this helps to demonstrate public accountability, particularly to service users and council taxpayers. In a similar context the brief of the Review extends to the issues of transparency in financial reporting of local authorities, with attention being directed towards whether the annual accounts and associated published financial information can be readily understood by the public.
- 8 The review was published in September 2020 and a link to the full review can be found in the background documents section of this report.
- 9 Most of the recommendations included in the review relate to external audit provision and the annual statement of accounts. However, the following recommendation relates to the Audit Committee:
- 10 The governance arrangements within local authorities be reviewed by local councils with the purpose of:
  - an annual report being submitted to Full Council by the external auditor;
  - **consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee;** and
  - formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually.
- 11 CIPFA also endorses the approach of mandating the inclusion of a lay or independent member and recommends that those authorities, for whom it is not a requirement, actively explore the appointment of an independent member to the committee.

**Process for the Appointment of Independent Member/s**

- 12 If Members of the Audit Committee wish to request an independent member or members join the Committee, they are required to make a recommendation to Council.
- 13 If Council are supportive, the Deputy Chief Executive and Chief Officer - Finance and Trading be authorised to advertise for co-opted non-voting member/s of the Audit Committee.
- 14 Also, the Deputy Chief Executive and Chief Officer - Finance and Trading in consultation with the Chairman of the Audit Committee be authorised to form a panel to interview candidates, such interview to be designed to test that candidates have the necessary technical knowledge and skills to be of

## Agenda Item 13

value to the business of the Committee. Any appointment would run until May 2023.

### Key Implications

#### Financial

There is currently no specific budget for Independent Audit Committee Member Allowances and any additional allowance would be required to be approved by Council.

The allowances paid by other Kent councils are included in the table in the report. For information the allowances paid to the independent persons in the Standards Committee are currently £493 per annum.

#### Legal Implications and Risk Assessment Statement.

The legal implications are as set out in the report. Please note that Part 6 of the Constitution (as set out above) permits the Audit Committee to recommend the appointment of up to two additional co-opted non-voting members. Any such recommendation will be referred to the next meeting of Full Council for a final decision.

#### Equality Assessment

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

#### **Appendices**

None

#### **Background Papers**

Redmond Review: Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/916217/Redmond\\_Review.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/916217/Redmond_Review.pdf)

**Adrian Rowbotham**

**Deputy Chief Executive and Chief Officer - Finance & Trading**



**Audit Committee 2019/21 - Work Plan (as at 17/06/21)**

	15 July 2021	23 September 2021	25 January 2022	March 2022
<b>Internal Audit</b> (Irregularities to be reported confidentially as & when necessary)	Internal Audit Annual Report and Annual Opinion 2020/21	Internal Audit Progress Report 2021/22	Internal Audit Progress Report 2021/22	Internal Audit Progress Report 2021/22  Internal Audit Plan 2022/23
<b>Risk Management</b>		Strategic Risk Register		
<b>Accounts and External Audit</b>	Annual Governance Statement 2020/21  External Audit - Housing Benefit Subsidy 2019/20	Statement of Accounts 2020/21	External Audit - Annual Audit Letter 2020/21  External Audit - Housing Benefit Subsidy 2020/21	External Audit - Annual Audit Plan 2021/22  Statement of Accounts - Establishment of Member Working Group

	15 July 2021	23 September 2021	25 January 2022	March 2022
<b>Other</b>	<p>Audit Committee Terms of Reference</p> <p>Review of the Effectiveness of the Audit Committee 2020/21</p> <p>Counter Fraud and Compliance Report 2020/21</p>	Members' Allowance Scheme Monitoring		
<b>Members Development Briefings</b>	Counter Fraud and Whistle Blowing	Subject TBC	Subject TBC	Subject TBC