

25 January 2022 at 7.00 pm

Council Chamber, Argyle Road, Sevenoaks

Published: 17.01.22

The meeting will also be livestreamed to YouTube here

[https://www.youtube.com/channel/UCLT1f\\_F5OfvTzxjZk6Zqn6g](https://www.youtube.com/channel/UCLT1f_F5OfvTzxjZk6Zqn6g).

Members of the public who wish to attend in person, are requested to wear face masks and observe social distancing procedures. 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 23 September 2021, as a correct record	(Pages 1 - 4)	
2. <b>Declarations of Interest</b> Any Interests not already registered.		
3. <b>Actions from Previous Meeting (if any)</b>		
4. <b>Responses of the Council, Cabinet or Council Committees to the Committee's reports or recommendations (if any)</b>		
5. <b>Chairman's Audit Committee Report to Council</b>	(Pages 5 - 6)	
6. <b>Statement of Accounts 2020/2021</b>	(Pages 7 - 8)	Alan Mitchell Tel: 01732227483
7. <b>Internal Audit Progress Report 2021/2022</b>	(Pages 9 - 38)	Ian Wiltshere Tel: 01732 227103
8. <b>Risk Management Strategy</b>	(Pages 39 - 50)	Adrian Rowbotham Tel: 01732 227153
9. <b>Audit Committee Independent Members -</b>	(Pages 51 - 54)	Adrian Rowbotham

**Update**

Tel: 01732 227153

- |     |   |                 |                                       |
|-----|---|-----------------|---------------------------------------|
| 10. | <b>Future Appointment of External Auditors Report</b> | (Pages 55 - 66) | Adrian Rowbotham<br>Tel: 01732 227153 |
| 11. | <b>Work Plan</b>                                      | (Pages 67 - 68) |                                       |

**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 23 September 2021 commencing at 7.00 pm

Present: Cllr. McGarvey (Chairman)

Cllr. Morris (Vice Chairman)

Cllrs. Barnes, Kitchener, Morris, Pender and Williamson

Apologies for absence were received from Cllrs. London and Osborne-Jackson

Cllr. Dickins was present via a virtual media platform which does not constitute attendance as recognised by the Local Government Act 1972.

15. Minutes

Resolved: That the Minutes of the meeting of the Audit Committee held on 15 July 2021 be agreed and signed as a correct record.

16. Declarations of Interest

No additional declarations of interest were made.

17. Actions from Previous Meeting

The action was noted.

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

There were none.

19. Audit Committee Member Development - Internal Audit and the Role of the Audit Committee

The Audit Manager gave a [presentation](#) and briefed Members on Internal Audit and the role of the Audit Committee.

Resolved: That

- a) the Members Development be noted; and
- b) Risk Management be the next topic for Member Development in January followed by External Audit in March.

20. Members Allowance Scheme Monitoring

The Head of Legal and Democratic Services presented a report which outlined Members' allowances claimed during the 2020/21 year. Travel expenses had been claimed by 10 out of 54 members which was lower than previous years and likely due to the Covid-19 pandemic.

Resolved: That the contents of the report be noted.

21. Statement of Accounts 2020/21 - Progress Update Report

The Head of Finance updated Members on the progress of the Statement of Accounts. Grant Thornton began the external audit on 12 July 2021 and this was still progressing. It was unlikely the audit would be completed by 30 September 2021.

It was noted that many other Councils were in a similar position.

Resolved: That the report be noted.

22. Internal Audit Progress Report 2021/22

The Audit Manager presented the report which set out Internal Audit progress and its outcomes since the meeting in July. Three pieces of work from the 2021/22 Internal Audit Plan had been completed on the community grants process, payroll and the ten-year budget strategy. There were no significant issues raised from the audits. Grant assurance work had commenced as Internal Audit sign off was required as a condition of some central government grants relating to the pandemic.

Resolved: That the report be noted.

23. Strategic Risk Register

The Audit Manager presented the report which outlined the most recent version of the Strategic Risk Register. Two new risks, SR14 Capital Projects and SR15 Net Zero, had been added and no risks had been removed. Further information was introduced to the register including a 'target' score for each risk to indicate whether risks were currently being managed to the desired level, 'actions' for each risk to provide an overview of progress against actions in place, and a section on assurance to detail mechanisms in place to assess how risks are managed.

Resolved: That the contents of the Strategic Risk Register be considered and noted.

24. Chairman's Audit Committee Report to Council

The Chairman presented the draft report for Council to update Members on the work of the Audit Committee.

Members were advised that the Chairman was in the process of visiting Audit Committees at other Councils to consider various approaches regarding independent members of the Committee.

25. Work Plan

The work plan was noted with Members advised that an additional meeting would likely take place before the meeting scheduled for 25 January 2022 to sign off the Statement of Accounts.

THE MEETING WAS CONCLUDED AT 8.05 PM

CHAIRMAN

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**DRAFT AUDIT COMMITTEE REPORT TO COUNCIL - 22 FEBRUARY 2022**

**Council - 22 February 2022**

Report of: Cllr McGarvey, Chair of the Audit Committee

Status: For Consideration

**Introduction and Background**

- 1 This is our report to the Council on the work of the Audit Committee since Council last met in November 2021.
- 2 The Audit Committee is responsible for discharging the functions conferred by the Accounts and Audit Regulations 2015. The key responsibilities include approving the Council’s Annual Statement of Accounts, approving the Annual Governance Statement, approving the Annual Internal Audit Plan and monitoring and reviewing the work of Internal Audit, and reviewing the arrangements for the management of business risks.
- 3 In line with its Terms of Reference, the Audit Committee meets four times per year and has met once since the last report to Council.
- 4 As Chair of the Committee, I have continued to hold monthly briefings with Officers.
- 5 Details of the range of issues considered by the Committee on 25 January are set out below:

**Internal Audit**

<b>Date of Meeting</b>	<b>Agenda Items</b>
January 2022	<ul style="list-style-type: none"> <li>• Internal Audit Progress Report 2021/22</li> </ul>

**Governance, Risk & Anti-Fraud**

<b>Date of Meeting</b>	<b>Agenda Items</b>
January 2022	<ul style="list-style-type: none"> <li>• Risk Management Strategy</li> <li>• Audit Committee Independent Members - Update</li> </ul>

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### Accounts and External Audit

Date of Meeting	Agenda Items
January 2022	<ul style="list-style-type: none"><li>• Statement of Accounts 2020/21</li><li>• Future Appointment of External Auditors</li></ul>

- 6 The Audit Committee maintains a constructive dialogue and effective working relationship with the Council's external auditors, Grant Thornton who attended on 25 January.
- 7 Training of Audit Committee Members is important to ensure that they can add value to the discussions at the Committee. A Member Development Plan has been agreed by the Committee.
- 8 Statement of accounts. *(comment to be added after the Audit Committee)*
- 9 At the July Audit Committee, a report on having independent member(s) on the committee was discussed. It was agreed that the Chairman would attend Audit Committee meetings at other councils that have independent members and report back in January. An update was provided at the January Committee where Members *approved/did not approve* recommending to Council the principle of recruiting Independent Member(s). *A separate report is being presented at this Council meeting.*
- 10 It is my opinion that the work of the Committee has a positive impact on the overall control environment within the Council and has developed good working relationships with officers and External Audit, and has offered constructive comments on a range of issues. The Committee continues to develop and improve its understanding of the many technical issues presented to it.
- 11 I thank all members of the Audit Committee for their personal contribution to the work of the Committee. I also thank Officers, in particular Adrian Rowbotham, Fran Chivers and Alan Michell, for the help and support they have given the Committee.
- 12 Fran Chivers, Audit Manager, left the Council in December to take on a role at the London Borough of Bromley and I am pleased to inform you that Jen Warrillow has been appointed as the new Audit Manager and is due to start on 21 February.

**Cllr Philip McGarvey, Chairman, Audit Committee**



**STATEMENT OF ACCOUNTS 2020/21 - OUTCOME OF EXTERNAL AUDIT**

**Audit Committee - 25 January 2022**

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

**Status:** For Decision

**Key Decision:** No

**Executive Summary:** The report set out the external audit findings of the 2020/21 financial statements

**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) the Statement of Accounts 2020/21 be approved and signed (Appendix D). Appendix to Follow
- (b) the letter of representation (Appendix B) be approved and signed. Appendix to follow

**Reason for recommendation:**

It is a legal requirement under regulation 10 of the Accounts and Audit Regulations 2003 for the audit committee to review and approve the Statement of Accounts.

**Introduction and Background**

- 1 A draft statement of accounts was reviewed by a working group from the Audit Committee on 25 August 2021.
- 2 Grant Thornton began the external audit of the accounts on 12 July 2021 and it has continued to progress.
- 3 At the deadline for the Audit Committee the audit has not been completed and the Audit Findings report is still to be issued by the auditors.
- 4 It is anticipated that the appendices listed below will be issued before the committee with a full detailed Audit Outcome report.

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### **Appendices - To Follow**

Appendix A - Grant Thornton Audit Findings Report 2020/21

Appendix B - Letter of Representation

Appendix C - Minutes from the Member Working Group

Appendix D - Audited Statement of Accounts 2020/21

### **Background Papers**

None

**Adrian Rowbotham**

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

**INTERNAL AUDIT PROGRESS REPORT**

**Audit Committee - 25 January 2022**

**Report of:** Audit Manager

**Status:** For Consideration / Approval

**Also considered by:** None

**Key Decision:** No

**Portfolio Holder:** Cllr. Matthew Dickins

**Contact Officer:** Ian Wiltshire, Ext. 7103

**Recommendation to Audit Committee:**

- (a) Note the contents of the report
- (b) Approve the amends to the 2021-22 Audit Plan as set out in paragraph 7 of Appendix A

**Reason for recommendation:** This report is part of regular reporting to Audit Committee on Internal Audit progress and outcomes. The overarching purpose is so that Members can assure themselves on the effectiveness of both the service itself and of risk management, governance and control processes within the Council.

**Introduction and Background**

- 1 The Audit Committee receives regular updates from the Internal Audit Partnership. Principally the focus of these updates is to track progress, findings, and key insights from delivery of the Internal Audit Plan.
- 2 We have also reviewed the 2021-22 Internal Audit Plan as approved by Committee in March 2021 in light of current risks and resources. Consequently, we are proposing two amendments to the Plan as set out in paragraph 7 of Appendix A.
- 3 The report also provides an update on the implementation of actions raised as part of our audit work and on the performance of Internal Audit via KPIs.

**Other options Considered and/or rejected**

None

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### Key Implications

#### Financial

There are no direct financial implications associated with this report.

#### 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.

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.

#### Net Zero Implications

The decisions recommended through this paper have a remote or low relevance to the council's ambition to be Net Zero by 2030. There is no perceived impact regarding either an increase or decrease in carbon emissions in the district, or supporting the resilience of the natural environment.

### Conclusion

This report provides Members with an update on the Internal Audit's outcomes and performance, including Internal Audit progress towards delivery of the 2021/22 Audit Plan.

#### **Appendices**

Appendix A - Internal Audit Progress Update

#### **Background Papers**

[Internal Audit Plan 2021/22](#)

**Ian Wiltshire**  
**Auditor Manager (Acting)**

**DARTFORD & SEVENOAKS AUDIT PARTNERSHIP**

# **Internal Audit Update Report**

## **25 January 2022**



## Agenda Item 7

### Introduction

- 1 Internal Audit is an independent and objective assurance and consulting function. The shared team undertake reviews over the course of the year that are designed to evaluate and improve the Council's internal control, governance and risk management processes. Each individual review contributes towards the Chief Audit Executive's overall opinion on systems of risk management, governance and control provided at the end of the year.
- 2 This interim report provides Members with an update on internal audit activity, and, most importantly, its outcomes, against the Plan that was agreed by Members of this Committee in March 2021.
- 3 It also seeks to enable the Committee to discharge its responsibility to provide oversight of the quality and effectiveness of the Internal Audit Partnership. The Key Performance Indicators for Quarter 2 are provided in **Annex D** and an update on the Partnership's Quality Action Plan is provided in **Annex E**.

### Internal Audit Progress Update

- 4 The approved 2021/22 Internal Audit Plan is divided into two sections; Plan A contains the audits that are priorities for completion and Plan B contains additional audits that will be completed if resources allow.
- 5 An overall summary of Internal Audit progress against both Plans as at 20 December 2021 is included below in **Annex A**. We have made progress against Plan A with eight pieces of work fully completed and a further five in fieldwork or reporting stages.
- 6 Between 1 May 2021 and 31 October 2021, the Partnership was carrying a vacancy at Auditor level, but we are now pleased to welcome Helen Breytenbach to the Partnership as our Sevenoaks-employed Auditor since 1 November 2021. We have had some other staffing challenges; the Audit Manager left on 30 November 2021, but we have now appointed to the post and the two Lead Auditors are covering the post alongside their own roles for the interim period. There has also been a period of long term sickness for one team member in the team.
- 7 We have reviewed the current Audit Plan in light of changes within the Partnership and within the organisation itself. In our view, the Plan remains broadly fit for purpose and aligned to key risks. However we are proposing two changes which Members are asked to approve:
  - Deletion of the 'New Service Review - Environmental Health and Building Control' audit. At the time the Plan was drawn up, the Council's intention was to create a single service but this is no longer the case. As such, the audit loses relevance and so we propose to capture the assurance needs of both services as part of the 2022/23 planning process.
  - Deferral of the 'Ethical Governance' review until 2022/23. This was due to be completed by the Audit Manager with a small team in Quarter 3 but we no longer have this resource. Further, the Council has recently undergone a peer review which covered governance to some extent. We therefore propose to defer the

audit until Q1 2022/23 when we can also take into account the findings of the peer review and seek to follow these up.

### Internal Audit Outcomes

- 8 The table below shows all final audit reports issued and the outcomes since the last report to Audit Committee in September 2021. Summaries of these audits can be found in **Annex B**. Definitions of our assurance ratings are provided in **Annex F**.

Audit	Assurance rating
Appraisals	Reasonable
Corporate Credit Cards	Limited
Parking (PCNs)	Reasonable (PCN Processes) Limited (Contractual Arrangements)
Safeguarding	Limited
S106 Agreements	Reasonable

- 9 The audits completed since the last report to Committee have covered a range of risks; one of these (Parking) was service-specific but the rest apply organisation-wide and thus have particular significance.
- 10 One audit (Appraisals) received ‘Reasonable’ assurance; processes were in place to ensure that all staff received an appraisal but the effectiveness of this process to ensure consistency and strong links between staff and service objectives could be enhanced. For Parking (PCNs), we also gave a ‘Reasonable’ assurance opinion for local enforcement processes; these aligned to statutory obligations and recommendations raised were largely to enhance the effectiveness of the service through additional quality measures.
- 11 A key theme running throughout the ‘Limited’ assurance opinions was weaknesses in contractual arrangements. We raised a ‘High’ priority action in the credit cards audit to consider how procurement thresholds can be applied to card spend. We also split the assurance level for Parking as the framework for commissioned aspects of the service were insufficiently robust to mitigate risks associate with procurement compliance and service delivery. Similarly, a key reason for the ‘Limited’ assurance opinion for the Safeguarding audit was that contracts for commissioned services do not contain sufficient provision for Safeguarding in order for the Council to manage its risks and discharge its statutory duties. We will continue to raise and follow up these issues with strategic management and the Procurement Assurance Group.
- 12 Throughout our audits this year, we have also noted a lack of controls in place to prevent or detect fraud in some areas (in particular low level fraud via credit cards and payroll claims) and we believe this is due, to an extent, to a lack of fraud awareness in the Council. We intend to partially address this through training planned for Senior Managers and through delivery of a fraud risk assessment in collaboration with the Counter Fraud Team. We have also, in conjunction with the Counter Fraud Team, shared some promotion and resources, internally and externally, for International Fraud Awareness Week (14 - 20 November 2021).
- 13 Within ‘Plan A’, we set aside a pot of time for grants assurance work, as Internal Audit sign off is required as a condition of some central government grants relating to the

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pandemic. In September, we reported that we had completed a review of the ‘Restart Grants’ and provided our assurance statement to the Ministry of Housing, Communities and Local Government with no issues raised. Since then, we have also reviewed the ‘Test and Trace’ grant scheme and the ‘Green Homes’ grant scheme, again with no issues raised. Whilst we have not marked the audit as complete, in case further certifications are required later in the year, the work that we have undertaken allows us to provide assurance that underlying systems for these payments are sound and operating as intended.

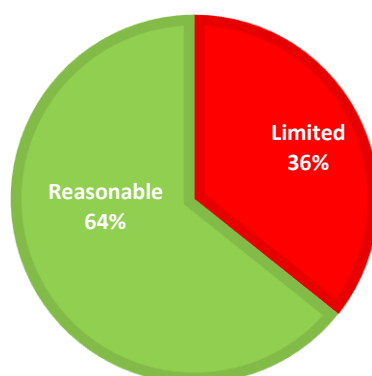
14 Since the last report to Committee, we have also utilised our time on the following:

- Development of the Risk Management Framework (presented as a separate item on the agenda for approval)
- Completion of a piece of work around call-handling in front-line services, to complement the review of customer services call-handling that we undertook in 2020/21. We did not raise any significant issues but we did identify areas for development to improve the customer experience. The organisation is currently drawing up an action plan for these.
- Review of the LGA Peer Review self-assessment prior to submission
- Input and participation in International Fraud Awareness Week
- Attendance and input into the Council’s new Procurement Assurance Group
- Ad hoc advice including proposed waivers

15 The chart below shows a breakdown of all audit assurance opinions to date for the 2021/22 financial year. Members will note that overall, the largest proportion of audits received ‘Reasonable’ assurance and the overall proportions are approximately in line with the year end 2020/21 position. It will be continually updated for future progress reports to Committee.

### ASSURANCE RATINGS

■ Limited ■ Reasonable ■ Substantial



16 One of the primary functions of Internal Audit is to provide assurance that identified risks are being effectively managed and to this end, the table below also 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. There are audits on the Plan for all risks currently shown with no coverage with the exception of the new ‘Net Zero’ risk and, as each audit is completed, the table will be updated for future reports to this Committee. Assurances over risks with less coverage will be considered as part of the 2022/23 Audit Planning process.

Corporate Risk Register	Current Risk Rating	Internal Audit Coverage	Assurance Level
SR01 Finance	Medium	Ten Year Budget Strategy Covid 19 Grant Funding Payroll Corporate Credit Cards	Reasonable NA Reasonable Limited
SR02 Property Investment Strategy	Medium		
SR03 Asset management & maintenance	Low		
SR04 Knowledge, capacity & culture	Medium	Appraisals	Reasonable
SR05 Technology	Medium		
SR06 Information & data management	Medium		
SR07 Legal compliance, governance & ethics	Low	Parking (PCN)	Reasonable / Limited
SR08 Capacity of community partners	Low	Community Grants Process	Advisory
SR09 Health & Safety (incl. Staff Wellbeing)	Medium		
SR10 Emergency planning & severe weather events	Medium		
SR11 Safeguarding	Medium	Safeguarding	Limited
SR12 Covid-19	Medium		
SR13 Temporary Accommodation	Medium		
SR14 Capital Projects	Medium		
SR15 Net Zero	Medium		

## Follow Up

- 17 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 actions due in Quarter 2 this financial year. All deferrals have been agreed by the Chief Officer - Finance and Trading or else the actions have made significant progress and we are expecting them to be fully implemented shortly.
- 18 Alongside the changes above, we have also changed the way that we calculate the relevant key performance indicator (page 20). In previous financial years, we discounted deferred actions from the calculation whereas for this financial year, we consider them

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as 'not implemented'. This has of course resulted in a drop in the KPI figures presented but we consider the new methodology to be a more accurate representation of residual risks.

### Internal Audit Performance

- 19 Audit Committee has an important role to play in overseeing and ensuring the quality and effectiveness of Internal Audit, in order to assure themselves that Internal Audit makes a robust contribution to governance and that reliance can be placed on its conclusions. This oversight is facilitated through the Quality Assurance and Improvement Programme, which includes an action plan and performance indicators.
- 20 **Annex D** contains the results of our Key Performance Indicators (KPIs) for Quarter 2 (July - September). These KPIs highlight that customer satisfaction remains good and that we are planning sufficiently in advance of audit fieldwork. The percentage of actions agreed with client's actions is slightly down for this quarter, but this is due to one specific audit undertaken at Dartford Borough Council and is not indicative of an overall trend. The main area for action at this stage is the timeliness of audit delivery; the KPI shows that too few audit reports are issued by the date given on the audit brief. We continue to explore root causes and address these in 121s and team meetings.
- 21 The results of the various strands of our Quality Assurance activity combine into a single, overarching Quality Improvement Plan which is presented in **Annex E** (as at 30 November 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. It is presented to Audit Committee minimum six monthly and was last reported in July 2021.
- 22 The current iteration shows that we have made some good progress against our actions, including review of core processes (in particular those which relate to reporting), development of a Customer Charter and provision of the majority of identified training. Some actions are behind schedule, which is mainly due to the change in Audit Manager; it would not be appropriate, for example, to develop an Audit Strategy until the new manager is in post. A further update will be presented to Members as part of the Annual Report in July 2022.

### Conclusion

- 23 We have continued our work on the 2021/22 Internal Audit Plan and have made steady progress, with some key audits completed. Managers have agreed the recommendations for all issues raised and consequently there are no risks identified that will not be sufficiently mitigated once these are implemented. We have seen some staffing changes with the departure of the Audit Manager and the arrival of the Auditor. At this stage in the financial year, on the basis of both the assurance and consultancy work completed to date and the outcomes of follow up activity, my interim overall opinion on systems of risk management, governance and control continues to be 'Reasonable' in line with the opinion provided in July 2021.

24 We would like to thank Officers, Managers and Members for their ongoing support and co-operation to enable us to deliver our work.

**Ian Wiltshire**

**Audit Manager (Acting)**

## Annex A - Internal Audit Plan 2021/22

Plan A 2021/22	Audit Title	Type	Current Status	Assurance
1	Assurance Mapping	Consultancy	Fieldwork	
2	Property Investment Strategy	Risk Based	Review	
3	Fraud Risk Assessment	Consultancy	Planning	
4	IT Governance	Risk Based	Planning	
5	Ten Year Budget	Risk Based	Complete	Reasonable
6	Corporate Landlord Liabilities	Risk Based	Not yet started	
7	Purchase Orders Continuous Assurance	Consultancy	Not yet started	
8	New Service Review - Environmental Health	Risk Based	<i>Proposed to Cancel</i>	
9	Emergency Planning	Risk Based	Not yet started	
10	Staff Wellbeing	Risk Based	Planning	
11	Appraisals	Risk Based	Complete	Reasonable
12	Information Security	Risk Based	Fieldwork	
13	Safeguarding	Risk Based	Complete	Limited
14	Temporary Accommodation	Risk Based	Not yet started	
15	Covid-19 Recovery	Risk Based	Not yet started	
16	S106 Agreements	Risk Based	Complete	Reasonable
17	Companies - Quercus	Risk Based	Not yet started	
18	Grants Process	Consultancy	Complete	N/A
19	Council Tax and Enforcement (shared)	Risk Based	Fieldwork	
20	Asset Management	Consultancy	Not yet started	
21	Covid-19 Grant Funding	Risk Based	Fieldwork	
22	Ethical Governance	Risk Based	<i>Proposed to defer</i>	
23	Legal Service Processes (Case Management)	Risk Based	Not yet started	
24	Parking Processes - Residents Permits and PCN processing (including appeals and cancellations)	Risk Based	Complete	Reasonable (PCN Process), Limited (Contractual Arrangements)
25	Corporate Credit Cards	Risk Based	Complete	Limited
26	Payroll	Risk Based	Complete	Reasonable
Plan B 2021/22	Audit Title	Type	Current Status	
1	Council Tax Reduction Scheme	Risk Based	Not yet started	
2	Local Plan	Consultancy	Not yet started	
3	Equality and Diversity	Risk Based	Not yet started	
4	Workforce Development / Talent Management / Succession Planning	Risk Based	Not yet started	
5	Workforce Strategy	Risk Based	Not yet started	

6	Training and Development	Risk Based	Not yet started	
7	Community safety	Risk Based	Not yet started	
8	Taxis	Risk Based	Not yet started	
9	Pre-Application advice	Risk Based	Not yet started	
10	Print Studio	Consultancy	Not yet started	
11	Asset Management	Risk Based	Not yet started	
12	Council Tax Enforcement	Consultancy	Not yet started	
13	Discretionary Powers	Risk Based	Not yet started	
14	Disaster Recovery	Risk Based	Not yet started	
15	My Account function	Risk Based	Not yet started	
16	Governance - Committee Process	Risk Based	Not yet started	
17	Procurement	Risk Based	Not yet started	
18	Safety Advisory Group	Risk Based	Not yet started	
19	Leases	Consultancy	Not yet started	

## Annex B - Summaries of Audit Reports issued

### Appraisals (Reasonable Assurance) - Issued in October 2021

This audit aimed to review the effectiveness of the appraisal process.

We found that most staff received an appraisal and there were reasonable explanations provided for the exceptions. Staff felt the annual meeting was held in the right atmosphere to be conducive to discussion and sufficient time was allocated to the meeting. Staff also felt that having one meeting to look back at the previous year and then set the next year’s objectives was the right approach.

However, we found that the appraisal process is not as effective as it could be with staff identifying that they have concerns with the current practices and also with the lack of electronic process enabling them to record items over the course of the year. HR provided evidence that training and support was offered to management and staff in 2019 and guidance is sent out with the annual reminder for the appraisal season. However, there was no further evidence supplied of more recent training. Staff and management interviewed expressed they were not completely sure what was expected from the appraisal meetings and our testing identified inconsistencies in practice.

Staff do not see the appraisal process as being an all year round event but more as a one off annual meeting. One to One meetings are not always held regularly and there was limited evidence of objectives being revisited across the year to enable staff to be supported or encouraged to exceed targets.

The current process is also not appropriate for operational staff as they are asked to complete the same document as office based staff. The majority do not have ready access to computers through their work and the complexity of the form does not facilitate completion for this cohort, particularly given the very low proportion of appraisers to appraisees.

We have summarised our actions and management responses in the table below:

A summary of our actions and management responses is set out below:

Priority Ranking	Number of audit actions	Actions agreed	Risks accepted by management
Medium	4	3 and 1 Partial	1 Partial
Low	2	2	0
<b>Total</b>	<b>6</b>	<b>5.5</b>	<b>0.5</b>

### Corporate Credit Cards (Limited Assurance) - Issued in October 2021

The purpose of this review was to assess the adequacy and effectiveness of the controls in place over corporate credit cards. In particular, to assess if credit cards were being issued in accordance with agreed procedures and used for their intended purpose.

We examined credit card activity for the period April 2020 to June 2021. During this period there were 1,249 credit card transactions with a total value of £231,079.

#### Strengths

- A credit card agreement is in place for each cardholder.
- Finance provide guidance to cardholders for when the card should and should not be used.
- There is separation of duties between requesting a credit card, approving the card and recording credit card activity.
- Credit card activity is appropriately presented in the Treasury report.

#### Areas for development

- Card sharing is common practice which increases risks of fraud and error.
- 14% of transactions reviewed did not have a supporting receipt or invoice.
- There is contradicting advice/instruction between the agreement and guidance regarding personal use of cards.
- The business need for the transaction is not self-evident from the credit card return template.
- We identified some purchases which should have been procured by other means due to their type and value.
- Annual card expenditure on Amazon totalled £13,000 but there is no corporate steer on Amazon spend.
- Monitoring of low usage or dormant credit cards requires improvement to establish if there is still a need for these cards being in circulation.
- Requests for credit cards require greater explanation and justification to demonstrate there is a genuine need for the card.

A summary of our actions and management responses is set out below:

Priority Ranking	Number of audit actions	Actions agreed	Risks accepted by management
High	2	2	0
Medium	4	4	0
Low	1	1	0
<b>Total</b>	<b>7</b>	<b>7</b>	<b>0</b>

### **Parking (PCNs) (Reasonable / Limited Assurance) - Issued in November 2021**

The objective of the audit was to review the effectiveness of controls over Penalty Charge Notices, including appeals and cancellations, to ensure that the Council receives all income due whilst remaining fair to customers.

The Service has recently undergone a management restructure and managers have a set of desired actions to improve front line and back office processes, some of which are already implemented.

We found that processes are compliant with legislative requirements in key aspects and areas of good practice are noted below. However, there are no contracts in place for either the Enforcement Agents or the parking software, which represents an unacceptable risk for the Council. Consequently, we have split the assurance level to reflect the adequacy of the PCN processing whilst recognising the risks associated with third party suppliers.

#### **Strengths**

- Managers have a clear sense of purpose and vision for the service, including the actions necessary to achieve that purpose.
- Processes for issuing, enforcing and considering representations against Penalty Charge Notices are in line with all key aspects of legislation.
- Automated system controls are in place and working to ensure that the Council complies with statutory timescales for PCN enforcement.
- Charges applied are in line with legislation.
- Back office staff are appropriately qualified and experienced in role.
- For the sample of representations tested, the Council had performed considerably above minimum statutory requirements for timeliness of response.
- All cancellations processed in the last 2 years had been effected on the system by those with the authority to do so.
- All rejected representations that we reviewed were in line with current local guidance and the notice of rejection adequately explained to the customer why their appeal had not been accepted.
- The financial figures presented in the 2019/20 Annual Parking Report reconciled back to the underlying data in the Council's accounts.
- There is appropriate segregation of duties between receiving, recording and reconciling income from Penalty Charge Notices (although see Areas for Development below).

#### **Areas for Development**

- There is no contract in place with the Council's Enforcement Agents, meaning that the Council is unable to effectively monitor and manage performance. We also understand that there is no contract in place for the parking system (Chipside) although the service is in the process of developing a procurement plan.



- Income records on Agresso, the Council’s financial system, do not balance to those held on Chipside, meaning reconciliations do not fulfil a key function of identifying any fraud or error.
- Supervision and oversight of CEO quality of work is insufficiently robust.
- There is no consistent policy for the issue of advisory notices and data analysis highlighted instances of inconsistency and ineffectiveness in practice.
- There are no quality assurance checks on representation decisions to ensure consistency and alignment with service objectives and expectations.
- There is no lessons learned log to ensure that actions identified as a result of Traffic Penalty Tribunal (TPT) decisions have been actioned.
- Access to the parking system Chipside is not periodically reviewed and some users with current access permissions are no longer employed by the Council.
- The 2019/20 Parking Annual Report did not contain all information as required by the Statutory Guidance.

A summary of our actions and management responses is set out below:

Priority Ranking	Number of audit actions	Actions agreed	Risks accepted by management
High	2	2	0
Medium	6	6	0
Low	3	3	0
Advisory	1	1	0
<b>Total</b>	<b>12</b>	<b>12</b>	<b>0</b>

### Safeguarding (Limited Assurance) - Issued in November 2021

The overall objective of the audit was to review the adequacy and effectiveness of the Council’s arrangements to ensure and promote the safeguarding of vulnerable children and adults who interact with the Council.

There are several areas of good practice within the Council’s safeguarding arrangements such as awareness and a cross-organisational group. However, there are significant gaps in training and contractual arrangements which, in our view, leave key risks insufficiently mitigated.

#### Key strengths

- There is a policy in place which aligns to many key statutory requirements
- Awareness is regularly promoted via newsletters which contain a variety of relevant information
- All bar one of the Designated Safeguarding Officers have received recent training relevant to their role
- The Safeguarding Group contains a good cross section of membership from across the organisation and those interviewed felt the group worked well, with good engagement from its members

## Agenda Item 7

- The Council has been instrumental in securing funding and agreement for a County-wide referrals system which is due to be rolled out shortly

### Areas for development

- At the time of fieldwork, only 13% of staff had received the standard Safeguarding training
- The Council does not have sufficient mechanisms to embed Safeguarding within contracts for third party providers
- Roles and responsibilities are not clearly defined in the policy or in job descriptions
- The policy has not been approved by Strategic Management Team or Members
- Processes for referrals and allegations require further clarification
- Arrangements for oversight and scrutiny require strengthening

The table below sets summaries the actions raised and management responses:

Priority Ranking	Number of audit actions	Actions agreed	Risks accepted by management
High	2	2	0
Medium	6	6	0
Low	0	0	0
Advisory	0	0	0
Total	8	8	0

### S106 Agreements (Reasonable Assurance) - Issued in December 2021

The objective of this review was to assess the effectiveness of controls over the management of S106 agreements and to confirm income due from the agreements is received on a timely basis. Furthermore, to assess the controls for ensuring S106 income is spent in accordance with the terms and conditions of the agreement.

We also assessed the arrangements for the migration of S106 records to the new Exacom system, which took place between February 2020 and April 2020.

#### Strengths

- The Exacom system accurately reflects the key information relevant for each S106.
- Exacom is well structured with screens that are easy to follow and understand.
- Electronic copies of the original S106 agreements are held on Exacom.
- Roles and responsibilities are clearly defined for setting up S106 agreements, enforcement of S106 clauses and authorisation of the spending of S106 funds.
- S106 activity is reported annually to Cabinet and to Central Office as part of the Infrastructure Funding Statement.
- The S106 expenditure / funding amounts examined during testing were reconciled to the Agresso Financial system.

#### Areas for Development

- There was limited evidence on file to support the justification and authorisation for spending of S106 funds.
- Evidence that development work had commenced was on file for only six of the 15 S106 agreements examined.
- Management did not have evidence on file to confirm they had verified the migration of S106 agreements onto the Exacom system was fully complete and to the required standard.
- S106 activity is reported to senior management annually. More frequent reporting may identify adverse trends and patterns at an earlier stage.

<b>Priority Ranking</b>	<b>Number of audit actions</b>	<b>Actions agreed</b>	<b>Risks accepted by management</b>
<b>Medium</b>	3	3	0
<b>Low</b>	0	0	0
<b>Advisory</b>	1	1	0
<b>Total</b>	<b>4</b>	<b>4</b>	<b>0</b>

**Annex C - Audit actions**

We raise recommendations to assist management in addressing control failings, or to suggest service improvements following the results of our testing. In accordance with our follow-up process all audit actions are tracked and followed up when they fall due. The table below shows all audits with open actions from April 2021 to the date of writing. Column E indicates which of these were due between July and September 2021, which we have now followed up. Columns G and H give a summary of that follow up process:

A - Project	B - Service Manager	C - Report Issue Date & Rating	D - Agreed actions in Final Report	E- Actions due in Q2	F- Not yet due	G - Closed during Q2	H - Deferrals this Qtr.	I - Total actions complete to date	J - Total actions outstanding
COVID-19 Response & Recovery 2020/21	Richard Morris	December 2020 <b>Substantial</b>	10	2 (M), 1 (L)	1 (M)	2 (M); 1 (L)	0	9	1
Budgetary Control & Monitoring 2020/21	Alan Mitchell	December 2020 <b>Substantial</b>	3	1 (M)	0	1 (M)	0	3	0
Cyber Security 2020/21	Darren Lepper	February 2021 <b>Limited</b>	9	2 (H), 4 (M)	0	2 (H), 3 (M)	1 (M)	8	1
Housing Allocations Policy 2020/21	Rav Kensrey	March 2021 <b>Limited</b>	6	1 (H), 3 (M), 1 (L)	0	1 (H), 3 (M) 1(L)	0	6	0
Local Air Quality Management 2020/21	Nick Chapman	March 2021 <b>Limited</b>	7	3 (M)	1 (H)	3 (M)	0	6	1
Fleet Management 2020/21	Trevor Kennett	April 2021 <b>Substantial</b>	5	1 (M)	1 (L)	1 (M)	0	4	1
Licensing Administration Fees 2020/21	Sharon Bamborough	June 2021 <b>Substantial</b>	5	3 (M), 1(L)	1 (M)	2 (M), 1(L)	2 (M)	3	2
Customer Solutions (Phones) 2020/21	Amy Wilton	June 2021 <b>Substantial</b>	6	2 (M), 1(L)	0	1(M), 1(L)	1(M)	5	1
Housing Benefits 2020/21	Heather Gaynor	July 2021 <b>Substantial</b>	2	0	1(M,) 1 (L)	0	0	0	2
Payroll 2021/22	Debbie Hoadley	August 2021 <b>Reasonable</b>	5	0	2 (M), 3 (L)	0	0	0	5

Project	Service Manager	Report Issue Date & Rating	Agreed actions in Final Report	Actions due in Q2	Not yet due	Closed during Q2	Deferrals this Qtr.	Total actions complete to date	Total actions outstanding
Ten Year Budget 2021/22	Adrian Rowbotham	August 2021 <b>Reasonable</b>	2	0	1 (M), 1(L)	0	0	0	2
Appraisals 2021/22	Graeme Taylor	October 2021 <b>Reasonable</b>	5.5	0	2.5 (M), 2 (L)	0	0	0	5.5
Corporate Credit Cards 2021/22	Roy Parsons	October 2021 <b>Limited</b>	7	0	2 (H), 4 (M), 1 (L)	0	0	0	7
		<b>TOTAL</b>	<b>72.5</b>	<b>26</b>	<b>23.5</b>	<b>23</b>	<b>4</b>	<b>44</b>	<b>28.5</b>

Based on the results of our follow-up work, there are now **28.5** open actions which we are actively tracking and monitoring. We will report progress on implementation of these actions as they fall due, as part of this regular summary report.

# Deferrals

This table shows the four audit actions that have been deferred or are in progress beyond the due date. Officers have been asked to provide an update on progress, and the reason for the deferral:

Project	Action (including priority)	Original agreed date	Revised date	Reason for deferral	No. of times deferred
Cyber Security 2020/21	4. Firewall Rules (Medium)	30/9/21	31/12/21	<b>Audit Comment:</b> This action has been deferred until December 2021 due to supply issues with a specific part required to build the SAN. Relevant Chief Officers have been advised and are aware of the situation..	1
Licensing Administration Fees 2020/21	3. Aged Debt (Medium)	30/8/21	31/12/21	<b>Manager's Comment:</b> An extension, until December 2021 (4 months), is requested as the member of staff carrying out this task had left the authority and their replacement is new in post.  <b>Audit Comment:</b> A four month deferral of this action has been agreed by the Chief Officer Finance & Trading.	1
Customer Solutions (Phones) 2020/21	1. Staff Unavailable (Medium)	31/8/21	31/1/22	<b>Manager's Comment:</b> The Information and Customer Solutions Manager had an initial meeting with SMT in July 2021. However, due to staffing pressures and liaison with other services a deferral until the end of January 2022 had been agreed by the Chief Officer for Finance and Trading.  <b>Audit Comment:</b> Based on the above, this action has been deferred until the end of January 2022.	2

# **Outstanding Actions not deferred / no response to follow up**

## Annex D - Key Performance Indicators for Q2 (July - Sept)

Finance: Associated performance indicators	Q2 (July - September)
<p><b>F1:</b> Percentage of budgeted days taken to complete projects - <i>Target 100%</i> Reported on a <b>cumulative</b> basis</p> <p>Indicator measures any variance between the days agreed on the final brief vs. the actual time coded</p>	158%
<p><b>F2:</b> Chargeable days - <i>Target 75%</i> Reported on a <b>quarterly</b> basis</p> <p>Indicator measures the actual chargeable activities against the assumptions made in the audit plan</p>	Average 74%
<p><b>F3:</b> PSIAS conformance - <i>Target 'Generally Conforms' (IIA definition)</i> Reported <b>annually</b></p> <p>Indicator measures effectiveness of the Quality Assurance &amp; Improvement Programme (QAIP) to ensure compliance with professional Standards.</p>	To be reported at the end of 2021/22
Client satisfaction: Associated performance indicators	Q2 (July - September)
<p><b>C1:</b> Respondents satisfied with the overall audit experience - <i>Target 90%</i> Reported on a <b>project by project</b> basis</p> <p>Indicator measures Client satisfaction with how we undertook the work, and takes into account our professionalism, approach and competence</p>	9/9 100%
<p><b>C2:</b> Respondents agreement with the audit actions - <i>Target 90%</i> Reported on a <b>project by project</b> basis</p> <p>Indicator measures Client agreement to the audit findings and resulting actions from our audit work</p>	17.5/23 76%



Internal processes: Associated performance indicators	Q2 (July - September)
<p><b>I1:</b> Percentage of draft audit briefs issued at least 10 working days before the start of fieldwork. - <i>Target 90%</i> Reported on a <b>project by project</b> basis</p> <p>Indicator measures the effectiveness of our project planning and communications with the client</p>	12/12 100%
<p><b>I2:</b> Percentage of draft audit reports issued by the date given on the final audit brief - <i>Target 70%</i> Reported on a <b>project by project</b> basis</p> <p>Indicator measures the efficiency of our audit work, currency of our audit finding and effective engagement between Auditors and Clients</p>	2/7 28%
<p><b>I3:</b> Time taken between issue of the DRAFT report and FINAL report - <i>Target 15 working days</i> Reported on a <b>project by project</b> basis</p> <p>Indicator measures the effectiveness of our process to finalise audit reports and issue the report in a timely manner</p>	6/9 66%
Learning & Development: Associated performance indicators	Q2 (July - September)
<p><b>L1:</b> Audit actions fully implemented within agreed timescales - <i>Target 80%</i> Reported on a <b>monthly</b> basis</p> <p>Indicator measures the successful implementation of audit actions and the effectiveness of our follow-up process</p>	<p>July - 24/34 = 71%</p> <p>August - 7/9 = 77.78%</p> <p>September - 5/7 = 71%</p>

<p><b>L2: Training &amp; development days - Reported annually</b></p> <p>Indicator measures our investment and time spent on training and development against the assumptions made in the audit plan</p>	<p>28.29 Days (annual budget of 29 days)</p>
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**Annex E - Quality Action Plan**

Theme	Action	Target Date	Status Update
Reporting	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.	Complete
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	Complete
Reporting	Deliver root cause analysis training in team meeting session.	Aug-21	Behind schedule as did well being, critical thinking and review of audit documentation. Will not be complete by end of calendar year.
Reporting	Review action priority levels.	April 2022	Not yet started.

Theme	Action	Target Date	Status Update
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	Complete
<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 - Outline complete but requires further checking with Managers as part of 2022/23 Planning Process.
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.
<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 December 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	Due to departure of Audit Manager, this will not be complete until new Audit Manager in post and embedded.
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 was on SDC Audit Plan but due to departure of Audit Manager is proposed to be deferred until 2022/23.
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.

Theme	Action	Target Date	Status Update
Data Analysis	Provide Excel training to the team	Dec-20	Complete - basic data analysis provided over 2 sessions in house and further 1 day external course. 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.
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.
Performance Management	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
Quality and timeliness of audit work (also links to Performance)	All team members to undertake skills gap analysis against the IIA competency framework.	May-21	Complete

Theme	Action	Target Date	Status Update
Management above)			
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	In progress.
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. Charter to be reviewed in team meeting 24 November.
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.
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.

Theme	Action	Target Date	Status Update
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 but EG now deferred. '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	Complete
IA Charters	Review Audit Charters for both organisations.	Audit Committee / Board March 2022	Complete
Data Retention	Review and update the information asset register / data retention schedule.	May-21	Complete
Remote Working	Complete Lessons Learned review of the past year as part of team meeting session.	Apr-21	Complete
Follow Ups	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. This was reviewed again in October 2021 and decision to be taken to keep current system but continual to review

Theme	Action	Target Date	Status Update
			especially with the appointment of a new Audit Manager in February 2022.

**Annex F - Definitions of Assurance ratings:**

OPINION	DEFINITIONS
<p><b>Substantial Assurance</b></p>	<p>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.</p>
<p><b>Reasonable Assurance</b></p>	<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>
<p><b>Limited Assurance</b></p>	<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>
<p><b>No Assurance</b></p>	<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>



## RISK MANAGEMENT STRATEGY

Audit Committee - 25 January 2022

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

**Status:** For Decision

**Also considered by:** None

**Key Decision:** No

**Executive Summary:** This report presents the Risk Management Strategy for approval.

**Portfolio Holder:** Cllr. Matthew Dickins

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

**Recommendation to Audit Committee:**

Approve the Risk Management Strategy.

**Reason for recommendation:** The Audit Committee, through its Terms of Reference, has responsibility for maintaining an overview of risk management development and operations. Part of this role is to approve the Risk Management Strategy.

### Introduction and Background

- 1 The Council aims to effectively manage all risks to the achievement of its objectives, both in terms of reducing threats to an acceptable level and maximising available opportunities.
- 2 Prior to her departure, Francesca Chivers (Audit Manager) thoroughly reviewed the risk management processes at the Council to ensure that they are fit for the future. Francesca produced the attached Risk Management Strategy as well as Risk Guidance and templates for staff.
- 3 The Audit Committee are asked to approve the attached Risk Management Strategy.

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### **Key Implications**

#### Financial

There are no direct cost implications however financial impacts are a key consideration when assessing risk.

#### Legal Implications and Risk Assessment Statement

There are no legal implications however legal impacts are a key consideration when assessing risk.

The strategy is designed to mitigate both the likelihood and the impact of the Council's exposure to risks.

#### 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.

#### Net Zero Implications

The decisions recommended through this paper have a remote or low relevance to the council's ambition to be Net Zero by 2030. There is no perceived impact regarding either an increase or decrease in carbon emissions in the district, or supporting the resilience of the natural environment.

### **Conclusions**

The Risk Management Strategy has been written based on the latest good practice and should assist the Council to effectively manage risks to the achievement of its objectives, both in terms of reducing threats to an acceptable level and maximising available opportunities.

#### **Appendices**

Appendix A - Risk Management Strategy

#### **Background Papers**

None

**Adrian Rowbotham**

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



# Risk Management Strategy

**SEVENOAKS DISTRICT COUNCIL**

<b>Author</b>	<b>Date</b>	<b>Approved by</b>	<b>Date</b>	<b>Date of next review</b>
Francesca Chivers, Audit Manager	October 2021	Strategic Management Team	9 November 2021	October 2023
		Audit Committee	25 January 2022	

**RISK MANAGEMENT STRATEGY**

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1	Policy Statement	<a href="#">2</a>
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## 1. POLICY STATEMENT

- 1.1 Risk Management is “the sum of the co-ordinated activities designed and operated to manage risk and exercise internal control within an organisation. Robust risk management enhances strategic planning and prioritisation, assists in achieving objectives and strengthens the ability to be agile to respond to the challenges faced.” (HM Government - The Orange Book: Management of Risk - Principles and Concerns).
- 1.2 The Council aims to effectively manage all risks to the achievement of its objectives, both in terms of reducing threats to an acceptable level and maximising available opportunities. Risk is present in all of the Council’s activities and it is therefore neither prudent or desirable to eliminate all risk. The Council supports a focused and empowered corporate approach to managing risks, whereby it will not be averse to a degree of commercial risk but where risk decisions are focused, balanced and proportionate.
- 1.3 The objectives of the Council’s risk management strategy are to:
- Ensure the highest standards of corporate governance, in order to protect the interests of our community and our stakeholders
  - Embed risk management into everyday operations so that the Council is able to anticipate, and proactively respond to, changes and events that may impact on the delivery of objectives
  - Ensure that risk management is integral to decision making processes so that potential impacts are clearly understood and decisions are made on the basis of the best available information
  - Enable the Council to achieve its strategic and operational objectives by recognising and managing possible events that may impact on this
  - Enable the Council to anticipate and respond to changing social, environmental and legislative requirements
  - Enable the Council to identify opportunities to maximise positive outcomes
  - Safeguard and protect our residents, staff and wider community
  - Embed a collaborative approach to risk management through sharing and aggregation of risk knowledge, thus enhancing risk awareness, responses and reporting.

## 2. DEFINITIONS

- 2.1 A **risk** is defined as “the possibility of an event occurring which may impact the achievement of objectives.”
- 2.2 **Enterprise Risk Management** is defined as “a structured, continuous approach to identify, manage and respond to risk”.
- 2.3 A **control** is “any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals

will be achieved. Management plans, organises and directs the performance and ensures sufficient actions are completed to provide reasonable assurance that objectives and goals will be achieved.”

2.4 A **key control** is a primary control that is important to the management of risk; it may cover more than one area or it may fulfil a function that no other control fulfils.

**3. ROLES AND RESPONSIBILITIES**

3.1 All officers and Members have a role to play in risk management, as risks may arise in any part of the Council’s operations. In particular, managers and staff who are accountable for achieving an objective are accountable for managing risks to achieving that objective.

3.2 Other groups or individuals in the Council, such as the Health and Safety Group, the Insurance Function and Emergency Planning, have responsibility for risk specialisms. Representatives from particular specialisms will be part of the Corporate Risk Management Group (CRMG) so that their work co-ordinates, and feeds into, wider risk management arrangements in the Council.

3.3 Key roles and responsibilities are set out below.

<p><b>Audit Committee</b></p>	<ul style="list-style-type: none"> <li>• Approve the Risk Management Strategy on behalf of Full Council</li> <li>• Maintain an overview of the effective development and operation of risk management in the Council, which is achieved by periodic reporting and monitoring, and independent assurance</li> <li>• Review the risk register on a six monthly basis</li> </ul>
<p><b>Strategic Management Team (SMT)</b></p>	<p>As a collective, Strategic Management Team:</p> <ul style="list-style-type: none"> <li>• Own, and are accountable for, the Strategic Risk Register (SRR)</li> <li>• Ensure that all risks have been identified, that all scores and responses selected are appropriate, and that effective controls are in place to manage the risk to the desired levels</li> <li>• Set the risk management strategy and determine the risk appetite, prior to final approval by Audit Committee</li> <li>• Ensure there are resources and arrangements in place to provide periodic assurance on the risk management framework (as this cannot be undertaken by the in house internal audit team)</li> </ul>

<p><b>Chief Officer - Finance and Trading (s151 Officer)</b></p>	<ul style="list-style-type: none"> <li>• The Chief Officer - Finance and Trading leads on Risk Management at SMT</li> <li>• This includes preparing and promoting the Risk Management Strategy and ensuring that this is maintained under regular review</li> <li>• They will also chair the CRMG, or delegate this role to a suitable deputy</li> </ul>
<p><b>Chief Officers</b></p>	<p>Individually, Chief Officers are responsible for:</p> <ul style="list-style-type: none"> <li>• Acting as ‘risk owners’ for identified risks on the Strategic Risk Register, including regular updates and ensuring the effectiveness of the controls to manage the risk within risk appetite</li> <li>• Ensuring that there are effective arrangements for Risk Management within their own areas, in line with the Risk Management Strategy, including risk escalation where appropriate</li> <li>• Ensuring that suitable resource is committed to the Corporate Risk Management Group</li> </ul>
<p><b>Heads of Service / Service Managers</b></p>	<p>Heads of Service / Service Managers are responsible for:</p> <ul style="list-style-type: none"> <li>• Identifying risks within their own service areas</li> <li>• Maintaining up to date service level risk registers</li> <li>• Implementing controls to manage those risks where appropriate</li> <li>• Monitoring the effectiveness of the controls to manage the risk</li> <li>• Ensuring that the service risk register is subject to regular scrutiny, including the agreement of target scores</li> <li>• Providing their risk registers six monthly to the CRMG / Audit Manager for the purposes of aggregate risk reporting</li> </ul>
<p><b>Corporate Risk Management Group (CRMG)</b></p>	<p>The CRMG will consist of the Chief Officer - Finance and Trading, the Audit Manager and at least one senior manager from each Chief Officer area. It will also include specialist leads, such as Health and Safety. The Corporate Risk Management Group will:</p> <ul style="list-style-type: none"> <li>• Consider and review updates to the Risk Management Strategy and Guidance</li> <li>• Champion and co-ordinate risk management activities within their Chief Officer areas</li> <li>• Ensure that service risk registers are reviewed on a regular basis including at the key points highlighted below</li> <li>• Review service risk registers as a collective to identify any cross-cutting risks that should be considered for escalation to the Strategic Risk Register</li> </ul>

	<ul style="list-style-type: none"> <li>• Provide scrutiny and challenge to the Strategic Risk Register, where appropriate</li> </ul>
<b>Audit Manager</b>	<p>The Audit Manager will</p> <ul style="list-style-type: none"> <li>• Assist the Chief Officer - Finance and Trading / Chief Officer - Corporate Resources to maintain and review the Risk Management Strategy and guidance in line with best practice</li> <li>• Participate in the CRMG</li> <li>• Facilitate the update of the SRR</li> <li>• Co-ordinate risk reporting on behalf of the CRMG, including aggregate reports of service risk registers</li> </ul>
<b>All elected Members and staff</b>	<ul style="list-style-type: none"> <li>• Identify risks and contribute to the management of risks as relevant and appropriate.</li> <li>• Project / Programme / Contract Managers are also responsible for ensuring that risk management is embedded with their project / programme / contract</li> </ul>

#### 4 RISK APPETITE

- 4.1 The Council recognises that it is not possible or desirable to eliminate all risk. Some acceptance or exploitation of risk may be necessary in order to maximise opportunities; other risks may be outside the control of the Council or it may not be cost effective to reduce the risk further.
- 4.2 Any risks with a current score within the ‘High’ category will be considered outside the Council’s risk appetite and further action to reduce the risk will be necessary.
- 4.3 Any ‘Medium’ risks currently scoring 10 or above are also likely to be outside the Council’s risk appetite. Careful consideration should be given as to whether further, cost-effective action can further reduce impact or likelihood.
- 4.4 ‘Low’ scoring risks will be considered within the organisation’s risk appetite and further action may not be necessary.
- 4.5 In practical terms, the risk appetite for each risk will be articulated through the target score applied to the risk (see Guidance Section 4). All risks must be given a target score as well as the inherent and current scores. The target score will provide the level of risk that the Council is prepared to accept for that particular risk; hence it is important that the target score is subject to regular scrutiny separate from the risk owner. Target score may be taken to include meaning a maximum or minimum, as relevant, rather than solely an objective to be reached. The target score will also take into account the available capacity and resource to manage the risk, including cost / benefit of further controls or mitigation measures.



## 5. RISK MANAGEMENT PROCESS

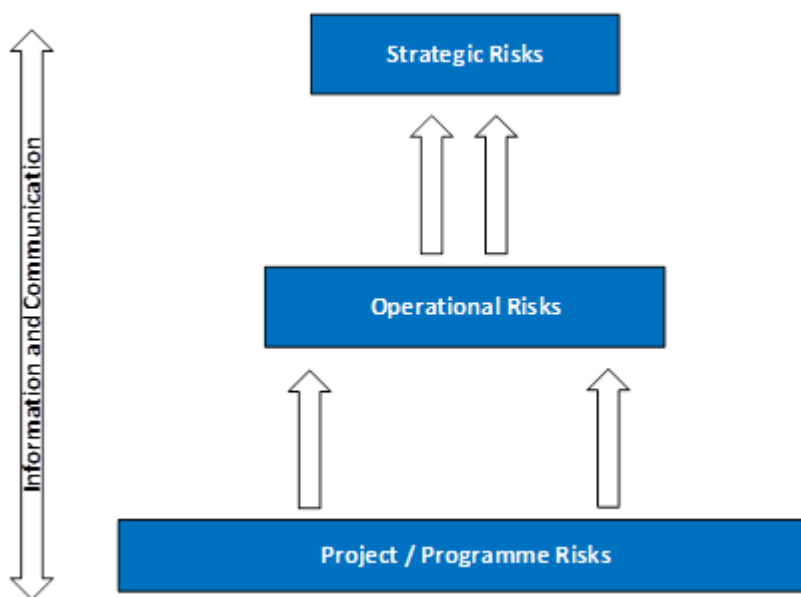
5.1 The risk management process is cyclical and consists of the following stages:



*Diagram 1 - Risk Management Process*

5.2 Further information on each of these stages is set out in the **Risk Management Guidance**.

5.3 Risk management takes place on three levels: Strategic, Operational (service level) and project / programme / contract as per the diagram below. The table explains each of these levels in greater detail:



*Diagram 2 - Risk Management Levels*

<p><b>Strategic</b></p>	<ul style="list-style-type: none"> <li>• Strategic risks are captured on the Strategic Risk Register (SRR) and are collectively owned by Strategic Management Team.</li> <li>• Risk owners at this level will usually be a member of SMT although there may also be a named Senior Manager with joint responsibility.</li> <li>• The SRR is updated and presented to SMT quarterly; these updates are facilitated by the Audit Manager in discussion with risk owners.</li> <li>• The SRR is presented twice yearly to Audit Committee for assurance.</li> </ul>
<p><b>Operational (Service Level)</b></p>	<ul style="list-style-type: none"> <li>• Service level risk management is owned by the relevant Service Manager or Head of Service.</li> <li>• Chief Officers ensure that effective arrangements are in place in their own services with the assistance of the CRMG representative.</li> <li>• Service level risks are captured on service risk registers which are owned by the relevant service manager / Head of Service. These should be updated as often as is necessary. However, as a minimum they should be updated alongside the Service Plan and during the budget planning process.</li> <li>• Individual Chief Officer areas will need to establish processes for ensuring that service risk registers are subject to collective scrutiny and debate. This could be achieved by:             <ul style="list-style-type: none"> <li>○ Review and discussion at service management team meetings</li> <li>○ Submission to the Chief Officer alongside Service Plans</li> <li>○ Review and discussion with the Chief Officer during regular 121s.</li> </ul> </li> <li>• Any ‘High’ risks should be considered for escalation to the Strategic Risk Register, in discussion with the relevant Chief Officer.</li> <li>• The CRMG reviews Service risk registers as a collective to identify any cross-cutting risks, interdependencies and any discrepancies in risk appetite or response.</li> <li>• The Audit Manager will present an aggregate report of service level risks to SMT and then Audit Committee annually.</li> </ul>
<p><b>Project / Programme / Contract</b></p>	<ul style="list-style-type: none"> <li>• Individual projects, programmes and contracts should have their own risk registers to capture and monitor risks.</li> </ul>

	<ul style="list-style-type: none"><li>• These are the responsibility of the project / programme / contract manager and should be discussed regularly at project / programme boards.</li><li>• Any 'High' risks should be considered for escalation to the service risk register.</li></ul>
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## 6. INTERDEPENDENCIES AND INFORMATION FLOWS

- 6.1 The cyclical process set out above in *Diagram 1 - Risk Management Process* should be in place at each of these three levels. However, none of the levels operate in isolation as there are links, interdependencies, escalation routes and information flows among them.
- 6.2 As a minimum, any risks with a current net score of 'High' should be considered, in conjunction with the Service Manager or Chief Officer, for escalation to the next level.
- 6.3 Similarly, any cross-cutting risks identified on two or more service risk registers should be considered for inclusion on the Strategic Risk Register.
- 6.4 The CRMG will review service level risk registers to identify any cross-cutting risks and interdependencies, and an annual report on aggregate risks from these registers will be provided to SMT.

## 7. STRATEGY REVIEW

- 7.1 The Risk Management Strategy will be reviewed and presented to Audit Committee for approval every two years at a minimum.

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**AUDIT COMMITTEE INDEPENDENT MEMBERS - UPDATE**

**Audit Committee - 25 January 2022**

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

**Status:** For Consideration

**Portfolio Holder:** Cllr. Matthew Dickins

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

**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.
- 4 A report on Audit Committee Independent Members was presented to the Audit Committee on 15 July 2021. The minutes are as follows:  
  
The Chief Officer Finance & Trading presented the report which detailed that within the Terms of Reference, the Committee is entitled to recommend to Council the appointment of up to two additional co-opted non-voting members. The Redmond Review which was completed last year included a recommendation that consideration was given to the appointment of independent members to the Audit Committee and CIPFA also endorsed this approach.

Members discussed the value that an independent member could bring to the Committee, and whether other Councils had Independent Members. It

## Agenda Item 9

was noted that an appointment from 2023 would be for a 4-year period. Some Members expressed concern for the length of the appointment and whether this could be reduced. Members discussed the need for more information before making a final decision and that consideration could be given for making a 1-year appointment in 2022 (to 2023) before the next election cycle.

Resolved: That Officers and the Chairman of Audit Committee continue to investigate the value of an Independent Member and a report be brought back to the meeting in January 2022.

### Further Investigation

- 5 Following the Audit Committee on 15 July 2021 it was arranged for Cllr McGarvey (Chairman of the Audit Committee) to attend Audit Committees, or their equivalent, at other councils who currently have independent members.
- 6 Cllr McGarvey's thoughts are based on assessing the value-for-money and input of the independent members.
- 7 The independent members had a range of backgrounds including in IT in banking and a retired engineer who had previously worked in finance in central government. The contributions made varied greatly including one who said absolutely nothing (it is not known what his contribution(s) might have been prior to the meeting) and one who was the most involving/involved of all members present. Their Committee was all the richer for his presence
- 8 Our Audit Committee could be enriched by appointment of an independent member if a recruit of high calibre could be found - with understanding of how local government functions and with expertise/experience in the fields that Audit covers; and displaying the confidence, interest & ability to add value. Finding the right candidate is key in deciding whether or not to do it.

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

- 9 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.
- 10 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.
- 11 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 value to the business of the Committee. Any appointment would run until May 2023.

## **Dartford Borough Council**

- 12 Dartford Borough Council are also currently considering whether to appoint independent members to their Audit Board.
- 13 Audit Committee Members may wish to discuss the benefits of a joint recruitment approach with Dartford BC and sharing independent members.

## **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.

### Net Zero Implications

The decisions recommended through this paper have a remote or low relevance to the council's ambition to be Net Zero by 2030. There is no perceived impact regarding either an increase or decrease in carbon emissions in the district, or supporting the resilience of the natural environment.

**Appendices**

None

**Background Papers**

Audit Committee Independent Members report - Audit Committee 15 July 2021

Redmond Review: [Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting](#)

**Adrian Rowbotham**

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



## FUTURE APPOINTMENT OF EXTERNAL AUDITORS

Audit Committee - 25 January 2022

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

**Status:** For Decision

**Also considered by:**

- Council 22 February 2022

**Key Decision:** No

**Executive Summary:**

This report sets out the need for Full Council to make a decision to either, opt into the national framework for the procurement of external audit as supported by the Local Government Association (LGA) or to go it alone and run a separate procurement exercise. All other local authorities in Kent are expected to opt into the national framework.

The Council spent £53,065 on external audit fees for the 2019/20 accounts, procured by Public Sector Audit Appointments Ltd (PSAA), the body nominated by the Government to run the national arrangements.

The council is currently part of the 98% of principal authorities that previously opted-in the national scheme.

The decision relates to the procurement of external audit from the financial year 2023/24 to 2027/28, the practical deadline for this decision is 11 March 2022.

**Portfolio Holder:** Cllr. Matthew Dickins

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

**Recommendation to Audit Committee:**

That the Audit Committee proposes to Full Council that the Council opt into the sector-led option for the appointment of external auditors for five financial years from 1 April 2023.

**Recommendation to Council:**

That the Council accepts Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

### Introduction and Background

- 1 The current auditor appointment arrangements cover the period up to and including the audit of the 2022/23 accounts. The Council opted into the 'appointing person' national auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23.
- 2 Grant Thornton are the Council's current external auditors.
- 3 PSAA is now undertaking a procurement for the next appointing period, covering audits for 2023/24 to 2027/28. All local government bodies need to make important decisions about their external audit arrangements from 2023/24. They have options to arrange their own procurement and make the appointment themselves or in conjunction with other bodies, or they can join and take advantage of the national collective scheme administered by PSAA.
- 4 If the Council wishes to take advantage of the national auditor appointment arrangements, it is required under the local audit regulations to make the decision at full Council. The opt-in period started on 22 September 2021 and closes on 11 March 2022. To opt into the national scheme from 2023/24, the Council needs to return completed opt-in documents to PSAA by 11 March 2022.

### Options for the appointment of an External Auditor

#### Option 1: To make a stand-alone appointment

- 5 In order to make a stand-alone appointment the Council would need to set up an Auditor Panel. The Members of the panel must be wholly or a majority independent Members as defined by the Act. Independent Members for this purpose are independent appointees; this excludes current and former elected Members (or officers) and their close family and friends. This means that elected Members would not have a majority input into assessing bids and recommending which firm of accountants to award a contract for the Council's external audit. The role of an Auditor Panel would be to advise the Council on:
  - The selection and appointment of a local auditor.
  - The maintenance of an independent relationship with the local auditor appointed to audit its account.
  - Any proposal by the Council to enter into a liability limitation agreement.
  - Whether to adopt a policy on purchasing non-audit services from the local auditor.

- The outcome of any investigation of an auditor's resignation from office, if this occurs, or on any proposal to remove a local auditor from office.

Option 2: Set up local joint procurement arrangements

- 6 The Act enables the Council to join with other authorities to establish a joint auditor panel. Again, this would need to be constituted of wholly or a majority of independent appointees (Members). Further legal advice would be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act.

Option 3: Opt into a sector-led body (recommended option)

- 7 Councils are able to 'opt-in' to a Sector Led Body appointed by the Secretary of State under the Act.
- 8 The Secretary of State has confirmed PSAA in the role of the appointing person for eligible principal bodies for the period commencing April 2023. This means that PSAA can make auditor appointments for audits of the accounts from 2023/24 of authorities that choose to opt into its arrangements. Before an authority opts into these arrangements it must formally accept an invitation to become an opted in authority. This decision would be a matter for Full Council.
- 9 PSAA will have the ability to negotiate contracts with the firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector.
- 10 If the Council was to decide on this option then there is no requirement to establish an Auditor Panel.
- 11 The Local Government Association (LGA) are supportive of this option.

## Key Implications

### Financial

The external audit fees for the 2019/20 accounts were £53,065. The revised baseline fee for the 2020/21 accounts is £42,230 but the final fee is not yet known.

The level of external audit fees levels may increase when the current contract ends. Options 2 and 3 would allow the Council to take advantage of economies of scale through a larger joint procurement exercise.

The cost of establishing a local or joint Auditor Panel outlined in options 1 and 2 above are not known at this stage but are likely to include recruiting independent appointees (members), servicing the Panel, running a bidding and tender evaluation process, letting a contract and paying members' fees and allowances.

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Opting-in to a national Sector Led Body provides maximum opportunity to limit the extent of any increases by entering into a large scale collective procurement arrangement and would remove the costs of establishing an auditor panel. 98% of authorities have opted into the current scheme.

### Legal Implications and Risk Assessment Statement

Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including that the authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant authority is a local authority operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the authority under those arrangements.

Section 12 makes provision for the failure to appoint a local auditor: the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.

Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person.

Section 19 of the Local Audit (Appointing Person) Regulations 2015 specifies that the decision to accept an invitation to become an opted in authority is a matter for Full Council.

### 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.

### Net Zero Implications

The decisions recommended through this paper have a remote or low relevance to the council's ambition to be Net Zero by 2030. There is no perceived impact regarding either an increase or decrease in carbon emissions in the district, or supporting the resilience of the natural environment.

## Conclusions

The sector-wide procurement conducted by PSAA (option 3) is likely to produce better outcomes and will be less burdensome for the Council than a procurement undertaken locally because:

- Collective procurement reduces costs for the sector and for individual authorities compared to a multiplicity of smaller local procurements.
- If it does not use the national appointment arrangements, the Council will need to establish its own auditor panel with an independent chair and independent members to oversee a local auditor procurement and ongoing management of an audit contract.
- It is the best opportunity to secure the appointment of a qualified, registered auditor - there are only nine accredited local audit firms, and a local procurement would be drawing from the same limited supply of auditor resources as PSAA's national procurement.
- Supporting the sector-led body offers the best way of ensuring there is a continuing and sustainable public audit market into the medium and long term.

### Appendices

Appendix A - Invitation to opt into the national scheme for auditor appointments from April 2023

### Background Papers

None

**Adrian Rowbotham**

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

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22 September 2021

To: Dr Ramewal, Chief Executive  
Sevenoaks District Council

Copied to: Mr Rowbotham, S151 Officer  
Councillor McGarvey, Chair of Audit Committee or equivalent

Dear Dr Ramewal,

### **Invitation to opt into the national scheme for auditor appointments from April 2023**

I want to ensure that you are aware the external auditor for the audit of your accounts for 2023/24 has to be appointed before the end of December 2022. That may seem a long way away but, as your organisation has a choice about how to make that appointment, your decision-making process needs to begin soon.

We are pleased that the Secretary of State has confirmed PSAA in the role of the appointing person for eligible principal bodies for the period commencing April 2023. Joining PSAA's national scheme for auditor appointments is one of the choices available to your organisation.

In June 2021 we issued a draft prospectus and invited your views and comments on our early thinking on the development of the national scheme for the next period. Feedback from the sector has been extremely helpful and has enabled us to refine our proposals which are now set out in the [scheme prospectus](#) and our [procurement strategy](#). Both documents can be downloaded from our website which also contains a range of useful information that you may find helpful.

The national scheme timetable for appointing auditors from 2023/24 means we now need to issue a formal invitation to you to opt into these arrangements. In order to meet the requirements of the relevant regulations, we also attach a form of acceptance of our invitation which you must use if your organisation decides to join the national scheme. We have specified the five consecutive financial years beginning 1 April 2023 as the compulsory appointing period for the purposes of the regulations which govern the national scheme.

Given the very challenging local audit market, we believe that eligible bodies will be best served by opting to join the scheme and have attached a short summary of why we believe that is the best solution both for individual bodies and the sector as a whole.

I would like to highlight three matters to you:

1. if you opt to join the national scheme, we need to receive your formal acceptance of this invitation by Friday 11 March 2022;

2. the relevant regulations require that, except for a body that is a corporation sole (e.g. a police and crime commissioner), the decision to accept our invitation and to opt in must be made by the members of the authority meeting as a whole e.g. Full Council or equivalent. We appreciate this will need to be built into your decision-making timetable. We have deliberately set a generous timescale for bodies to make opt in decisions (24 weeks compared to the statutory minimum of 8 weeks) to ensure that all eligible bodies have sufficient time to comply with this requirement; and
3. if you decide not to accept the invitation to opt in by the closing date, you may subsequently make a request to opt in, but only after 1 April 2023. We are required to consider such requests and agree to them unless there are reasonable grounds for their refusal. PSAA must consider a request as the appointing person in accordance with the Regulations. The Regulations allow us to recover our reasonable costs for making arrangements to appoint a local auditor in these circumstances, for example if we need to embark on a further procurement or enter into further discussions with our contracted firms.

If you have any other questions not covered by our information, do not hesitate to contact us by email at [ap2@psaa.co.uk](mailto:ap2@psaa.co.uk). We also publish answers to [frequently asked questions](#) on our website.

If you would like to discuss a particular issue with us, please send an email also to [ap2@psaa.co.uk](mailto:ap2@psaa.co.uk), and we will respond to you.

Yours sincerely

Tony Crawley  
Chief Executive

Encl: Summary of the national scheme



## Why accepting the national scheme opt-in invitation is the best solution

### Public Sector Audit Appointments Limited (PSAA)

We are a not-for-profit, independent company limited by guarantee incorporated by the Local Government Association in August 2014.

We have the support of the LGA, which in 2014 worked to secure the option for principal local government and police bodies to appoint auditors through a dedicated sector-led national body.

We have the support of Government; MHCLG's Spring statement confirmed our appointment because of our "strong technical expertise and the proactive work they have done to help to identify improvements that can be made to the process".

We are an active member of the new Local Audit Liaison Committee, chaired by MHCLG and attended by key local audit stakeholders, enabling us to feed in body and audit perspectives to decisions about changes to the local audit framework, and the need to address timeliness through actions across the system.

We conduct research to raise awareness of local audit issues, and work with MHCLG and other stakeholders to enable changes arising from Sir Tony Redmond's review, such as more flexible fee setting and a timelier basis to set scale fees.

We have established an advisory panel, which meets three times per year. Its membership is drawn from relevant representative groups of local government and police bodies, to act as a sounding board for our scheme and to enable us to hear your views on the design and operation of the scheme.

### The national scheme for appointing local auditors

In July 2016, the Secretary of State specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015. Acting in accordance with this role PSAA is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme. 98% of eligible bodies made the choice to opt-in for the five-year period commencing in April 2018.

We will appoint an auditor for all opted-in bodies for each of the five financial years beginning from 1 April 2023.

We aim for all opted-in bodies to receive an audit service of the required quality at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local audit. The focus of our quality assessment will include resourcing capacity and capability including sector knowledge, and client relationship management and communication.

### What the appointing person scheme from 2023 will offer

We believe that a sector-led, collaborative, national scheme stands out as the best option for all eligible bodies, offering the best value for money and assuring the independence of the auditor appointment.

The national scheme from 2023 will build on the range of benefits already available for members:

- transparent and independent auditor appointment via a third party;
- the best opportunity to secure the appointment of a qualified, registered auditor;
- appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives, if the parties believe that it will enhance efficiency;
- on-going management of any independence issues which may arise;
- access to a specialist PSAA team with significant experience of working within the context of the relevant regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees;
- a value for money offer based on minimising PSAA costs and distribution of any surpluses to scheme members - in 2019 we returned a total £3.5million to relevant bodies and more recently we announced a further distribution of £5.6m in August 2021;
- collective efficiency savings for the sector through undertaking one major procurement as opposed to a multiplicity of smaller procurements;
- avoids the necessity for local bodies to establish an auditor panel and undertake an auditor procurement, enabling time and resources to be deployed on other pressing priorities;
- updates from PSAA to Section 151 officers and Audit Committee Chairs on a range of local audit related matters to inform and support effective auditor-audited body relationships; and
- concerted efforts to work with other stakeholders to develop a more sustainable local audit market.

We are committed to keep developing our scheme, taking into account feedback from scheme members, suppliers and other stakeholders, and learning from the collective post-2018 experience. This work is ongoing, and we have taken a number of initiatives to improve the operation of the scheme for the benefit of all parties.

Importantly we have listened to your feedback to our recent consultation, and our response is reflected in [the scheme prospectus](#).

### **Opting in**

The closing date for opting in is 11 March 2022. We have allowed more than the minimum eight-week notice period required, because the formal approval process for most eligible bodies is a decision made by the members of the authority meeting as a whole [Full Council or equivalent], except police and crime commissioners who are able to make their own decision.

We will confirm receipt of all opt-in notices. A full list of eligible bodies that opt in will be published on our website. Once we have received an opt-in notice, we will write to you to request information on any joint working arrangements relevant to your auditor appointment, and any potential independence matters which may need to be taken into consideration when appointing your auditor.

## **Local Government Reorganisation**

We are aware that reorganisations in the local government areas of Cumbria, Somerset, and North Yorkshire were announced in July 2021. Subject to parliamentary approval shadow elections will take place in May 2022 for the new Councils to become established from 1 April 2023. Newly established local government bodies have the right to opt into PSAA's scheme under Regulation 10 of the Appointing Person Regulations 2015. These Regulations also set out that a local government body that ceases to exist is automatically removed from the scheme.

If for any reason there is any uncertainty that reorganisations will take place or meet the current timetable, we would suggest that the current eligible bodies confirm their acceptance to opt in to avoid the requirement to have to make local arrangements should the reorganisation be delayed.

### **Next Steps**

We expect to formally commence the procurement of audit services in early February 2022. At that time our procurement documentation will be available for opted-in bodies to view through our e-tendering platform.

Our recent webinars to support our consultation proved to be popular, and we will be running a series of webinars covering specific areas of our work and our progress to prepare for the second appointing period. Details can be found on [our website](#) and in [the scheme prospectus](#).

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**Audit Committee 2021/22 - Work Plan (as at 22/12/2021)**

	25 January 2022	March 2022	Summer 2022
<b>Internal Audit</b> (Irregularities to be reported confidentially as & when necessary)	Internal Audit Progress Report 2021/22	Internal Audit Progress Report 2021/22  Internal Audit Plan 2022/23	
<b>Risk Management</b>	Risk Management Strategy		
<b>Accounts and External Audit</b>	Statement of Accounts 2020/2021	External Audit - Annual Audit Plan 2021/22 External Audit - Auditors Annual Report External Audit - Housing Benefit Subsidy 2020/21	Statement of Accounts - Establishment of Member Working Group

	25 January 2022	March 2022	Summer 2022
<b>Other</b>	Audit Committee - Independent Members Future Appointments of External Auditors Chairman's Audit Committee Report to Council	Chairman's Audit Committee Report to Council	
<b>Members Development Briefings</b>		Members Development Briefing - Risk Management	