

14 July 2022 at 7.00 pm

Council Chamber, Argyle Road, Sevenoaks

Published: 06.07.22

The meeting will also be livestreamed to YouTube here

https://www.youtube.com/channel/UCIT1f_F5OfvTzxjZk6Zqn6g.



Audit Committee

Membership:

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

District Councillors

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

Non-Voting Co-opted Members

Mo Chughtai and Lynda McMullan

Agenda

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

	Pages	Contact
Apologies for Absence		
1. Minutes To agree the Minutes of the meeting of the Audit Committee held on 29 March 2022, as a correct record.	(Pages 1 - 4)	
2. Declarations of Interest Any declarations of interest not already registered.		
3. Actions from Previous Meeting (if any)		
4. Responses of the Council, Cabinet or Council Committees to the Committee's reports or recommendations (if any)		
5. Members Development Briefing - External Audit	(Pages 5 - 8)	Adrian Rowbotham Tel: 01732 227153
6. External Audit - Auditors Annual Report	(Pages 9 - 30)	Adrian Rowbotham Tel: 01732 227153
7. Statement of Accounts - Establishment of Member Working Group	(Pages 31 - 32)	Alan Mitchell Tel: 01732227483

- Paul Cuttle will be in attendance to present the report.
8. **Counter Fraud and Compliance Report 2021/22** (Pages 33 - 40) Glen Moore
Tel: 01732227471
 9. **Internal Audit Annual Report and Annual Opinion 2021/22** (Pages 41 - 70) Jennifer Warrillow
Tel: 01732227053
 10. **Annual Governance Statement 2021/22** (Pages 71 - 84) Adrian Rowbotham
Tel: 01732 227153
 11. **Audit Committee Terms of Reference** (Pages 85 - 92) Adrian Rowbotham
Tel: 01732 227153
 12. **Review of the Effectiveness of the Audit Committee 2021/22** (Pages 93 - 100) Adrian Rowbotham
Tel: 01732 227153
 13. **Audit Committee Report to Council** (Pages 101 - 104) Adrian Rowbotham
Tel: 01732 227153
 14. **Work Plan** (Pages 105 - 106)

EXEMPT INFORMATION

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

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

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

AUDIT COMMITTEE

Minutes of the meeting held on 29 March 2022 commencing at 7.00 pm

Present: Cllr. McGarvey (Chairman)

Cllr. Morris (Vice Chairman)

Cllrs. Barnes, Kitchener, Morris, Osborne-Jackson, Pender and Williamson

Apologies for absence were received from Cllrs. Brown and London

Cllr Dickins was also present via a virtual media platform

37. Minutes

Resolved: That the Minutes of the meeting of the Audit Committee held on 25 January 2022 be agreed and signed as a correct record.

38. Declarations of Interest

There were none.

39. Actions from Previous Meeting

There were none.

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

There were none.

41. Member Development - Risk Management

The Audit Manager gave a presentation and briefing for Members on Risk Management.

Resolved: That the Member development be noted.

42. Statement of Accounts 2020/21

The Head of Finance gave a report on the Statement of Accounts 2020/21 and advised that although it had been a difficult year, the draft accounts had been presented by the 31 July 2021 deadline. Auditors now faced difficulties with new stricter legislation and regulations which place more pressure on Local Authorities Finance Teams to produce accounts on time, and the problems that the auditing industry now face with high turnovers of Auditing staff. Following the report of the National Audit Office 2020, these issues were now being addressed with key audit guidance for Audit Committee's and incentives for audit recruitment.

He reported that on 25 August 2021 the working group worked through the accounts in detail to review the annual statement of accounts, to approve the statutory statement of accounts and to consider the external auditors' report. It was requested by Members that minutes of meetings should be produced and circulated quickly after the meeting and not withheld until just prior to the Audit Committee meeting.

The Head of Finance thanked Grant Thornton for all their hard work in auditing the 2020/21 accounts throughout a difficult year.

The Chairman welcomed Paul Cuttle and Samantha Morgan from the Council's External Auditors, Grant Thornton, to the meeting. Paul explained their conclusions when considering the audit findings and advised Members that all their substantive work had now been completed. He reported that once the capital expenditure notes had been agreed and the signed letter of representation was received, Grant Thornton would be in a position to issue an unqualified audit opinion.

He outlined some of the key judgements from the report. These included the material uncertainty in relation to the valuation of certain assets and it was concluded that the audit opinion should include specific wording as an "Emphasis of Matter" paragraph within their audit opinion.

He gave a brief report on the other audit risks that had been identified in which tests had been carried out and conclusions provided. In particular, amendments had been made to the draft financial statements for the valuation of the Burlington Mews Properties and its accounting treatment which resulted in significant changes to the draft financial statements published in July 2021. Other surplus assets also required some amendments.

He also advised that extensive audit work was carried out on the 2020/21 Covid grants due to its various conditions and the accounts were therefore adjusted.

A question was raised regarding the Grant Thornton fees and the Grant Thornton representative gave a breakdown of the 2019/20 and 2020/21 fees. It was confirmed that the fees would be discussed in more detail at the next meeting.

The Chairman asked the Head of Finance and Paul Cuttle if the accounts would be published by the 30 November 2022 deadline and it was confirmed that this

deadline was unlikely to be met due to the constraints on resources due to the 'knock-on' effect of the previous year's delay. The Head of Finance advised that the auditors would be working on site this year which would benefit the completion of the audit. The Chairman was concerned that audits were now taking longer and hope the situation would ease in the future.

Resolved: That

- a) Following completion of the 2020/21 audit, delegated authority be given to the Deputy Chief Executive and the Chief Officer Finance and Trading and the Chairman of the Audit Committee to sign the Statement of Accounts 2020/21; and
- b) Following completion of the 2020/21 audit, the Letter of Representation be approved.

43. Internal Audit Progress Report 2021/22

The Audit Manager presented the quarterly update report which was part of regular reporting to the Audit Committee on Internal Audit progress and outcomes. She advised that after reviewing the current audit plan, one change was proposed to defer the asset management review until 2022/23. This was due to the implementation of a new system which needed time to be embedded and for Audit to assess the effectiveness of the new controls.

Resolved: That the report be noted.

44. Internal Audit Plan 2022/23

The Audit Manager presented the proposed Internal Audit Plan for 2022/23. She explained that the format of the audit plan has been changed with two lists, one high priority where all the audits would be completed and a second list of medium priority audits of which over 50% would be delivered depending on risk factors. This would form a flexible approach to the annual plan and would align the audits to the level of risk posed to the authority.

Resolved: To approve the Internal Audit Plan 2022-23, as set out in Appendix A to the report.

45. Strategic Risk Register Covering Report

The Audit Manager presented the Strategic Risk Register Report.

Resolved: That the report be noted.

Agenda Item 1

Audit Committee - 29 March 2022

46. Chairman's Audit Committee Report to the Council

The Chairman presented the Chairman's Audit Committee Report to the Council. He advised that he had recently attended the first South East Regional Forum of Audit Chairmen and reported that upon speaking to delegates, many Chairman's reports were only presented annually to Council and stated that the presentation of quarterly Audit Committee reports to Council at SDC raised the profile of the authority. He thanked the Members for their support and the Chief Officer Finance & Trading for drafting the report.

47. Work Plan

Members were advised that the External Annual Audit Plan 2021/22, External Auditors Annual Report and the External Audit, Housing Benefit Subsidy 2020/21 would be moved to the next meeting in July.

Paul Cuttle would also attend to present the Members Development Briefing - External Audit.

The work plan was noted.

THE MEETING WAS CONCLUDED AT 8.20 PM

CHAIRMAN

MEMBER DEVELOPMENT - EXTERNAL AUDIT

Audit Committee - 14 July 2022

<p>Report of: Deputy Chief Executive and Chief Officer - Finance and Trading</p> <p>Status: For Consideration</p> <p>Key Decision: No</p> <p>Portfolio Holder: Cllr. Matthew Dickins</p> <p>Contact Officer: Adrian Rowbotham, Ext. 7153</p> <p>Recommendation to Audit Committee:</p> <p>The member development be noted.</p>
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Introduction and Background

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

Committee Date	Training Provided
17 September 2019	Public Sector Internal Audit Standards (PSIAS)
28 January 2020	Risk Management
16 July 2020	Understanding Local Government Accounts
30 March 2021	<ul style="list-style-type: none"> • Organisational Knowledge • Audit Committee Role and Function • Governance (all three subjects were provided in one session by Martin Goodman, Head of Legal and Democratic Services)
15 July 2021	Counter Fraud and Whistle Blowing
23 September 2021	Internal Audit and the Role of the Audit Committee
29 March 2022	Risk Management

Agenda Item 5

Audit Committee Member Development Programme

- 2 In November 2020 Members were asked for their views as to their current knowledge levels by completing a questionnaire based on 'Audit Committee - knowledge and skills framework' included in the CIPFA (Chartered Institute of Public Finance and Accountancy) document 'Audit Committees - Practical Guidance for Local Authorities and Police'.
- 3 Based on the questionnaire responses and the work plan of reports due to be presented at each committee, a programme was devised with the remaining parts listed below:

Committee Date	Training Scheduled
14 July 2022	<ul style="list-style-type: none">• External Audit
22 September 2022	<ul style="list-style-type: none">• Understanding Local Government Accounts

- 4 Each member development session will last for up to 20 minutes and be presented at the start of an Audit Committee.

Key Implications

Financial

There are no financial implications.

Legal Implications and Risk Assessment Statement.

There are no legal implications.

Equality Assessment

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

None

Adrian Rowbotham

Deputy Chief Executive and Chief Officer - Finance & Trading

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EXTERNAL AUDIT - AUDITORS ANNUAL REPORT 2020/21

Audit Committee - 14 July 2022

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

Status: For Information

Key Decision: No

Portfolio Holder: Cllr. Matthew Dickins

Contact Officer: Adrian Rowbotham, Ext. 7153

Recommendation to Audit Committee:

That the report/s be noted.

Introduction and Background

- 1 Grant Thornton would like to present the Auditors Annual Report 2020/21 (Appendix A).
- 2 It may also be possible to present the Audit Findings Report (Appendix B) which relates to the Statement of Accounts that was presented to the Audit Committee on 29 March 2022.
- 3 At that meeting it was resolved that:
 - a) Following completion of the 2020/21 audit, delegated authority be given to the Deputy Chief Executive and the Chief Officer Finance and Trading and the Chairman of the Audit Committee to sign the Statement of Accounts 2020/21; and
 - b) Following completion of the 2020/21 audit, the Letter of Representation be approved.
- 4 If it is not possible to present the Audit Findings Report at this meeting, it will be presented at a later meeting.

Key Implications

Financial

None

Agenda Item 6

Legal Implications and Risk Assessment Statement

None

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

Appendix A - Grant Thornton Auditors Audit Report 2020/21

Appendix B - Grant Thornton Audit Findings Report 2020/21 - To follow if available

Background Papers

None

Adrian Rowbotham

Deputy Chief Executive and Chief Officer - Finance & Trading

Auditor's Annual Report on Sevenoaks District Council

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March 2022



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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Agenda Item 6

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether Sevenoaks District Council (the 'Council') has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any significant risks in respect of any of the three criteria:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness



Financial sustainability

We assessed the arrangements concerning Financial Sustainability and raised no indications of potential significant weaknesses.

We note the Council is operating in an increasingly uncertain financial environment and for the second successive year, the Comprehensive Spending Review was a single year spending review. Whilst the Council will need to continue to plan with a lack of certainty over funding in the medium term it has the assurance of a track record of delivering robust financial plans.



Governance

We assessed the arrangements concerning Governance and raised no indications of potential significant weaknesses.

The Council has demonstrated that both its business as usual and temporary arrangements arising due to Covid-19 were appropriately robust and applied across the organisation.



Improving economy, efficiency and effectiveness

We assessed the arrangements concerning the 3e's and raised no indications of potential significant weaknesses.

The Council has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources. Covid-19 has had an adverse impact on a number of KPIs but the Council, despite having to re-deploy and alter priorities, was still able to maintain a large proportion of its services as planned.



Opinion on the financial statements

At the time of issuing this report our financial statements audit is in progress.

Commentary on the Council's arrangements

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:

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Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on the following pages.

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

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How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

The Council has consistently demonstrated a track record of robust budget setting and delivery. We have reported previously that the processes in place incorporates an appropriate level of challenge and scrutiny from Committees to ensure budgets are achievable operationally. In addition, there is good level of support from finance to ensure budgets are achievable from a resourcing perspective and timely and accurate budget monitoring throughout the year to ensure budgets remain relevant with risks identified quickly. The strong processes underpinning financial management has allowed the Council to consistently identify significant financial pressures and build these into short and medium term plans.

Throughout the huge uncertainty of last financial year, the Council worked to minimise expenditure in all areas and some of the capital programme was paused or delayed due to Covid-19. Alongside this, new, essential activity was introduced, such as the community hub and bringing rough sleepers into accommodation, to address the impact of the pandemic on residents.

Some services were suspended, for example, e.g. parking fees, while some staff were diverted to Covid related work including paying out Covid related support grants across the district. No staff were furloughed.

The Council set its budget for 2020/21 in February 2020. The pandemic started in March 2020 and it became clear over the next couple of months that it would have a fundamental impact on the Council's finances. Cabinet were briefed on the financial impact of Covid-19 via an extra financial monitoring report. At the end of quarter 1 an unfavourable variance of £3.3m was predicted.

The final outturn for the General Fund was an unfavourable variance of £0.39m which almost totally related to Covid-19. Whilst the Council was the recipient of significant levels of government grant its ability to manage the impact of Covid-19 is also due to strong financial processes that are in place relating to budgetary monitoring and control.

A balanced budget was set for 2021/22 in November 2020. The budget process was shortened in 2021/22 to enable savings to be realised prior to April 2022. The 2021/22 budget does still, however, expect a contribution of £1.25m from the Budget Stabilisation Reserve as recovery begins. Review of Council papers and discussions with management indicate the assumptions used for the financial planning for 2020/21 and 2021/22 are sound. We have seen no evidence that short term measures are being used to relieve current pressures. Financial plans are discussed at Cabinet. The Council has a history of transparency in financial matters including public consultation.

The future financing of local government is still unclear. A planned government long term spending review was postponed from 2020 due to the pandemic and the current local government settlement only covers the 2021/22 year. The date of the long-term review, whilst announced in the October 2021 budget statement, is yet to be confirmed.

The Council has a detailed ten-year budget plan, an approach adopted in 2011/12. Given the uncertainty of the financial regime, its plan has been drawn up on prudent assumptions on future income streams. The Council has considered the financial pressures brought about by the pandemic and has also looked at long term pressures on funding streams such as Council Tax, Business Rates and the Government funding settlement.

How the body plans to bridge its funding gaps and identifies achievable savings

Separate savings plans are not prepared although a savings programme is developed at the start of the budget setting process and then built into the base budget. As part of the process, services are expected to consider service implications of their proposals, so it is ensured that cost reductions do not adversely impact quality of services. The final budget is then approved by Council. Achievement of savings then becomes part of the normal budget monitoring process and the achievement of budget.

Financial sustainability

The Council has been financially self-sufficient since 2016/17. The current plan aims to continue that approach so as not to rely on Government funding. As part of the 2021/22 budget setting, budgets have been reviewed and changes to the budget were made adjusting for pressures, new initiatives, expected cost increases and income changes. The financial plan accompanying the recently approved 2022/23 budget highlighted a potential use of the stabilisation reserve of £4.4m over the 10 years of the plan with £1.03m required in new savings or additional income. The Council has a healthy reserves position, so this expected draw down is not of imminent concern. The Council holds a healthy level of reserves with £30m at the end of 2020/21 in earmarked reserves. The Council has been prudent in funding assumptions and the Council Tax base and the Council is forecasting Collection Fund balances should be better than expected.

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities.

The Council has a robust financial planning process which ties in with corporate objectives. There is extensive consultation to ensure the budget meets the needs of the Council. The process ensures that key services remain funded. We found no evidence of the need to curtail services to support short term funding deficiencies.

The Council has the necessary resources for financial management including a financial system able to provide timely financial information, the necessary financial skills, experience and capacity in the finance team and budget holders in the services, clearly defined responsibilities for budget management and Corporate Management and member challenge of performance, holding budget holders to account, and making decisive interventions where necessary. The Finance team is well established with significant experience of managing the Council's finances. There is a positive financial culture and an appropriate 'tone from the top'. The ongoing management of the Council's financial position over recent years is evidence of this.

Budgets are monitored on a monthly cycle with finance staff meeting with budget managers to discuss variances. A monthly report is sent to Cabinet Members with quarterly reports going to Finance and Investment Advisory Committee and Cabinet.

The capital programme has historically been small but there are currently a number of larger projects in the pipeline and a new process has been developed for approving larger schemes. A Strategic and Corporate Programme Board is in place to review new project and monitor current projects and then progress is reported to FIAC and Cabinet quarterly. Projects will have project boards, sponsors and managers. Prince 2 methodology is used for project management. Ongoing revenue cost are flagged at planning stage.

The understanding of drivers of risk in the Council budget are strong and variances from budget are understood. The Covid-19 pandemic has also made it more difficult to predict future costs and demand as the Council has experienced a 'difficult-to-predict-and-plan-for' year. However, in emerging from the pandemic, a return to the norms of budgetary monitoring and financial discipline will be required to ensure financial success. It will be equally critical to ensure that budget holders, and the Council as a whole, on signing up to future budgets, are held to account for any future failure to deliver the budgets agreed to. The Council will also need to be cognisant, early on, of pressures to budgets, with effective early warning systems to identify risks and ensure corrective action is taken. It is equally critical there are effective monitoring and assessment arrangements in place to understand whether future budgetary overspends are the result of unavoidable / unforeseeable cost pressures, or deficiencies in budgetary and financial discipline within services. Previous experience has indicated to us that the Council is well equipped to deal with the challenges ahead.

The Split between discretionary and non discretionary spend is not clearly differentiated in the financial planning reports which underlie the budget and MTFP. Whilst discretionary spends are the areas which come under scrutiny when savings plans are being considered, it would not be clear to a resident that there is a distinction between statutory and discretionary spend.

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system.

In 2020/21, an additional role of the Council was to support the response to the pandemic. The response was coordinated at a county level by the Kent Resilience Forum (KRF), of which Sevenoaks District Council is a member. The Council has paid out millions in Covid grants, supported local residents and business and providing advice to business. Planning for 2021/22 has been challenging as the pandemic has provided increased uncertainty around future funding.

We found a robust financial planning process which ties in with corporate objectives. There is evidence of staff working collaboratively across the Council as opposed to silo working. Service provision is aligned to the funding envelope. As a sector, local government is facing a recruitment and retention challenge. The need for future workforce planning to ensure the Council has the appropriate staff, with the right skills, at the right time to deliver sustainable council services is clear. The Council has a workforce strategy that sets out the strategic objectives of workforce plans and includes an action plan across the key themes.

Financial sustainability

How the body identifies and manages risks to financial resilience, e.g., unplanned changes in demand, including challenge of the assumptions underlying its plans.

2020/21 has been a unique year for financial management as dealing with a pandemic including the temporary cessation of some services and set up of others quickly means uncertainty in managing finances.

Within the corporate risk register, the Council has identified the risk of not balancing the budget. It was noted in the December 2021 Strategic Risk Register as a “red” gross risks and “amber” net risk score after application of controls. Ways in which the Council is managing this risk include use of reserves, the 10-year budget, financial and scenario planning and alternative funding sources. Budget reports are monitored on a regular basis and finance reports are subject to scrutiny and challenge at Cabinet meetings. A list of financial risks is included in budget papers sent to members when setting the Council’s budget. It is evident that the Council has built up its reserves in the “good times” for any “rainy day”.

CONCLUSION

We found no evidence or indication of significant risks to your financial sustainability as such no further risk-based work has been undertaken in this area. The Council remains financially resilient given its historical position and whilst there are financial pressures to manage going forward the Council has credible plans relating to savings and projections on income generation. There is an intention to draw down reserves to deliver a balanced budget in 2022/23 and 2023/24 but subsequent years see minimal drawdown or contributions to reserves.



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

Governance is the system by which an organisation is controlled and operates and is the mechanism by which it and its staff are held to account. It works from Council meetings to the front line. Ethics, risk management, compliance, internal control and best practice are all elements of governance. Effective governance requires both clear and unambiguous structures and processes and effective working of people within these frameworks. Effective governance also requires an open culture that promotes transparency, a willingness to learn and improve and no fear to speak the truth.

The Council's internal audit assessment within the Annual Internal Audit Opinion for 2020/21 noted that "Risk Management within the organisation as a whole has increased in momentum since 2019/20, with more regular strategic risk register updates and discussions both with individual risk owners and as a collective at Strategic Management Team. Nonetheless, the risk maturity of the organisation requires further development over the forthcoming financial year. This will include a redesign of the overarching framework, including policy and guidance, and a process for operational / service level risks, which is currently lacking"

The Council has a risk management strategy in place that was first published in September 2017 and then updated in September 2021. Further guidance was developed in parallel to the strategy and approved in November 2021.

The new risk management framework requires the Strategic Risk Register to be updated quarterly and reported to the Audit Committee biannually.

The number of risks on the Strategic Risk Register varies as risks are removed and new risks are identified. During the year the number of risks ranged from 13 to 15. Risks are scored using the common 5X5 scoring matrix with a gross score and a net score

calculated after mitigated controls are considered. The updated Strategic Risk Register now also includes a target risk score and a table scoring previous scores so trajectory can be easily tracked. The version of the Strategic Risk Register we reviewed from 2020/21 did not include future actions for each risk to help demonstrate how the identified target risk score will be met however we understand this was implemented subsequently and all risks now include actions. Reviewing the more recent versions of the Strategic Risk Register these actions should be further refined to ensure they are SMART (specific, measurable, achievable, realistic, and timely).

We understand Members receive regular risk training and risk training has been made available to staff in the past. The Council plans to strengthen its risk management framework further by developing a full training programme for staff in tandem with the new risk management strategy after a new Internal Audit Manager is appointed. This training should be used to provide greater clarity of the relationship between all the risk registers used across the Council, including strategic, operational, project and partnership risk.

Internal Audit services are provided in partnership with Dartford Borough Council. Although the agreed plan had to be adjusted because of the pandemic, Internal Audit undertook sufficient fieldwork and reports were completed within the year and the Head of Internal Audit Opinion was provided to the Council by July 2021. Progress reports highlighting key issues and findings on reviews are reported to Audit Committee periodically. The 2020/21 Head of Internal Audit Opinion concludes that the Council has "Reasonable" assurance over systems of risk management, governance and control. This means that although these systems are generally sound, some areas for improvement were identified which, if not addressed, may put the achievement of some objectives at risk. Review of the Annual Internal Audit Opinion indicates a wide breadth of work during the year covering financial and operational processes and including a flexible approach which allowed adjustments to the plan in year.

Internal audit presented three limited assurance reports in 2020/21. These reports covered cyber security, air quality management and housing allocations. It is clear from Audit Committee papers that actions have been taken to address the issues identified and the findings of internal audit are given appropriate attention.

Counter fraud services are also provided in partnership with Dartford Borough Council. An annual report on counter fraud activity was presented to Audit Committee in July 2021. The Counter Fraud and Compliance Team coordinated the Council's participation in all of the government led counter fraud initiatives and undertook pro-active exercises designed to protect valuable Council Tax and Business Rate revenue collection. They also support the distribution of Covid Business Support Grants by creating payment assurance plans and devising checking protocols to ensure that funding only went to bona fide claimants.

The annual work plans for internal audit are currently approved and overseen by Audit Committee.

How the body approaches and carries out its annual budget setting process

The financial landscape has made this a unique year for financial planning. The Council has a robust approach to financial planning and assumptions made appear reasonable. Whilst future funding is unclear, a 10-year budget has been produced based on assumptions about future income streams. Given the length of the plan the accuracy of assumptions is likely to be less certain in the later years of the plan but as the plan is updated at least annually this risk can be mitigated.

Budgets are discussed with budget holders, senior leadership and other stakeholders prior to approval at Council level.

Investments and Borrowings are included within the financial plan, but the effects are minimal given the current rates of return on investments.

How the body ensures effective processes and systems are in place to ensure budgetary control.

Budget managers have access to the finance system and can review budgets at any time. Finance have regular meetings with budget holders which are carried out as required. The monthly corporate revenue monitoring process means the Strategic Management Team discuss any ongoing variances and reflect on mitigation ideas or alternative plans for financial management and the outcome is reported to Cabinet on a quarterly basis. Review of Cabinet papers indicates variances are adequately identified and explained.

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.

The Council's decision-making processes are open, transparent and strong and we have no evidence that reactive or unlawful decisions have been made. It is evident from our review of papers that sufficient information is provided to members and they challenge and hold senior management to account appropriately. The Council is engaged and provides appropriate levels of scrutiny to external and internal audit. There is no evidence of serious and pervasive weaknesses in final accounts processes leading to material errors in draft accounts, failure to meet statutory reporting deadlines and/or a modified opinion on the financial statements.

Covid-19 brought unique challenges to the Council and some decisions had to be taken on a short timescale. However appropriate arrangements were put in place to facilitate both agile decision-making with appropriate scrutiny and authorisation operating alongside.

Financial and operational activity appears well planned with no need for reactive actions and short-term remedies. Even during the height of the effects of the pandemic responses have been deliberate and thought out.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

Various internal and external mechanisms are used to ensure the Council meets the necessary standards and legislative requirements. Our work has not identified any non-compliance with the Constitution, statutory requirements or expected standards of behaviour. We have not been made aware of any data breaches at the Council.

Officer and Member conduct is set in codes of conduct. The Member code is dated 2013 and the Officer code dates from January 2017 and consideration should be given to its review. Members' interests are published on the Council website. There is an opportunity for Members to declare interests at every meeting as a set agenda item. Related party transactions are required to be declared as part of year end closure of accounts and are sent to all Members and Senior officers for their completion. The declaration of gifts and hospitality is covered within the code of conduct. Officers are advised on the rules related to gifts and hospitality and registering of interests and the register of gifts and hospitality for officers is held by the Human Resources team. We found evidence of adverse outcomes of interests, gifts or hospitality not being declared.

CONCLUSION

We found no evidence or indication of significant risks to your governance arrangements and as such no further risk-based work has been undertaken in this area.

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

How financial and performance information has been used to assess performance to identify areas for improvement

This year has been an incredibly challenging one for public services as a whole and Sevenoaks is no different. Kent was the first to see the Alpha variant of Covid-19 and this has meant the county was particularly hard hit by the pandemic. The first six months of the year were spent getting to grips with the unique challenges of the pandemic, as services adapted to this unknown threat and challenges of the first lockdown. Sevenoaks played its part in the county wide effort to support residents and local business. Local Government will face yet more challenges as it moves from the Covid-19 response stage to the task of supporting long-term economic and social recovery.

The Council has a corporate plan and service plans. Flowing from these are a suite of performance indicators Performance is reported quarterly to Scrutiny Committee. Items can be called in by Scrutiny where performance is poor. 50 local indicators are reported monthly to senior management team. There is also reporting to heads of service. The Scrutiny Committee receive a report for those indicators performing at 10% or more below their target with a commentary from Officers explaining the reasons and detailing any plans to improve performance. Approximately 20% of the indicators were in this category during the year but that was expected due to the impact of Covid-19.

Performance data is recorded on the Pentana system. There is a checking process of data, departments independently verify a percentage of data entered and the performance team also undertake spot checks.

Benchmarking is used to assess performance on occasions and has been particularly useful in housing. Service reviews were undertaken pre Covid but the pressures of the pandemic have meant these have been postponed for the time being.

The Council has a Data Quality Statement which was reviewed in September 2021. The statement sets out the context of why data quality is important and what the Council expects of data quality in relation to its performance indicators and data related to partnerships

How the body evaluates the services it provides to assess performance and identify areas for improvement

The Corporate plan, which covers the period to 2023, is used by officers to deliver services and to inform their recommendations to advisory committees. The Council liaises regularly with other Kent Districts and has a good knowledge of what others are doing and where good practice is in place. The Council is aware of the various sources of benchmarking data like the LGA Research Report. The Council is aware that benchmarking is only useful when credible data sets are available especially as in recent years Councils have diverged from standard models of delivery. The Council therefore remains open to using data from the wider sector and does so in business cases where the information is available and meaningful.

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary

Partnerships and in particular shared services have been seen as a cost effective and efficient way to provide services by the Council for a number of years. Partnerships have been entered into with neighbouring councils in Kent to provide key services such as revenues, licensing and internal audit. The Council is flexible in its approach, working in partnership when it is efficient and economical to do so, and reverting to direct provision, should circumstances call for that. Leisure Facilities are run by Sencio Community Leisure. The Council is transparent about its dealing with significant partners except where commercial sensitivity precludes this.

Where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

Procurement support services across the organisation delivering front line and back-office services. We were provided with a Procurement Strategy dated 2016. The Council do work under the National Procurement Strategy for Local Government in England 2018 and an update of the strategy to reflect this is recommended. The National Procurement Strategy also provides a toolkit for the Council to assess its progress against the themes and objectives within the strategy.

Improving economy, efficiency and effectiveness

The Council has a legal duty to secure value for money in commissioning and procuring its requirements and to continually improve the quality in everything the public sees and expects from it. Central Government policy seeks to ensure that all commissioning and procurement activity should be based on obtaining value for money. This is defined as considering the optimum combination of whole life cost and the quality necessary to meet the customer's requirements. In conjunction with relevant legislation and the Council's Constitution (particularly the Financial Procedure Rules and Contract Standing Orders).

We found no evidence that appropriate procurement processes were not followed during 2020/21.

The Council has no significant commercial ventures (outside of its investment portfolio).

CONCLUSION

We found no evidence or indication of significant risks to your Covid-19 arrangements as such no further risk-based work has been undertaken in this area.

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COVID-19 arrangements



Since March 2020 COVID-19 has had a significant impact on the population as a whole and how Council services are delivered. We have considered how the Council's arrangements have adapted to respond to the new risks they are facing.

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Financial Sustainability

The pandemic has had a significant financial effect on the Council predominantly through the loss of income from commercial rents and car parking. However, operational changes have led to changes in expenditure profile which have partially offset losses.

In the early stages of the pandemic the Government announced various funds to provide financial support for business (Small Business Grant Fund, the Retail, Leisure and Hospitality Grant Fund and the Local Authority Discretionary Grant Fund (LADGF)). Local authorities were made responsible for delivering grants to eligible businesses.

Nevertheless, there is likely to be significant pressure on public funds in future years given the levels of borrowing undertaken by Government to fund Covid-19 support measures. We are informed the Council has commenced some scenario modelling on the potential impact on the Council Tax base for the number of households from which full Council Tax can be collected, to understand how this may affect the Council's core funding in the immediate future. In the short term any unexpected shortfall in funding will be met from reserves.

The Council received additional grant funding to cover costs incurred as a result of Covid-19. This funding was utilised in a variety of ways. The Government also announced a support package to partly cover the irrecoverable council tax and business rate loss of income in 2020/21, whereby 75% of losses incurred will be funded by Government Grant.

Governance

In response to the covid-19 pandemic, the multi-agency Strategic Coordination Group declared the coronavirus pandemic a major incident on 24 March 2020 and the country went into a national lockdown on that date. These measures did not significantly change through the whole financial year 2020/21. The first six months of the year was spent largely adjusting to the demands of the pandemic with new services being introduced and the payment of grants to support residents and local business. Staff were seconded to help with Covid-19 related work and this had a knock-on effect to day-to-day services.

In March 2020 there was an impact on business as usual and delivery of services mainly from staff working at home and some self-isolation, some services were unable to function during the initial lockdown such as parking enforcement. Decisions around any necessary changes to internal controls were discussed with senior managers and escalated if necessary. The Council started a food delivery service for those shielding in partnership with NHS volunteers at the request of government and procured personal protective equipment to help staff carry out their roles. An initial assessment of the costs and loss of income of immediately apparent changes was also carried out and reported to management.

Member meetings went on-line and all staff started working from home where possible to reduce the risk of spread of the disease. Other measures were put in place to ensure the safety of those who still had to work in the community.

Governance arrangements were amended to meet the challenges of the pandemic. Specific cost centres were set up to allow for accurate recording of Covid related costs.

The Council was kept up to date with the situation through regular updates through reports to Cabinet.

Improving economy, efficiency and effectiveness

The Councils response to the Covid-19 emergency included providing temporary accommodation for rough sleepers and people at risk of homelessness, supporting vulnerable residents including setting up Sevenoaks Leisure Centre as a distribution centre from which the delivery of food and other supplies to the vulnerable were managed and the Council distributed millions of pounds in Business Grants.

CONCLUSION

We found no evidence or indication of significant risks to your Covid-19 arrangements as such no further risk-based work has been undertaken in this area.

Improvement recommendations



Governance

Recommendation One

Auditor judgement The Council has been proactive in updating its risk management processes. The Strategic Corporate Risk Register for example now includes a target score and shows previous risk scores for each risk to show trajectory.

The version of the Strategic Risk Register we reviewed from 2020/21 did not include future actions for each risk to help demonstrate how the identified target risk score will be met however we understand this was implemented subsequently and all risks now include actions. Reviewing the more recent versions of the Strategic Risk Register these actions are not consistently SMART (specific, measurable, achievable, realistic, and timely).

Page 5
Summary
recommendation

The next time the Council is updating its Strategic Corporate Risk Register format it should also consider including future actions for each risk to support the management/mitigation. All actions identified should be SMART (specific, measurable, achievable, realistic, and timely).

Management comment

It is agreed that the actions could be made SMART. Resp officer: Audit Manager. Timescale: 30/09/22



Improving economy, efficiency and effectiveness

Recommendation Two

The Council has a Procurement Strategy but it has not been updated since 2016. The Council works under the National Procurement Strategy for Local Government in England 2018 but the Procurement Strategy has not been updated to reflect this. The National Procurement Strategy provides a toolkit for the Council to assess its progress against the themes and objectives within the strategy.

We recommend the Procurement Strategy is updated to reflect current processes and aligns to existing legal requirements. It should also include the following:

- SMART (specific, measurable, achievable, realistic, and timely) objectives that are clearly set out in the Strategy to allow the Council to assess whether the Strategy is delivering as intended.
- A framework for how the delivery of the Strategy will be achieved. An annual or biennial review against SMART objectives reported through the governance structure would allow the Council to assess how successful the Strategy is in delivering its objectives.

An internal audit of Procurement is due to take place in Q4 2022/23. Based on the findings, changes will then be made. Resp officer: Head of Legal and Democratic Services. Timescale: 31/03/23

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The range of recommendations that external auditors can make is explained in Appendix B

Opinion on the financial statements



Audit opinion on the financial statements

At the time of issuing this report our audit of financial statements is ongoing.

Audit Findings Report

More detailed findings can be found in our AFR, which has been reported to the Audit Committee in March 2022.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

As in previous years we expect the Council to be below the threshold requiring audit procedures however at the time of issuing this report the Group Instructions have not been issued by the NAO to confirm the approach for 2020/21.



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Appendices

Appendix A - Responsibilities of the Council



Role of the Chief Financial Officer (or equivalent):

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

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Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

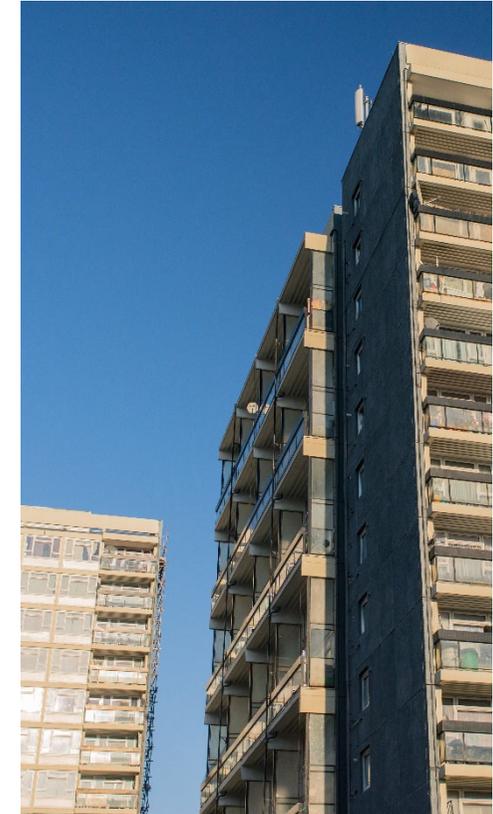
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



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Appendix B - An explanatory note on recommendations

A range of different recommendations can be raised by the Council auditors as follows:

Type of recommendation	Background	Raised within this report
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Service to discuss and respond publicly to the report.	No
Key Improvement	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes, see pages 13

Key
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Appendix C - Use of formal auditor's powers

The following are formal powers that can be used by auditors:

Formal power

Used by auditor in 2020/21

Statutory recommendations

Not required.

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

Public interest report

Not required.

Under **Schedule 7 of the Local** Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

Application to the Court

Not required.

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

Advisory notice

Not required.

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

Judicial review

Not required.

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

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STATEMENT OF ACCOUNTS 2021/22 - ESTABLISHMENT OF MEMBER WORKING GROUP

Audit Committee - 14 July 2022

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

Status: For Decision

Key Decision: No

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

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

Portfolio Holder: Cllr. Matthew Dickins

Contact Officer: Alan Mitchell, Ext. 7483

Recommendation to Audit Committee:

That a Member Working group be set up, to review the 2021/22 draft Statement of Accounts with delegated authority to recommend changes to the draft whilst ensuring adherence to statutory regulations for the purposes of reporting back to the Audit Committee.

Reason for recommendation:

This recommendation supports the sound control of the Councils finances.

Introduction and Background

- 1 The Government has announced that the revised timetable to produce audited financial statements for 2021/22 is to prepare the draft Statement of Accounts by 31 July 2022 and then have them audited and approved by members by 30 November 2022.
- 2 For a number of years, a Member Working Group has been set up to look at the draft Statement of Accounts, with the authority to recommend changes whilst ensuring that they still adhere to the statutory regulations and report back to the Audit Committee.
- 3 As the Statement of Accounts are very detailed, the working group should give the wider Committee greater confidence in approving the Statements of Account.

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- 4 The working group should meet in September and then report to the Audit Committee with the audited financial statements.
- 5 Members of last year's working group were Cllrs. McGarvey, Morris, Osborne-Jackson and Pender.

Key Implications

Financial

None directly arising from this report.

Legal Implications and Risk Assessment Statement.

None directly arising from this report.

Equality Assessment

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

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

None

Adrian Rowbotham

Deputy Chief Executive and Chief Officer - Finance & Trading

COUNTER FRAUD & COMPLIANCE TEAM REPORT 2021/22

Audit Committee - 14 July 2022

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

Status: For Consideration

Key Decision: No

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

Portfolio Holder: Cllr. Dickins

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

Recommendation to Audit Committee:

That Members note the work of the Counter Fraud & Compliance Team carried out during the year ended 31 March 2022.

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

Introduction and Background

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

Summary of Key Issues in the Report

- 4 A summary of the key activities of the Counter Fraud & Compliance Team during 2021/22.
- 5 A summary of future plans for 2022/23

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Key Implications

Financial

Not applicable.

Legal Implications and Risk Assessment Statement.

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

Equality Assessment

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

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

This report sets out the work conducted by the Counter Fraud & Compliance Team during 2021/22. Members are requested to note the report and the plans for the future.

Appendices

Appendix A - Counter Fraud & Compliance Team End of Year Report 2021/22

Background Papers

None

Jim Carrington-West

Deputy Chief Executive and Chief Officer Customer and Resources

Counter Fraud & Compliance Team 2021/22 – End of Year Report

1. Introduction

This report is to update the Audit Committee on the work undertaken by the Counter Fraud & Compliance Team for the year ending 31 March 2022.

2. Background

Sevenoaks District Council’s Council Plan states that ‘everything we do is built on excellence; value for money and innovation’.

The Counter Fraud & Compliance Team is a team of specially trained officers who investigate instances of fraud & financial irregularity and assist the authority in reviewing external related fraud matters.

The team strives to ensure that financial support provided to local residents and businesses is correct and they use the latest technology to highlight fraud and error within our databases.

3. Counter Fraud work programmes 2021-22

Covid-19 Business Support Grants

Although much reduced 2021/22 saw local businesses still being adversely impacted by restrictions caused by lockdowns in relation to the Covid-19 pandemic. Central government again turned to local authorities to co-ordinate the distribution of several different types of business support grants. This continued to be a major undertaking for the authority, requiring officer participation from numerous teams spanning several Council departments. The Counter Fraud & Compliance Team again supported the programme with expertise in risk assessment, pre/post-payment checks and investigation of suspicious applications.

As the business support grant schemes evolved over time the level of pre-payment checks demanded of local authorities intensified with all grant applications in 2021/22 having to be passed through a central government checking tool to confirm their authenticity. This process was co-ordinated by the Counter Fraud & Compliance Team and validated the applicant’s bank account details as well as verifying their company & trading status.

During 2021/22 Sevenoaks District Council distributed £7.5 million (1,492 recipients) in business support grants, this was on top of the £37.5 million (7,093 applicants) distributed during 2020/21.

The Counter Fraud & Compliance Team continues to support the exercise now by working with central government departments to provide pre-payment validation evidence on randomly selected cases as part of a comprehensive review of the exercise.

Business Rates

2021/22 was the fourth year in succession during which the Counter Fraud & Compliance Team was able to assist Sevenoaks District Council by running successful

counter fraud exercises which resulted in an increase in Business Rates revenue for the authority.

Utilising data-matching technology as well as working in partnership with colleagues at Kent County Council's Counter Fraud Team the team was able to identify more commercial properties which were not registered to pay Business Rates or where circumstances had changed and they were paying too little tax.

Over the past four years campaigns run by the Counter Fraud & Compliance Team have generated additional Business Rates revenue amounting to in excess of £800,000. The table below shows in detail the results of the last three years work:

	2019/20	2020/21	2021/22
Number of cases Adjusted	69	25	21
Increase in tax yield (£)	533,401	306,317	329,479
Increase in net revenue (£)	210,123	236,704	225,641

Council Tax

The Counter Fraud & Compliance Team and the Council Tax Department have a long running history of successful collaboration ensuring that Council Tax discounts & exemptions are correctly applied to accounts and changes in residents' circumstances are identified, reviewed and applied where appropriate.

Continual verification and validation of key Council Tax discounts, such as the Single Person Discount, is made problematic by the sheer number of awards which are in place (Sevenoaks DC has around 15,000 live Single Person Discount awards at any one time).

The Counter Fraud Team relies heavily on the assistance of technology to run verification campaigns for discounts & exemptions, but manual case-by-case checking techniques are also employed.

The following technological developments/changes have occurred during the 2021/22 period:

- The credit based Council Tax Single Person Discount checking tool used by Sevenoaks DC for the past 5 years was withdrawn from service by its external provider.
- The Counter Fraud Team has collaborated with Counter Fraud Teams across Kent to identify an alternative product which allows the authority to recommence checking Council Tax Single Person Discount awards utilising credit reference data.

- With assistance from the Councils Data Protection Officer the relevant documentation and processes were put in place to enable this effective counter fraud measure to be re-established.

During 2021/22 the Counter Fraud Team commenced a comprehensive review of the larger (& most expensive) Council Tax exemptions. The review had the following aims & objectives:

- To establish the key characteristics of each exemption and devise the most efficient manual checking process which would identify unreported changes quickly and efficiently.
- Databases have been created for the main exemptions so the date that checks are carried out can be recorded, periodically new awards can be added and old exempt awards can be removed.
- Working papers have been created outlining the principles behind the checking processes which are reviewed on an annual basis.

The Counter Fraud Teams work in relation to Council Tax discount & exemptions have achieved the following results over the past three financial years are as follows:

	2019/20	2020/21	2021/22
Number of cases Adjusted	163	148	177
Increase in tax yield (£)	128,169	216,269	213,466
Increase in net revenue (£)	128,169	216,269	213,466

Housing Benefit

Local authorities administer Housing Benefit on behalf of the Department for Work & Pensions (DWP), although Housing Benefit fraud is investigated by DWP fraud investigators.

When local authority investigation officers review the claims made by Council Tax Reduction recipients there is a high probability that those same claimants are also receiving help with their rent, i.e. Housing Benefit.

Sevenoaks District Council has an active Service Level Agreement with the Department for Work & Pensions which allows collaborative joint working between the two Counter Fraud departments. This work is slowly increasing having been majorly impacted by the Covid-19 pandemic.

The table below shows that impact of local authority investigations on Housing Benefit claims over the last three financial years:

	2019/20	2020/21	2021/22
Number of Housing Benefit claims adjusted	18	5	7
Value of Housing Benefit Removed (£)	87,412	39,605	33,744

4. Cost Benefit Analysis 2021/22

The table below compares the cost of the Counter Fraud & Compliance Team in 2021/22 with the financial benefits derived from the savings attained in counter fraud exercises they conducted on behalf of the local authority. Assumptions are made with respect to uncollectable elements in respect of Council Tax and Housing Benefit overpayments. The comparison shows a surplus of £87,218.

	Total £	SDC Element £	
Section 1 Expenditure			
Gross Expenditure - Partnership with DBC	201,642	100,821	Costs of the Counter Fraud & Compliance Team are split 50:50 with Dartford BC.
External contributions from Major Preceptors	(99,962)	(49,981)	From Kent CC, Kent Fire & Rescue as they are major beneficiaries
Net Expenditure - Partnership with DBC	101,680	50,840	
Section 2 Fraud discovered (SDC):			
Council Tax Investigations	(213,466)	(23,481)	SDC receive 11%
Housing Benefit Overpayments	(33,744)	(13,498)	SDC receive additional subsidy of 40% of overpayments discovered
Business Rates (net)	(225,641)	(90,256)	SDC receive up to 40%
Total	(472,851)	(127,235)	
Section 3 Adjustments (SDC):			
Future savings/Deterrent Factor		(18,380)	Assume a 52-week future benefit element of which SDC receives 11%. See (a) below.

Uncollected Estimate (HB)		4,049	Assume 30%. See (b) below.
Uncollected estimate (Council Tax)		349	Assume 1.9% as Council Tax collection rate is 98.1% (in year)
Uncollected estimate (Business Rates)		3,159	Assume 3.5% as Business Rates collection rate is 96.5%
Total Adjustments		(10,823)	
Net Cost/(Surplus)		(£87,218)	

- (a) External funding organisations allow us to record a 52-week future benefit element. This is an assumption that the fraud/error would have continued for an average of 52 weeks after the intervention of the Fraud & Compliance Team.
- (b) We are assuming a non-recovery rate of 30% in HB overpayments, 1.9% in Council Tax and 3.5% in Business Rates related savings.

5. Future Developments

Plans for 2022/23 include increasing the amount of joint working investigations conducted with the Department for Work & Pensions and expanding the use of the new data-matching tool for Council Tax Discounts.

The Counter Fraud & Compliance Team will be heavily involved in the project to distribute the new £150 Council Tax Rebate payment and re-conciliation/evidence validation exercise for the Business Support grants.

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INTERNAL AUDIT ANNUAL REPORT AND OPINION 2021/22

Audit Committee - 14 July 2022

Report of: Audit Manager

Status: For Consideration

Also considered by: None

Key Decision: No

Portfolio Holder: Cllr. Matthew Dickins

Contact Officer: Jennifer Warrillow, Ext. 7053

Recommendation to Audit Committee:

- (a) Note the contents of the report

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

Introduction and Background

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

Other options Considered and/or rejected

None

Key Implications

Financial

There are no direct financial implications associated with this report.

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Legal Implications and Risk Assessment Statement.

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

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

Equality Assessment

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

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

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

Appendices

Appendix A - Internal Audit Annual Opinion

Background Papers

[Internal Audit Plan 2021/22](#)

Jennifer Warrillow
Audit Manager

Internal Audit Annual Report and Opinion 2021/22

July 2022



DARTFORD & SEVENOAKS AUDIT PARTNERSHIP

Introduction

1. The IIA gives the mission of internal audit: to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.
2. The mission and its associated [code of ethics](#) and [Standards](#) govern over 200,000 professionals in businesses and organisations around the world. Within UK Local Government, authority for internal audit stems from the [Accounts and Audit Regulations 2015](#). The Regulations state services must follow the [Public Sector Internal Audit Standards](#) – an adapted and more demanding version of the global standards. Those Standards set demands for our annual reporting.
3. Standard 2450 states that when an overall opinion is issued, it must take into account the strategies, objectives and risks of the organisation and the expectations of senior management, the board and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant and useful information. Meaning that the communication must include:
 - The scope including the time period to which the opinion pertains
 - Scope limitations
 - Consideration of all related projects including the reliance on other assurance providers
 - A summary of the information that supports the opinion
 - The risk or control framework or other criteria used as a basis for the overall opinion
 - The overall opinion, judgement or conclusion reached
 - The reasons for an unfavourable opinion must be stated.

Independence of Internal Audit

4. During 2021/22 we have had free access to officers and records to complete our work. On no occasion have officers or Members sought or gained undue influence over our scope or findings.
5. Our independence is maintained through functional reporting, including summaries of the work undertaken, to Audit Committee. We meet with individual members of Strategic Management Team to discuss any issues arising from our work where necessary and I also meet periodically with the Chief Executive. We have been given access to all information and systems requested to complete our work in 2021/22 and there are no issues that we have been prevented from reporting.
6. I confirm we have worked with full independence as set out in our Audit Charter and Standard 1100.

DARTFORD & SEVENOAKS AUDIT PARTNERSHIP

Scope and time period of Audit Manager Opinion

7. The opinion takes into account all audits that have been finalised since the last annual opinion in July 2021.
8. However, our audit plan cannot address all risks across the Council and represents our best use of inevitably limited capacity. In approving the plan, the Committee recognised this limit. Beyond this general disclaimer, I have no specific limits of our scope to report to the Committee.

Consideration of work completed and reliance on others

9. I have drawn my opinion from the outcomes of the 2021/22 Plan agreed by Members in July 2021 but also one piece of work from 2020/21 that was not finalised until after the last opinion. My opinion also considers the results of follow up work, ad hoc advisory work and our own informal observations of the organisation through, for example, attendance at management meetings.
10. In completing my work I have placed no specific reliance on external sources.

Risk and control

11. The Council is responsible for ensuring it undertakes its business within the law and proper practices. The Council must also ensure it safeguards and properly accounts for its resources, using them economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to seek continuous improvement in exercising its roles.
12. The Council has described key parts of its internal control and risk management within the Local Code of Governance and Risk Management Framework.
13. Organisations design internal controls to manage to an acceptable level rather than remove the risk of failing to achieve objectives. So, internal controls can only provide reasonable and not complete assurance of effectiveness. Designing internal controls is a continuing exercise designed to identify and set priorities around the risks to the Council achieving its objectives. The work of designing internal controls also evaluates the likelihood of those risks coming about and managing the impact should they do so.
14. In completing our work we have considered the control environment and objectives in place at the Council.

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Conformance with standards

15. Internal Audit has conducted its work following the Standards and good practice as represented in our internal quality assurance. This includes working to an agreed audit manual with satisfactory supervision and review.
16. This report also contains the outcomes of our Quality Assurance and Improvement Programme (QAIP), together with the resultant action plan. This action plan will be reported periodically to Audit Committee until the actions are closed. This will enable Members to discharge their responsibility to oversee the quality and effectiveness of Internal Audit.

Overall conclusion

17. I am satisfied that during the year ended 31 March 2021, the Council's systems of governance, risk management and control are managed effectively with **REASONABLE** assurance.

Jennifer Warrillow, CMIIA, CIA

Audit Manager (Chief Audit Executive)

DARTFORD & SEVENOAKS AUDIT PARTNERSHIP

Internal Control

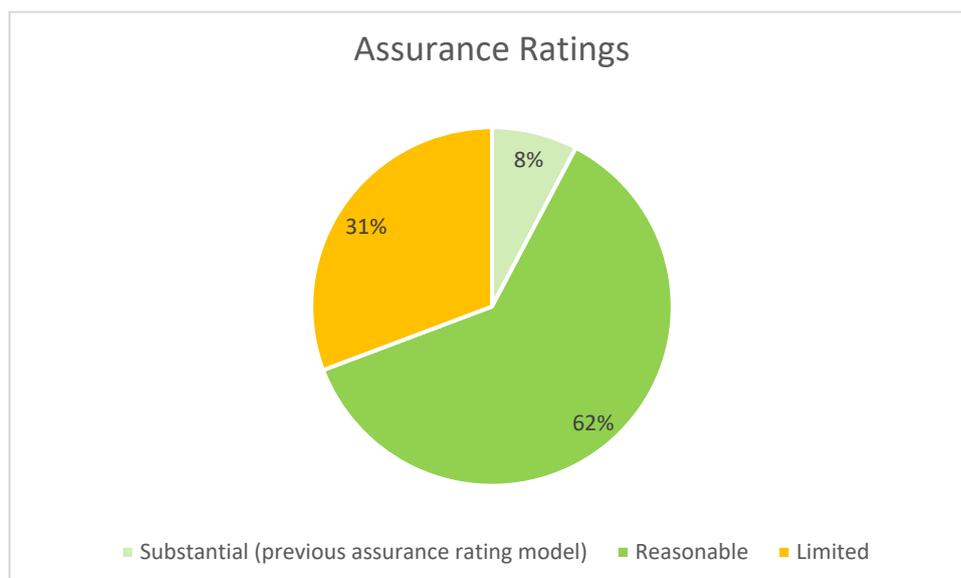
- 18. Internal control is how the Council ensures achievement of its objectives with effectiveness and efficiency; achieving reliable financial reporting and compliance with laws, regulations and policies. It covers financial and non-financial controls.
- 19. We gain audit evidence to support the Head of Audit opinion on internal control principally through completing the reviews set out within our agreed audit plan.

Audit Plan Work 2021/22

- 20. Members will recall that the agreed 2021/22 Internal Audit Plan was divided into two, with audits on Plan ‘A’ being the priorities for completion and those on Plan ‘B’ to be completed in the event of sufficient available resource. At the time of writing this report, Plan ‘A’ audits are largely complete, with 13 now finalised and the remaining six (IT Governance, Corporate Landlord Liabilities, Emergency Planning, Staff Wellbeing, Temporary Accommodation and Quercus) are at reporting stage with a provisional opinion having been given (a summary of the audit will be presented to the next Audit Committee).
- 21. We have unfortunately not had the capacity to undertake any of the proposed work on Plan ‘B’ as a result of carrying vacancies within the team for most of the year.

Internal Audit Outcomes

- 22. Of the 13 audit reviews that are considered as part of this annual opinion, 12 are assurance work with an associated rating. Definitions of the assurance ratings that have been applied to these audits are provided in **Annex E**. The chart below shows a breakdown of these audit assurance opinions.



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23. Over two thirds of the audits completed have received **Reasonable** assurance or equivalent which indicates that the control framework is generally operating well. In particular, audits which have organisation-wide relevance and therefore are integral to the core control environment, such as Payroll, Ten Year Budget and Appraisals, all received Reasonable assurance. Importantly, we have not observed deterioration in the control environment as a result of hybrid working arrangements.
24. Three audits this year received **Limited** assurance; one of these is in a specific service area and the relevant manager has agreed all recommendations made with appropriate implementation dates. The others were Corporate Credit Cards and Safeguarding and while the findings from the audits were concerning, all the high priority actions have now been implemented, meaning the gaps in control have now been addressed. Therefore I do not believe they present a reflection of how the overall risk and control frameworks for the Council are operating.
25. One further audit received a split assurance rating, highlighting concerns around contractual arrangements in place for the Council’s Parking Enforcement Agents. The high priority actions highlighted here are in the process of being implemented and the wider implications regarding the use of contracts will be examined during the 2022/23 audit year. The Council does now also have a procurement assurance group in place which can help to mitigate against the risk of services being procured without a contract.
26. The table below summarises assurance engagement progress and findings up to the date of this report. These are the audits that form part of my Annual Opinion. Where there are material matters finished before the committee meeting we will provide a verbal update. Summaries of all of these audits are in **Annex A**, with the ones that have not previously been reported to Audit Committee on pp 12 – 15.

Audit Title	Current Status	Assurance Level	Agreed Actions
Housing Benefit (Shared Service)	Complete	Substantial	1 x Med , 1 x Low
Property Investment Strategy	Complete	Reasonable	1 x Med
Ten Year Budget	Complete	Reasonable	1 x Med , 1 x Low
Appraisals	Complete	Reasonable	4 x Med , 2 x Low
Information Security	Complete	Reasonable	1 x Med , 2 x Low
Safeguarding	Complete	Limited	2 x High , 6 x Med
S106 Agreements	Complete	Reasonable	3 x Med
Council Tax and Recovery (shared)	Complete	Reasonable	2 x Med , 3 x Low
Legal Service Processes (Case Management)	Complete	Limited	1 x High , 2 Med
Parking Processes - Residents Permits and PCN processing (including appeals and cancellations)	Complete	Reasonable (PCN Process), Limited (Contractual Arrangements)	2 x High , 6 x Med , 3 x Low
Corporate Credit Cards	Complete	Limited	2 x High , 4 x Med , 1 x Low

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Audit Title	Current Status	Assurance Level	Agreed Actions
Payroll	Complete	Reasonable	2 x Med, 3 x Low
IT Governance	Draft Report		
Corporate Landlord Liabilities	Draft Report		
Staff Wellbeing	Draft Report		
Temporary Accommodation	Draft Report		
Emergency Planning	Fieldwork		
Companies - Quercus	Fieldwork		

27. The following projects were removed from the plan in year as agreed with Audit Committee Members:

- New Service Review – Environmental Health
- Covid-19 Recovery
- Purchase Orders Continuous Assurance
- Ethical Governance
- Asset Management

Follow Up

28. We follow up each month, examining those actions that fell due since the previous exercise. We take due dates from the action plan agreed with management when we finish our reporting. We report progress on implementation to Senior Management Team each quarter and include matters of continuing concern.

29. When a service is unable to implement actions by the agreed date, they request a deferral. Deferrals are agreed for valid reasons though the original risks do of course remain until implementation is complete. We are working with Senior Management to reduce the numbers of deferrals, including timely reminders to responsible managers from Internal Audit and the introduction of a more stringent process to request deferrals.

30. The following table provides a summary of the results of our follow-up process for the financial year 2021/22.

Priority	Brought forward from 2020/21	Raised in year	Implemented in year	Carried forward to 2022/23
High	4	7	8	3
Med	36	33	54	15
Low	14.5	16	20.5	10

31. Overall we are content with officers' progress on acting to address findings we raise in our reviews.

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Risk Management

32. The Annual Opinion also considers risk management arrangements within the organisation.
33. A new Risk Management Strategy was developed and approved by this Committee earlier in the year and has been implemented for use at strategic risk level. However, the risk maturity of the organisation requires further development over the forthcoming financial year. This will include a process for operational / service level risks, which is currently lacking.

Consultancy and Advice Work

34. We also continue to undertake a broad range of special and scheduled consultancy and advice work for the Council and the following table provides a brief summary of the range of work we have undertaken as per the 2021/22 audit plan.

Project Title	Current Status
Assurance Mapping	Complete
Fraud Risk Assessment	In planning and continuing into 2022/23
Grants Process	Complete
Covid-19 Grant Process	Complete

35. We remain engaged and flexible in seeking to meet the assurance needs of the Council. We are happy to discuss opportunities large and small where the Council can usefully employ the experience and expertise of the Internal Audit team.

Counter Fraud

36. We consider fraud and corruption risks as part of all our audit engagements as part of our assessment of the adequacy and effectiveness of controls. We additionally plan to continue our work on the fraud risk assessment in conjunction with the Revenues & Benefits Counter Fraud Manager.
37. We remain available to the Council to conduct any investigations regarding alleged fraud, corruption or upon receipt of whistleblowing complaints.
38. We have received no allegations or complaints during 2021/22 and therefore have no matters of concern to report.

Quality Assurance

39. Audit Committee has an important oversight role in the quality and effectiveness of Internal Audit. Members of the Committee must assure themselves that Internal Audit makes a valuable contribution to the organisation's governance and that stakeholders can place reliance on its conclusions.

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40. To facilitate this quality oversight role, Internal Audit has a Quality Assurance and Improvement Programme (QAIP), which includes Key Performance Indicators (KPIs), customer satisfaction questionnaires, annual self-assessments against professional standards and five yearly External Quality Assessments (EQA). Members will be aware that the most recent EQA took place in January 2021 and the full report was subsequently presented to Audit Committee in March 2021. The external assessment was largely in agreement with our own self-assessment and the overall conclusion was that the function is 'Partially Conformant' with professional standards.
41. The Key Performance Indicators for Quarter 4 (January to March 2022) are provided in **Annex B**. The KPIs illustrate that customer satisfaction is generally high and that responsible managers have accepted audit recommendations. However they also show, in line with the self-assessment and the EQA, that the function needs to improve on delivery within budget, as over-runs are currently impacting the efficiency and the effectiveness of the service.
42. For completeness, a summary of all results of the customer satisfaction questionnaire is attached at **Annex C**. These results are largely positive with only 2 isolated incidents of managers not feeling as though the Auditor understood the service. We have introduced a new engagement planning process which should eliminate this issue going forwards.
43. The results of the various strands of Quality Assurance activity combine into a single, overarching Quality Improvement Plan which is presented in **Annex D**. The Plan is divided into different themes encompassing internal audit activity but the fundamental objectives of the Plan are to move us into a position of being 'Generally Conformant' with the standards, improve service efficiency and to ensure that all audit work adds value to the Council. The Plan, including progress updates, will be presented periodically to Audit Committee (minimum six monthly) to enable monitoring and oversight.

Acknowledgements

44. The results we have achieved this year has been due to the hard work of our team who have come through a particularly challenging year with the changing of Audit Manager and carrying a vacancy through most of this period. I would therefore like to give my thanks to them for the work they have done so far.
45. In particular, I would like to thank both our Lead Auditors who stepped up to cover the Audit Manager vacancy in the interim three months before I took up my post.
46. I would also like to thank Officers, the Senior Management Team and Audit Committee Members. Without your support we would struggle to work effectively.

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Annex A - Summaries of Audit Reports issued

Housing Benefits (Substantial Assurance) – Issued in July 2021

The aim of the audit was to provide assurance that the current processes in place are effective in ensuring only those entitled to Housing Benefits receive them.

At the time of testing, the service had developed a flowchart, showing the process for assessments of applications, and checklists along-side a Risk Based Verification (RBV) desk aid tool. At the time of fieldwork, the RBV policy and desk aid did not reflect working practices due to the reliance on Searchlight checks to verify information rather than original documentation. The new Benefits Evidence Verification Strategy, however, replaced the RBV policy from April 2021 and does include details regarding the reliance on CIS checks.

Testing indicated that applications are assessed correctly and appropriate evidence and documents are retained on the system.

Testing also highlighted that for Changes of Circumstances applications input sheets were not always being completed as part of the normal practice.

The main issue we have raised is concerning Quality Assurance (QA). We noted that checks through the QA module reduced due to priorities of making COVID19 payments. We have been advised by the service that other checks were maintained including Management Information System checks, which do not use the QA module available. We believe that the Management Information System should use the QA module to provide more detailed information about the checks that have been completed.

Grants Process (Advisory - Not Rated) – Issued in August 2021

The objective of this audit was to review the community grants process and ensure it is effective, including monitoring processes to ensure outcomes are being achieved whilst minimising the risks of fraud.

The service has adapted to an online process for community grants using the CRM System, which is adequate in design. The focus for 2020-21 was to develop an online platform for application and evaluation, and we understand the service is keen to further develop it for monitoring and to explore its reporting functionalities. We believe this would be beneficial to further streamline the process, and to reduce the level of manual input, creating and recording information on spreadsheets.

The fraud risks associated with the community grants process are generally controlled, although there are gaps where groups are not required to make a positive affirmation of the data they have submitted and business or charity numbers are not verified. The service should also consider trying to engage Finance again for their expertise in verifying groups or organisation accounts.

The Code of Practice for Grant Making provides a sound framework of principles for grant schemes to ensure consistency across the Council. The principles themselves are not prescriptive, thus allowing for some differences between schemes whilst minimising the risks of fraud. The appendices

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are more prescriptive and the provisions will be appropriate in many circumstances. However we understand through discussions with officers that, particularly in light of events over the past year, the Council would like to broaden the reach of its Community Grants scheme to include smaller groups or one off events.

The monitoring arrangements in terms of the intervals are reasonable for both levels of grant awarded. The focus of the monitoring form is appropriate, by ensuring the objectives have been achieved or are on track, and how this benefitted residents, as well as the output in terms of the indicators. Monitoring is largely the same for both levels of grant, albeit at different intervals, which may not be proportionate for smaller grants awarded, particularly where smaller groups or lesser established organisations may not be familiar with how to phrase or measure performance indicators.

Our analysis of the performance indicators identified common themes across the projects. There are clear themes in the performance indicators and although there are differences in the wording or phrasing, they aim to deliver similar benefits. The service may benefit from developing a suite of standardised performance indicators to assist those less familiar and to increase performance reporting.

Payroll (Reasonable Assurance) – Issued in August 2021

This audit aimed to review the effectiveness of controls over key elements of payroll including discretionary deductions, expenses and pre-payroll processes.

We found the controls over the payroll are generally sound in both design and operation. Our testing confirmed discretionary deductions are accurately input on appropriate instruction and retained on file. However, a common theme identified throughout testing was the inconsistency in which records are stored.

The process to claim overtime is sufficient, with claims now being made electronically through iTrent. However, the process to claim mileage and the claim form requires improvement to ensure mileage claims are accurate and can be verified by the authoriser.

We also reviewed the pre-payroll processes and identified efficiencies in the checking carried out, where spreadsheets are relied on to verify payroll figures. The service may wish to explore the reporting function further to eliminate the use of the spreadsheets.

Ten Year Budget Strategy (Reasonable Assurance) – Issued in August 2021

The objective of the audit was to review the effectiveness of controls over budget setting and long-term financial planning to provide assurance on the ten-year budget strategy arrangements.

The ten-year budget strategy came into effect at SDC in 2011 on the basis that Government funding for Councils was significantly reducing. As an alternative to making significant budget cuts annually, the Council instead sought to make long term assumptions on their financial status.

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The budget setting process normally concludes in February of each year and is agreed by the Finance & Investment Advisory Committee and Cabinet. The most recent budget setting process took place earlier, in November 2020, in order to more effectively manage impacts arising from the Covid-19 pandemic.

Our testing confirmed that the Council has adequate, effective, and reliable controls in place over budget setting and long-term financial planning.

We noted the following areas of key strengths:

- The Financial Procedure Rules documents the policy around financial planning and budgeting. Responsibilities of key stakeholders are outlined clearly within this document.
- SDC's strategic priorities are aligned to the ten-year budget strategy. The ten-year budget strategy goes through all six Advisory Committees at SDC. One of their roles is to maintain oversight over various strategies and programmes, which is how SDC ensure that financial planning is aligned to SDC's strategic priorities.
- Variances in budgets are identified, explained, and presented to key stakeholders, enabling SDC to identify changes in trends and resource requirements at the earliest opportunity.
- Financial assumptions are set out in the budget and the justifications for assumptions have been presented to Cabinet for review prior to their approval.
- Assumptions are reviewed throughout the budget setting process and the Chief Officer of Finance and Trading receives the latest information from the relevant managers to keep in view for the following year's budget setting process.
- Key stakeholders receive frequent updates on budgets and financial performance and there are regular meetings held during the year to review progress against the financial plan.

Key areas for development include:

- The Financial Procedure Rules document is not periodically updated. The last update took place in August 2014.
- Based on discussions with a sample of stakeholders, three out of five stakeholders have not previously reviewed the Financial Procedure Rules document.

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.

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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:

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.

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- 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.

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).

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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.

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
- 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

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- 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

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.

Legal Service Processes (Case Management) - (Limited Assurance) – Issued in June 2022

The purpose of this review was to assess the adequacy and effectiveness of the case management process. To ensure case files were fully recorded with relevant information, enabling legal service to provide a high quality service to its clients.

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Although the service continues to provide legal support to the Councils teams, there is a lack of a standardised approach to case management within the team. Legal services have a paid for system (IKEN) which is not being used to document, progress or monitor cases.

This lack of set procedures and use of IKEN has led to case files being set up either on IKEN, in a shared drive, or as physical hard copy files. Individuals have been proactive in introducing templates and monitoring spreadsheets. However, this has not been introduced across the team and is not in a consistent format across officers, with each developing their own methods. We also found individual monitoring spreadsheets were not regularly updated and as a result monitoring of workloads and progression of cases within legal services is ad hoc. Therefore, managers may not be able to provide sufficient oversight of workloads or progression and completion of cases.

Information Security – (Reasonable) Issued June 2022

The objective of the audit was to evaluate the adequacy and effectiveness of information security arrangements, including procedures for responding to data breaches whether they are deliberate or accidental. This review also considered the security of organisational information as well as personal information.

Strengths

- The Council has a detailed information security policy and data breach policy in place.
- Roles and responsibilities for reporting and investigating a data breach are clearly defined.
- A data breach register is maintained that records key information for each breach.
- Supporting evidence is retained on file to confirm actions are implemented to address any data breaches that have occurred.

Areas for Development

- Physical security controls within the offices outside working hours, such as locked drawers and cupboards, needs improvement to prevent unauthorised access to sensitive or personal documents.

Council Tax & Recovery – (Reasonable) Issued June 2022

The aim of the audit was to review the effectiveness of the controls over the processing and monitoring of Council tax applications and collection of income across both Councils.

Council Tax is administered effectively with changes to liability being accurately processed and implemented using the Academy system. Regular reconciliations and communication with other services in the Councils ensure that all properties are identified and removed when appropriate. We also found that discounts and exemptions are applied appropriately.

However, we did find that not all users have appropriate access levels for Academy, meaning a review is needed. We also consider that performance monitoring in relation to the Collection Agents could be improved to ensure value for money is being achieved.

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

Finance: Associated performance indicators	Q4 (January - March)
<p>F1: Percentage of budgeted days taken to complete projects – <i>Target 100%</i> Reported on a cumulative basis</p> <p>Indicator measures any variance between the days agreed on the final brief vs. the actual time coded</p>	196%
<p>F2: Chargeable days – <i>Target 75%</i> Reported on a quarterly basis</p> <p>Indicator measures the actual chargeable activities against the assumptions made in the audit plan</p>	Average 71%
<p>F3: PSIAS conformance – <i>Target ‘Generally Conforms’ (IIA definition)</i> Reported annually</p> <p>Indicator measures effectiveness of the Quality Assurance & Improvement Programme (QAIP) to ensure compliance with professional Standards.</p>	To be reported at the end of 2021/22
Client satisfaction: Associated performance indicators	Q4 (January - March)
<p>C1: Respondents satisfied with the overall audit experience – <i>Target 90%</i> Reported on a project by project basis</p> <p>Indicator measures Client satisfaction with how we undertook the work, and takes into account our professionalism, approach and competence</p>	0/0 0% No questionnaires received in Q4
<p>C2: Respondents agreement with the audit actions – <i>Target 90%</i> Reported on a project by project basis</p> <p>Indicator measures Client agreement to the audit findings and resulting actions from our audit work</p>	4/4 100%

DARTFORD & SEVENOAKS AUDIT PARTNERSHIP

Internal processes: Associated performance indicators	Q4 (January - March)
<p>I1: Percentage of draft audit briefs issued at least 10 working days before the start of fieldwork. - <i>Target 90%</i> Reported on a project by project basis Indicator measures the effectiveness of our project planning and communications with the client</p>	10/12 83%
<p>I2: Percentage of draft audit reports issued by the date given on the final audit brief - <i>Target 70%</i> Reported on a project by project basis Indicator measures the efficiency of our audit work, currency of our audit finding and effective engagement between Auditors and Clients</p>	0/5 0%
<p>I3: Time taken between issue of the DRAFT report and FINAL report – <i>Target 15 working days</i> Reported on a project by project basis Indicator measures the effectiveness of our process to finalise audit reports and issue the report in a timely manner</p>	1/1 100%
Learning & Development: Associated performance indicators	Q4 (January - March)
<p>L1: Audit actions fully implemented within agreed timescales – <i>Target 80%</i> Reported on a monthly basis Indicator measures the successful implementation of audit actions and the effectiveness of our follow-up process</p>	January – 12/16 = 75% February – 13/14 = 93% March – 1/2 = 50%
<p>L2: Training & development days - Reported annually Indicator measures our investment and time spent on training and development against the assumptions made in the audit plan</p>	62.12 Days (annual budget of 29 days)

DARTFORD & SEVENOAKS AUDIT PARTNERSHIP

Annex C – Customer Satisfaction Questionnaires

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

Not at all	Not really	No opinion	Yes	Definitely	Number of Responses	Positive Responses
0	0	0	2	11	13	13

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

Not at all	Not really	No opinion	Yes	Definitely	Number of Responses	Positive Responses
0	0	0	3	10	13	13

3 - We kept you informed and updated throughout the audit

Yes	Could have been better	No	No opinion	Number of Responses	Positive Responses
13	0	0	0	13	13

4 - We were sensitive to your availability and workload

Yes	Could have been better	No	No opinion	Number of Responses	Positive Responses
12	1	0	0	13	12

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

Yes	No	Number of Responses	Positive Responses
11	2	13	11

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

Yes	No	Number of Responses	Positive Responses
13	0	13	13

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

Professional	Clear / easy to read	Factually accurate	Informative / useful	Succinct	Engaging	Contemporary	Other
12	12	8	11	2	2	0	0

DARTFORD & SEVENOAKS AUDIT PARTNERSHIP

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

N/A - no actions were raised	Absolutely, I believe they will	Yes, I think so	I'm not really sure	No	Number of Responses	Positive Responses
0	6	7	0	0	13	13

9 - How would you rate your overall audit experience?

I'd rather not say / no opinion	Never again please!	It was OK *	Positive & Helpful	Excellent	Number of Responses	Positive Responses
0	0	1	6	5	13	12

*Counted as 0.5 each as neither positive or negative

DARTFORD & SEVENOAKS AUDIT PARTNERSHIP

Annex D – 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	Complete
Reporting	Review action priority levels.	April 2022	Not yet started. Change in Audit Manager has delayed this review.

DARTFORD & SEVENOAKS AUDIT PARTNERSHIP

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
Co-ordination of Assurance	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 change in Audit Manager has delayed work in this area and so will commence during 2022/23.
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. Change of Audit Manager has delayed this action.
Planning	Develop more risk-based method for 2021/22 periodic planning.	For 2021/22 financial year.	Change of Audit Manager delayed this process but a full review of the audit planning process will be undertaken during 2022/23.
Planning	Maintain under review the approach to periodic planning - annually or quarterly / six monthly.	Review again for 2022/23.	Complete, changes to periodic planning proposed as part of the Audit Plan 2022/23 paper.
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. Ethical Governance is due to be completed during 2022/23.

DARTFORD & SEVENOAKS AUDIT PARTNERSHIP

Theme	Action	Target Date	Status Update
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.
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

DARTFORD & SEVENOAKS AUDIT PARTNERSHIP

Theme	Action	Target Date	Status Update
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 Management above)	All team members to undertake skills gap analysis against the IIA competency framework.	May-21	Complete
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	Complete
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 was 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.

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Theme	Action	Target Date	Status Update
Quality and timeliness of audit work (also links to Performance Management above)	Weekly 121s and action plans.	November 2020 onwards.	In progress and ongoing.
Quality and timeliness of audit work (also links to Performance Management above)	Identical audits across both sites to be allocated to same team member. Some 'task based' teams will be deployed for bigger audits in 2021/22 - Ethical Governance and Culture, will use agile techniques such as daily catch ups and specific task based timings. 'Site based' approach will be considered where practical.	Complete by March 2022.	In progress. Audit allocations are complete and where possible, identical audits have been allocated to same staff member.
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

DARTFORD & SEVENOAKS AUDIT PARTNERSHIP

Theme	Action	Target Date	Status Update
Follow Ups	Review the follow up process and consider whether quarterly would be more efficient than monthly.	Apr-21	Follow up process to be reviewed in August 2022 to look for efficiencies with further improvements to be considered as part of new software procurement for implementation in 2023/24.

DARTFORD & SEVENOAKS AUDIT PARTNERSHIP

Annex E - Definitions of Assurance ratings:

OPINION	DEFINITIONS
Substantial Assurance	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.
Reasonable Assurance	<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>
Limited Assurance	<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>
No Assurance	<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>

ANNUAL GOVERNANCE STATEMENT 2021/22

Audit Committee - 14 July 2022

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

Status: For Consideration

Key Decision: No

Portfolio Holder: Cllr. Matthew Dickins

Contact Officer: Adrian Rowbotham, Ext. 7153

Recommendation to Audit Committee:

It be resolved that the Annual Governance Statement 2021/22 be agreed for signature by the Leader of the Council.

Reason for recommendation: The committee is required to consider the Council's Annual Governance Statement as part of its terms of reference remit, in compliance with statutory requirements.

Introduction and Background

- 1 Sevenoaks District Council is responsible for ensuring that its business is conducted in accordance with the law, proper standards and that public money is safeguarded and properly accounted for. In discharging this overall responsibility, the Council has to ensure that it has sound systems of internal controls and good governance arrangements in place to facilitate the exercise of its duties. Additionally, the Council is required to continuously review these arrangements and to ensure that they are considered annually by an appropriate body of the Council. The way this is done is through the Annual Governance Statement. This report (Appendix A) sets out the governance arrangements and the system of internal control that operated during 2021/22 and up to the time of the review (June 2022).

Ownership of the Annual Governance Statement (AGS)

- 2 The Annual Governance Statement is a corporate document that explains the Council's governance arrangements and the controls it employs to manage the risk of failure to achieve strategic objectives. It is owned by all Senior Officers and Members of the Council. The Council's remit in relation

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

“The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body’s function and which includes arrangements for the management of risk”.

- 3 The Council is also required to conduct a review, at least once a year; of the effectiveness of its system of internal control and that the statement accompanies the Council’s annual accounts. The Council is further required to conduct this process and the preparation of its annual accounts in accordance with “proper practices”, in this context, the Council complies with relevant professional codes and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in the preparation of the AGS. The involvement of the Audit Committee in the process complies with the Accounts and Audit (England) Regulations.

The Annual Governance Statement Process

- 4 In compiling the Annual Governance Statement, a shared approach was adopted, involving Chief Officers, Heads of Service, relevant managers, the Internal Audit Manager, Chief Executive (also as Head of Paid Service) and the Monitoring Officer, prior to consideration and endorsement by the Strategic Management Team. Additionally, the AGS is required to be certified by the Leader of the Council and the Head of Paid Service after approval by the Audit Committee.

Outcome of the Process

- 5 The process confirms that the Council has sound systems of internal control and good governance arrangements in place. No significant governance issues has been raised through the AGS process.

Key Implications

Financial

None.

Legal Implications and Risk Assessment Statement

No additional legal implication beyond the Council’s duty to comply with the Accounts and Audit (England) Regulations concerning the AGS process.

The Council is required to produce an Annual Governance Statement to demonstrate that it has effective internal controls and sound governance arrangements in place throughout the financial year. There is a risk that failure to produce the Annual Governance Statement in accordance with statutory requirements would have negative consequences for the Council. The Statement accompanying this report meets statutory requirements and was produced in compliance with proper practices, giving regard to relevant professional guidance. Hence, relevant risk is effectively being managed.

Equality Assessment

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

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 Annual Governance Statement (AGS) was prepared in accordance with relevant professional guidance. It demonstrates that the Council had sound governance arrangements in place during 2021/22 and in the period leading up to the preparation of the AGS and the Council's Accounts.

Appendices

Appendix A - Annual Governance Statement 2021/22

Background Papers

None

Adrian Rowbotham

Deputy Chief Executive and Chief Officer - Finance & Trading

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ANNUAL GOVERNANCE STATEMENT 2021/22

1. Background

1.1 Further to the Accounts and Audit (England) Regulations 2015, the Council is required to produce an Annual Governance Statement (to be published with its financial statements) which sets out its arrangements for delivering good governance within the framework of sound internal controls.

1.2 The Annual Governance Statement (AGS) is a corporate document involving a variety of people charged with developing and delivering good governance including:

- the Leader of the Council and the Chief Executive (Head of Paid Service) as signatories
- Chief Officers, Heads of Service and relevant managers assigned with the ownership of risks and the delivery of services
- the Chief Officer - Finance and Trading who is responsible for the administration of the Council's financial affairs under Section 151 of the Local Government Act 1972
- the Monitoring Officer in meeting statutory responsibilities of ensuring the legality of Council business
- the Council's Internal Audit function, in particular the Annual Audit Opinion
- Members (for example, through the committees such as the Governance, Audit, Scrutiny and Advisory Committees); and
- Others, responsible for providing assurance, in particular Grant Thornton, in their role as the Council's External Auditor

1.3 Thus the AGS is owned by all Senior Officers and Members of the Council, because governance itself relies on all Officers and Members. A shared approach was taken in compiling the AGS with the objective of engaging all managers integrally involved in the delivery of services covering the whole authority within the process and also encouraging a high degree of reflection and corporate learning. This increases the statement's significance and encourages managers to objectively assess their responsibilities.

1.4 The system of corporate governance highlighted in the AGS, together with the system of internal control, is reviewed continually throughout the year as part of routine governance and managerial processes; examples being the authority's performance management and risk management frameworks.

1.5 Although corporately owned, the AGS requires internal control assessments and assurance statements from individual Heads of Service and relevant managers, Chief Officers, the Internal Audit Manager, the Head of Paid Service, the Monitoring Officer and the Section 151 Officer, all of which are obtained as part of this process.

2. Scope of Responsibility

2.1 Sevenoaks District Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law, proper standards, good governance and that public money is safeguarded from waste, extravagance or misappropriation. The Council seeks to ensure that its expenditure and activities are transparent and properly accounted for. Under the Local Government Act 1999 the Council has a duty to make proper arrangements to secure continuous improvement in the way in which it carries out its functions, having regard to ensuring economy, efficiency, effectiveness and fairness in the exercise of its responsibilities. In discharging this overall responsibility, to ensure its business is conducted in accordance with the law, proper standards and delivering continuous improvements. Sevenoaks District Council is also responsible for ensuring that there is a system of corporate governance which facilitates the effective and principled exercise of the Council's functions, and which includes arrangements for the effective management of risk. The Council seeks to conduct these responsibilities within the framework of high quality service provision to enhance and facilitate community wellbeing and engagement.

2.2 The roles of the Chief Executive (as Head of Paid Service), the Section 151 Officer and the Monitoring Officer are defined within Part 13 of the Council's Constitution. The Executive Role of Members is defined within Part 4 of the Council's Constitution.

2.3 Officers and Members are expected to conduct themselves in a proper manner in accordance with the Constitution and both are expected to declare interests that may impact on the objectivity of the Council's decision making process. These interests are held on a register and are reviewed on a regular basis by the Monitoring Officer.

2.4 Sevenoaks District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework Delivering Good Governance in Local Government. This statement explains how Sevenoaks District Council has implemented both the code and the requirements of the Accounts and Audit (England) Regulations 2015 in relation to the publication of an Annual Governance Statement. This was last adopted by the Audit Committee on 18 July 2019.

3. The Purpose of the Governance Framework

3.1 The governance framework comprises the systems and processes, culture and values, by which the Council informs, directs, manages and monitors its operations, and its activities through which it accounts to, engages with and empowers the community. It enables the authority to evaluate the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

3.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and to assess the impact should they be realised, and to manage them efficiently, effectively and economically. It also seeks to maximise available opportunities in achieving good value for money and delivering objectives and priorities.

3.3 The governance framework has been in place at Sevenoaks District Council for the year ended 31 March 2022 and up to the date of approval of the Statement of Accounts.

4. The Governance Framework

4.1 The following represent the key elements of the Council's governance framework:

- The Council's vision and promises are set out in its Council Plan which was approved by Council on 20 November 2018. The Council Plan sets out the actions that the Council has committed to undertake to deliver on its promises.
- The Council Plan promises are subject to considerable Member review and challenge by Cabinet, or the appropriate Advisory/Scrutiny Committee and ultimately by the full Council. The governance arrangements put in place on 25 May 2021 operated well during the year. The arrangements continue to include an Audit Committee, whose terms of reference is consistent with CIPFA standards. The promises and priorities within the Council Plan are also cascaded to individuals within the Council through Service Plans and individual action plans via the staff appraisal process.
- Policy and decision-making is facilitated through reports from officers to Cabinet and Council. Each Cabinet Member has responsibility for a specific portfolio and will take decisions on matters relevant to that portfolio. Each portfolio also has an Advisory Committee, which will consider officer reports in advance of them being considered by Cabinet and provide their

recommendations on the policy direction or decision making of the Cabinet or Council. The Scrutiny Committee has the opportunity to 'call-in' the decisions of Cabinet and to recommend changes to decisions or policies.

- The Council's Constitution specifies the roles and responsibilities of Members and Officers and the financial and procedural rules for the efficient and effective discharge of the Council's business.
- Implementation of established policies, procedures, laws and regulations and good practice is achieved through:

a) Internal Audit

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

During 2021/22, the Internal Audit Team worked to deliver and achieve the annual audit plan, approved by the Audit Committee in March 2021. The service has provided regular updates to Members on the outcomes of audit work, progress on implemented audit actions, and also updates regarding progress against our Quality Action Plan.

Internal audit has issued 4 adverse audit conclusions in 2021/22 to date. One of these is in a specific service area and the relevant manager has agreed all recommendations made with appropriate implementation dates. All the high priority actions have now been implemented for two of these audits, meaning the gaps in control have now been addressed. One further audit received a split assurance rating. The high priority actions highlighted here are in the process of being implemented. Individual audit reports continue to be issued and distributed to relevant Chief Officers, with copies to the Chief Executive and Section 151 Officer.

The effectiveness of the Internal Audit service was assessed via an internal self-assessment in 2020/21 against the Public Sector Internal Audit Standards. A full independent external quality assessment was completed in 2020/21.

The outcomes, along with actions, were reported to the Audit Committee. These outcomes from the External Quality Assessment were used to create an audit strategy and action plan.

The newly appointed Audit Manager joined the Internal Audit Partnership in February 2022.

The Audit Committee, as those charged with governance, will provide continued oversight and direction as required. As such, the operation of the service will also be monitored by the Strategic Management Team, and the Section 151 Officer.

b) External Audit

The external audit service is provided by Grant Thornton. The External Auditor's reports are sent to management and Members (via the Audit Committee). Recommendations and comments are considered and discussed with timely actions taken to address agreed recommendations.

Unqualified opinions are expected in relation to both financial statements and value for money for 2020/21.

c) Financial Management

The Section 151 Officer is required to give Members an opinion on the robustness of the budget estimates and the adequacy of reserves. Assurance on these factors is included in the Annual Budget Report to Council.

A robust budgetary control system is in place and regular monitoring reports are produced for the Strategic Management Team, Heads of Service and relevant managers, Cabinet and the Finance and Investment Advisory Committee. The Finance Team conduct monthly client liaison meetings with responsible budget holders.

d) Performance Management

Monitoring of progress towards the achievement of the Council's promises and objectives is undertaken through the Council's performance management system. Performance is monitored monthly and enhanced with commentaries from Heads of Service and Managers where performance is behind target. Strategic information is regularly reported to the Strategic Management Team, Cabinet, Scrutiny Committee and Advisory Committees.

e) Arrangements for Partnerships

The Council enhances value for money in service delivery through innovative and cost-effective partnership working but will also end partnerships that no longer provide value for money or meet policy objectives. The Council engages in extensive discussion and planning to develop efficient working arrangements while protecting quality of services. Decisions to enter into partnership working are supported by a detailed business case and cost-benefit analysis, and are subject to scrutiny and approval by Members. The Council has partnerships in place for the delivery of services including Licensing, Revenues and Benefits and Internal Audit.

f) Arrangements for Council Owned Companies

Governance arrangements for the Council owned companies were agreed by Council as part of the set up process. Those arrangements have continued to be followed during the year.

The Companies accounts are separately audited, and the Council produces group accounts which incorporate the companies.

g) Risk Management

The Council's Risk Management Strategy was updated and approved by the Audit Committee on 25 January 2022.

Strategic risks are aligned to the Council's promises and objectives and are actively monitored and updated throughout the year. In 2021/22 the strategic risk register was reviewed and updated, and was reported to Strategic Management Team and the Audit Committee. On 29 March 2022 Audit Committee Members were also provided with Risk Management training.

h) Relationships and Ethics

Good co-operative relationships exist between the Council and its external auditors and inspectors, and between officers and Members. Relationships between officers and Members are guided by a protocol embedded in the Council's Constitution. The Council has clear Codes of Conduct for Members and Officers embedded within its Constitution, underpinned by a culture of integrity and ethical behaviour. Member conduct is scrutinised by the Standards Committee.

i) Service Delivery by Trained and Experienced People

The Council has a robust recruitment policy and relevant procedures in place. The Council holds Platinum status in the Investors in People (IiP) scheme, re-conferred by an external inspection regime in January 2019. The Council was the first local authority nationally to achieve this standard. Staff appraisals take place annually and are aligned to the values, behaviours and objectives of the Council. Training and development plans are part of the appraisal process and are used to identify any training needs over the year. As part of the ongoing commitment to develop and nurture staff the Council continued to design, deliver and develop bespoke training courses over the year through the 'Sevenoaks Learning Hub' which is available to all staff and consists of a variety of courses.

j) Monitoring Officer

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

k) Counter Fraud and Corruption

The Council has a Counter Fraud and Corruption Strategy and a Whistle Blowing Policy. The Council also has a Counter Fraud Team and a 'fraud hotline', available to both staff and members of the public, which allows individuals to report anonymously any suspected cases of fraud and corruption. As part of fraud risk management, all staff and Members are required to complete annual declarations of interests. The risks of fraud and corruption are assessed within the strategic risk

register and appropriate measures put in place to mitigate these risks. There were no disclosures or internal investigations during the year.

The Counter Fraud and Corruption Strategy and Whistle Blowing Policy were both updated and then reviewed by the Audit Committee in 2020/21.

5. Role of the Section 151 Officer

5.1 Section 151 of the Local Government Act 1972 requires that the Council appoint an individual officer to be responsible and accountable for the administration of its financial affairs. The Scheme of Delegation held within Part 13 of Sevenoaks District Council's Constitution assigned this responsibility to the Deputy Chief Executive and Chief Officer - Finance and Trading during 2021/22.

5.2 CIPFA has issued a Statement on the Role of the Chief Financial Officer in Local Government. This details the governance arrangements and delegated responsibilities considered necessary to facilitate the role of the Section 151 Officer. The Council has considered this Statement, and believes that, during the financial year 2021/22, it has complied fully with the governance requirements of the Statement. The Council's Financial Procedure Rules, codified within Appendices D and E of the Constitution ensure that all the appropriate responsibilities are delegated and reserved to the Section 151 Officer as the Statement recommends.

6. Review of Effectiveness

6.1 Sevenoaks District Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review is informed by the outcome of the work of the Council's internal audit service during the year and by Chief Officers who have responsibility for the development and maintenance of the internal control environment. It also considers comments made by the external auditors and other external review agencies and inspectorates.

6.2 The External Auditor is expected to conclude that, for 2020/21, the Council had effective arrangements in place to ensure value for money was achieved. An unqualified opinion is expected to be issued in relation to the Council's financial statements. The Council is not aware of any issues arising from the current work being undertaken by the External Auditor.

6.3 Internal audit reports are available to the Audit Committee upon request, and the outcomes of audit work are reported regularly. Each year the Committee receive the Annual Internal Audit Report, which includes the Annual Opinion on the Council's governance, risk management and control arrangements. The opinion for 2021/22 is that they are managed effectively with reasonable assurance.

6.4 The Head of Paid Service and Section 151 Officer and the Monitoring Officer periodically review the Constitution, procedures for internal financial control and application of the relevant Codes of Conduct.

6.5 There was one significant governance issues raised in last year's AGS which related to the Covid-19 pandemic which is included in **Table 1** below.

6.6 It should be noted that no significant governance issues have been raised through the AGS process and no areas were identified for further enhancement.

Certification

Signed:

Signed:

Dr. Pav Ramewal

Cllr Peter Fleming

Chief Executive

Leader of the Council

Date:

Date:

Issues Identified

Table 1: Significant Governance Issues raised in the previous (2020/21) AGS

Identified from	Issue	Description	Responsible Officer(s)
Covid-19 Pandemic	Response to the impacts of Covid-19	<p>A continuing assessment of the impact of the Covid-19 pandemic on council services and council systems will be undertaken in order to ensure good governance. Council plans and the 10-year budget will continue to be reviewed in light of the impact of Covid-19.</p> <p>Response: Actions from the Internal Audit ‘lessons learnt’ review of the Council’s response to the pandemic have been fully implemented.</p> <p>Council plans and the 10-year budget were reviewed in light of the impact of Covid-19.</p>	SMT

Table 2: Significant Governance Issues raised in the current (2021/22) AGS

Identified from	Issue	Description	Responsible Officer(s)
None			

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AUDIT COMMITTEE TERMS OF REFERENCE

Audit Committee - 14 July 2022

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

Status: For Consideration

Key Decision: No

Portfolio Holder: Cllr. Matthew Dickins

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

Jennifer Warrillow, Ext. 7053

Recommendation to Audit Committee:

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

Introduction and Background

- 1 At the Annual Council meeting on the 10 May 2022, Members agreed the Terms of Reference for the Audit Committee. The Terms of Reference set out the overarching roles and responsibilities of the Committee.
- 2 The Terms of Reference were previously reported to the Audit Committee on 15 July 2021. It is appropriate to include them on an annual basis to assist Members when considering other reports on the agenda.

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

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

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

Key Implications

Financial

None.

Legal Implications and Risk Assessment Statement

None.

Equality Assessment

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

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

Background Papers

None

Adrian Rowbotham

Deputy Chief Executive and Chief Officer - Finance & Trading

PART 6 - AUDIT COMMITTEE

1. Introduction

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

2. Membership of the Committee

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

3. Terms of Reference of the Audit Committee

Audit Activity

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

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

Regulatory Framework

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

the Chief Executive, a Chief Officer, or a Statutory Officer.

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

Accounts

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

4. Audit Committee Procedure Rules

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

Appointment of Sub-Committees/Working Groups

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

Procedure at Meetings of the Audit Committee

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

Meetings of the Audit Committee

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

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

Work Plan

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

Agenda Items

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

Reports and Recommendations from the Audit Committee

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

Members and Officers Attending Committee

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

he/she is required to attend and whether any papers are required to be produced for the Committee. Where the Committee will require the production of a report, then the Member or Officer concerned will be given sufficient notice to allow for preparation of that documentation.

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

Attendance by Others

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

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REVIEW OF THE EFFECTIVENESS OF THE AUDIT COMMITTEE 2021/22

Audit Committee - 14 July 2022

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

Status: For Consideration

Key Decision: No

Portfolio Holder: Cllr. Matthew Dickins

Contact Officer: Adrian Rowbotham, Ext. 7153

Recommendation to Audit Committee:

- (a) That Members **discuss** and subject to comments, **approve** the Self-Assessment Review of the Effectiveness of the Audit Committee (Appendix A) for 2021/22.

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

The self-assessment against CIPFA's **Audit Committees - Practical Guidance for Local Authorities 2018** indicates that the arrangements in place are largely compliant, recognising that the knowledge of the committee needs to be kept up to date.

Introduction and Background

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

Agenda Item 12

- 2 Members of this Committee have always supported the notion of continual development and improvement, and have accepted the underlying principles set out in the CIPFA guidance. Therefore, the Committee has undertaken a self-assessment for a number of years, and it is currently based on the self-assessment checklist published with the 2018 guidance.
- 3 The outcomes of the assessment (**Appendix A**) show that the Committee complies with most aspects set out in the checklist with a few areas that Members may wish to consider if there is anything further that can be done.
- 4 The assessment has been completed as far as possible drawing from the work of the Committee and its Terms of Reference during 2021/22. The checklist incorporates the following four key areas:
 - **Audit Committee Purpose and Governance** - Does it comply with good practice?
 - **Functions of the Committee** - Is there sufficient oversight in key areas?
 - **Membership and Support** - Do Members have the right skills, training and support from the wider organisation?
 - **Effectiveness of the Committee** - How well does the Committee discharge its duties?

Next Steps

- 5 Members are asked to review the self-assessment and consider whether they agree with the outputs, including any areas marked as not fully met. Where areas are not yet being fully met, Members are asked to agree to develop an action plan which will be reviewed throughout the 2022/23 financial year.

Key Implications

Financial

None.

Legal Implications and Risk Assessment Statement

None.

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.

Value for Money

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

Conclusions

The self-assessment against CIPFA's **Audit Committees - Practical Guidance for Local Authorities 2018** indicates that the arrangements in place are largely compliant, recognising that the knowledge of the committee needs to be kept up to date.

Appendices

Appendix A - Self-Assessment Checklist & outcomes

Background Papers

CIPFA: Support for Audit Committees <https://www.cipfa.org/services/support-for-audit-committees>

Adrian Rowbotham

Deputy Chief Executive and Chief Officer - Finance & Trading

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Self-assessment of good practice

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

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

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

	value for money or best value	Yes		
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	Good practice questions	Yes	Partly	No
	counter fraud and corruption	Yes		
	supporting the ethical framework	Yes		
	<i>The Terms of Reference set out the Committee's role in counter-fraud and corruption activity but not explicitly a wider ethical framework. However as Internal Audit has a remit to provide assurance over ethical governance matters, this is implicitly covered.</i>			
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	Yes		
9	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	Yes		
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	Yes		
11	Has the committee maintained its advisory role by not taking on any decision-making powers that are not in line with its core purpose?	Yes		
	Membership and support			
12	Has an effective audit committee structure and composition of the committee been selected? This should include: a. separation from the executive b. an appropriate mix of knowledge and skills among the membership c. a size of committee that is not unwieldy d. consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement)	Yes Yes Yes	Partly	
	<i>A Member Development Plan is in place following a skills self-assessment undertaken in 2020/21. Two independent members were appointed in May 2022</i>			
13	Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council or the PCC and chief constable as appropriate for the organisation?	Yes		

14	Does the chair of the committee have appropriate knowledge and skills?	Yes		
15	Are arrangements in place to support the committee with briefings and training?	Yes		
16	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?		Partly	
	<i>It has been assessed and a training and development programme is in place.</i>			
17	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	Yes		
18	Is adequate secretariat and administrative support to the committee provided?	Yes		
	Good practice questions	Yes	Partly	No
	Effectiveness of the Committee			
19	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	Yes		
	<i>Regular update reports are presented to Council with the opportunity for feedback.</i>			
20	Are meetings effective with a good level of discussion and engagement from all the members	Yes		
21	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?		Partly	
	<i>The Committee is able to invite leaders and managers to attend but in the 2021/22 financial year did not feel that this was necessary. The Committee will keep this in mind going forward.</i>			
22	Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	Yes		
23	Has the committee evaluated whether and how it is adding value to the organisation?		Partly	
	<i>By reporting regularly to Council and the Committee Chairman meeting other councils to see what they are doing.</i>			
24	Does the committee have an action plan to improve any areas of weakness?	Yes		
25	Does the committee publish an annual report to account for its performance and explain its work?	Yes		

AUDIT COMMITTEE REPORT TO COUNCIL

Council - 19 July 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 April 2022.
- 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 14 July are set out below:

Internal Audit

Date of Meeting	Agenda Items
14 July 2022	<ul style="list-style-type: none"> • Internal Audit Annual Report and Annual Opinion 2021/22

Governance, Risk & Anti-Fraud

Date of Meeting	Agenda Items
14 July 2022	<ul style="list-style-type: none"> • Counter Fraud and Compliance Report 2021/22 • Annual Governance Statement 2021/22 • Audit Committee Terms of Reference

Agenda Item 13

Date of Meeting	Agenda Items
	<ul style="list-style-type: none">Review of the Effectiveness of the Audit Committee 2021/22

Accounts and External Audit

Date of Meeting	Agenda Items
14 July 2022	<ul style="list-style-type: none">External Audit - Auditors Annual Report 2020/21Statement of Accounts - Establishment of Member Working

- 6 The Audit Committee maintains a constructive dialogue and effective working relationship with the Council's external auditors, Grant Thornton who attended on 14 July.
- 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. As part of that a Member Development Briefing on External Audit took place at the July meeting.
- 8 The Statement of Accounts were presented to the Audit Committee on 29 March 2022 where it was agreed that following completion of the audit, delegated authority be given to the Deputy Chief Executive and Chief Officer - Finance & Trading and the Chairman of the Audit Committee to sign the accounts.
- 9 At the Council meeting on 22 February 2022, it was approved that up to two additional co-opted non-voting members could be appointed to the Audit Committee. Interviews for these independent member positions were held on 23 May 2022. The interview panel included Cllr McGarvey (Chairman of the Audit Committee), Cllr Kitchener (Member of the Audit Committee) and Adrian Rowbotham (Deputy Chief Executive and Chief Officer - Finance & Trading).
- 10 I am pleased to report that we interviewed some very strong candidates, and a decision was made to offer the positions to Mo Chughtai and Lynda McMullan who both accepted. Members of the committee look forward to working with Mo and Lynda who should bring some additional insight to the committee.
- 11 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.

- 12 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, Jennifer Warrillow, Alan Mitchell and Glen Moore for the help and support they have given the Committee.

Cllr Philip McGarvey, Chairman, Audit Committee

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Audit Committee Work Plan 2022/23 as at 29/6/22

	July 2022	September 2022	January 2023
Internal Audit (Irregularities to be reported confidentially as & when necessary)	Internal Audit Annual Report and Annual Opinion 2021/22	Internal Audit Progress Report 2022/23	
Accounts and External Audit	Statement of Accounts - Establishment of Member Working Group External Audit - Auditors Annual Report	Statement of Accounts 2021/22 External Audit - Annual Audit Plan 2021/22 External Audit - Housing Benefit Subsidy 2020/21	
Other	Audit Committee Terms of Reference Counter Fraud and Compliance Report 2021/22 Annual Governance Statement 2021/22 Review of the Effectiveness of the Audit Committee 2021/22	Members Allowance Scheme Monitoring Strategic Risk Register Chairman's Audit Committee Report to Council	

	July 2022	September 2022	January 2023
Members Development Briefings	Members Development Briefing - External Audit	Members Development Briefing - understanding Local Government Accounts	