



The Audit Findings for Sevenoaks District Council

Year ended 31 March 2019

5 July 2019



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of Sevenoaks District Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2019 for those charged with governance.

Financial Statements	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements:</p> <ul style="list-style-type: none">• give a true and fair view of the financial position of the Council and its income and expenditure for the year; and• have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed on site during June and July. Our findings are summarised on pages 4 to 16. We have not identified any adjustments to the financial statements that have impacted the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix B. We have also raised recommendations for management as a result of our audit work in Appendix A.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion Appendix D or material changes to the financial statements, subject to the following outstanding matters;</p> <ul style="list-style-type: none">- receipt of management representation letter;- review of the final set of financial statements; and- remaining testing areas identified in our summary, and final internal quality review of work performed. <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited.</p> <p>Our anticipated audit report opinion will be unmodified.</p>
Value for Money arrangements	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').</p>	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that Sevenoaks District Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix D. Our findings are summarised on pages 17 to 20.</p>
Statutory duties	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none">• report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and• To certify the closure of the audit.	<p>We have not exercised any of our additional statutory powers or duties. We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.</p>

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Summary

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;

- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks; and
- While we have not sought to place direct reliance on the work performed by your internal auditors, their reports and draft Audit Manager opinion have been used to inform our risk assessment process

We have not had to alter or change our audit plan, as communicated to you on 28 March 2019.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 18 July 2019, as detailed in Appendix D. These outstanding items include:

- receipt of management representation letter;
- review of the final set of financial statements;
- finalising our testing over valuation of the pension fund liability; property, plant and equipment; investment properties; financial instruments disclosures and processing management responses to follow up queries raised during the course of fieldwork and initial quality review;
- Final internal quality review of work performed.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Our assessment of the value of materiality has been adjusted to reflect the fact that gross revenue expenditure in the 2018/19 draft accounts (£55,543,000) is substantially lower than the 2017/18 equivalent (£59,017,000) on which our original determination was based. We detail in the table below our determination of materiality for Sevenoaks District Council. As performance materiality and trivial matters thresholds have been calculated by reference to materiality, these have changed in line with this. However, the basis for our benchmark (i.e. 2% of gross revenue expenditure) remains the same.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	£1,110,000	<ul style="list-style-type: none"> • This is based on 2% of your gross revenue expenditure for the year 2018/19, based on your draft accounts. This benchmark was chosen based on our knowledge of District Councils, your reporting framework and how stakeholders use your accounts.
Performance materiality	£832,000	<ul style="list-style-type: none"> • This is based on 75% of the materiality benchmark.
Trivial matters	£55,000	<ul style="list-style-type: none"> • This is based on 5% of materiality and represents the level above which uncorrected omissions or misstatements are reported to those charged with governance. Items below this are deemed to be 'trivial' for this purpose.

Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
<p>1 The revenue cycle includes fraudulent transactions (rebutted)</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p>	<p>Auditor commentary</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Sevenoaks District Council, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Sevenoaks District Council.</p>
<p>2 Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. You face external scrutiny of your spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>Auditor commentary</p> <p>We have</p> <ul style="list-style-type: none"> • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • where identified, tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. <p>Our audit work has not identified any issues in respect of management override of controls.</p>

Significant findings – audit risks

Risks identified in our Audit Plan

Commentary

3 Valuation of land and buildings

The Council revalues its land and buildings on a five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£39 million of property, plant and equipment in 2018/19) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.

We therefore identified valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.

Auditor commentary

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding
- tested revaluations made during the year to see if they had been input correctly into the Council's asset register

Our audit work has not identified any issues in respect of valuation of land and buildings.

Significant findings – audit risks

Risks identified in our Audit Plan

Commentary

4 Valuation of the pension fund net liability

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£87 million in the Council's balance sheet in 2018/19) and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.

Auditor commentary

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested within the report.
- assessed the impact of the McCloud judgement (detailed on page 9) and considered management's representations and disclosures with respect to this.

Our consideration of the McCloud ruling identified a difference of opinion with management and an unadjusted misstatement see Appendix B. No other issues were noted from our testing.

Other risks identified

Risks identified in our Audit Plan

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Group Accounts

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

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

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

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

Commentary

Auditor commentary

We have:

- updated our understanding of the capital and operational activity taking place within Quercus7 and Quercus Housing;
- evaluated management's determination and disclosures over whether group accounts are required or not.

Management has assessed that, with respect to Quercus 7 Limited;

The company has acquired its first commercial property but due to the value of the acquisition group accounts are not required. During the year the company were given credit facilities for business expenses totalling £106,569. Quercus 7 Limited also has secured long term borrowing of £321,866.

...and with respect to Quercus Housing Limited;

The company has not traded and has no assets and therefore there is no requirement to produce group accounts. Work undertaken by officers on company business will be charged to the company.

During the year the company were given credit facilities for business expenses totalling £77,679.

Based on the immateriality of the subsidiaries' activities and financial position for the year ended 31 March 2019, we agree with management's determination that these are not material from the perspective of the Council and that group accounts are not required.

In June 2019, both entities made significant acquisitions. While these do not impact the 2018/19 statement of accounts (as they occurred after the 31 March 2019 year end), the size of these is likely to crystallise the need for group accounts in 2019/20.

Significant findings - other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant control deficiencies identified during the year.

Issue	Commentary	Auditor view
<p>1 McCloud judgement</p> <ul style="list-style-type: none"> In December 2018, the Court of Appeal ruled that there was age discrimination in the judges' and firefighters' pension schemes where transitional protections were given to scheme members. It has since been identified that this ruling is likely to affect LGPS pension schemes as well (of which Sevenoaks District Council is part, through the Kent County Pension Fund), although the impact had been uncertain due to a potential appeal from Central Government against the ruling. However, the Supreme Court rejected permission to appeal the ruling on 27 June 2019. The IAS19 report previously issued as at 31 March 2019 (dated 16 April 2019) did not make an allowance for the McCloud judgement, due to uncertainty at the time of how this judgement may effect LGPS members' past or future service benefits. However, given the uncertainty, to assess the materiality of the potential impact of this issue, in June 2019 management commissioned an summary impact assessment, from the scheme actuary (Barnett Waddingham) for Kent County Council. Based on this, the impact on total liabilities was estimated at £983,000. 	<ul style="list-style-type: none"> Management have advised that the additional £983,000 will not be recognised as a liability, on the basis that: <ul style="list-style-type: none"> The value is not considered material to the Council. They believe that there is too much uncertainty in the estimation to warrant a specific quantitative amount. However, management acknowledge that the McCloud judgement may have a future impact on the pension liability. On the basis of the points above, management will disclose a management critical judgement with respect to this decision. 	<ul style="list-style-type: none"> Our view is that this represents a present obligation; the Supreme Court's rejection of the Government's permission to appeal crystallises this and management has been provided with a specific valuation by their actuary, meaning the value can be reliability measured. The decision as to how to account for this matter is ultimately a decision for each local Council. Although the estimated value provided by the scheme actuary is not material in isolation, the value of this is significantly above our triviality threshold for reporting findings to Those Charged with Governance. We have sought additional representations from management, which will be included in the management letter of representation. We consider this matter to represent an unadjusted misstatement. See Appendix B

Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment
Provisions for NNDR appeals - £2.7m	The Council is responsible for repaying a proportion of successful rateable value appeals. Management uses an external organisation, Analyse Local, to calculate the level of provision required. Analyse Local's calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates.	<p>We reviewed:</p> <ul style="list-style-type: none"> • appropriateness of the underlying information used to determine the estimate • impact of any changes to valuation method • consistency of estimate against peers/industry practice • reasonableness of decrease in estimate • adequacy of disclosure of estimate in the financial statements. <p>Our audit work is complete. Our work has not identified any issue in the key judgements and estimates applied.</p>	 Green

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key judgements and estimates

	Summary of management’s policy	Audit Comments	Assessment
<p>Land and Buildings – Other - £14.6m</p>	<p>Land and buildings (£14.6m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Wilks Head & Eve to complete the valuation of properties as at 31 March 2019. Land and buildings are revalued when management considers there to be a material change in the value but as a minimum every five years.</p> <p>The valuation of properties valued by the valuer has resulted in a net increase of £2.726m.</p> <p>Management have considered the year end value of non-valued properties. Management’s assessment of assets not revalued has identified no material change to the property’s value.</p> <p>There were no impairments on Land and buildings in 2018/19.</p>	<p>We considered and completed the following in the course of our testing:</p> <ul style="list-style-type: none"> • assessment of management’s expert, • completeness and accuracy of the underlying information used to determine the estimate • impact of any changes to valuation method • consistency of estimate against Gerard Eve report (auditor’s expert) • reasonableness of decrease in estimate • adequacy of disclosure of estimate in the financial statements. 	<p style="text-align: center;">●</p> <p style="text-align: center; font-size: 24pt; color: green;">Green</p>

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious
- We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key judgements and estimates

Net pension liability – £87.5m	Summary of management’s policy	Audit Comments	Assessment																							
	<p>The Council’s net pension liability at 31 March 2019 is £87.5m (PY £91.4m). The Council uses Barnet Waddington LLP to provide actuarial valuations of the Council’s assets and liabilities derived from this scheme/these schemes. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £6.7m net actuarial loss during 2018/19.</p>	<p>We considered and completed the following in the course of our testing:</p> <ul style="list-style-type: none"> assessment of management’s expert assessment of actuary’s roll forward approach taken, detail work undertaken to confirm reasonableness of approach 	 Green																							
		<table border="1"> <thead> <tr> <th data-bbox="860 491 1496 571">Assumption</th> <th data-bbox="1496 491 1688 571">Actuary Value</th> <th data-bbox="1688 491 1944 571">PwC range</th> <th data-bbox="1944 491 2141 571">Assessment</th> </tr> </thead> <tbody> <tr> <td data-bbox="860 571 1496 627">Discount rate</td> <td data-bbox="1496 571 1688 627">2.35%</td> <td data-bbox="1688 571 1944 627">2.35% - 2.45%</td> <td data-bbox="1944 571 2141 627" style="text-align: center;">● Green</td> </tr> <tr> <td data-bbox="860 627 1496 699">Pension increase rate</td> <td data-bbox="1496 627 1688 699">2.40%</td> <td data-bbox="1688 627 1944 699">2.40% - 2.45%</td> <td data-bbox="1944 627 2141 699" style="text-align: center;">● Green</td> </tr> <tr> <td data-bbox="860 699 1496 770">Salary growth</td> <td data-bbox="1496 699 1688 770">3.9%</td> <td data-bbox="1688 699 1944 770">3.1%-4.35%</td> <td data-bbox="1944 699 2141 770" style="text-align: center;">● Green</td> </tr> <tr> <td data-bbox="860 770 1496 842">Life expectancy – Males currently aged 65</td> <td data-bbox="1496 770 1688 842">22 yrs</td> <td data-bbox="1688 770 1944 842">20.6 – 23.4 yrs</td> <td data-bbox="1944 770 2141 842" style="text-align: center;">● Green</td> </tr> <tr> <td data-bbox="860 842 1496 906">Life expectancy – Females currently aged 65</td> <td data-bbox="1496 842 1688 906">24 years</td> <td data-bbox="1688 842 1944 906">23.2 -24.8 yrs</td> <td data-bbox="1944 842 2141 906" style="text-align: center;">● Green</td> </tr> </tbody> </table>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.35%	2.35% - 2.45%	● Green	Pension increase rate	2.40%	2.40% - 2.45%	● Green	Salary growth	3.9%	3.1%-4.35%	● Green	Life expectancy – Males currently aged 65	22 yrs	20.6 – 23.4 yrs	● Green	Life expectancy – Females currently aged 65	24 years	23.2 -24.8 yrs	● Green
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		<ul style="list-style-type: none"> completeness and accuracy of the underlying information used to determine the estimate reasonableness of the Council’s share of LPS pension assets reasonableness of decrease in estimate assessment of the likely impact of the Guaranteed Minimum Pension benefits between males and females adequacy of disclosure of estimate in the financial statements. 																								
		<p>Our audit work has not identified any significant issues in relation to the pensions disclosure. The actuarial assumptions made by Barnett Waddingham LLP and accepted by the Council were reviewed by the audit team. Our review concluded that the assumptions made by Barnett Waddingham LLP were reasonable following discussions with the Council.</p>																								
		<p>As noted on page 9, there is a significant finding with respect to the potential impact of the McCloud ruling.</p>																								

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious
- We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Level 2/3 investments	<p><u>Level 2 investments</u></p> <p>The Council hold investments in a number of financial institutions, building societies, other local authorities and money market funds, which are collectively valued on the balance sheet as at 31 March 2019 at £21.3m, their carrying value. The Council are also required to estimate the fair value of these assets. The investments are not traded on an open exchange/market and the valuation of the investment is subjective. In order to determine the fair value, management use the following techniques:</p> <ul style="list-style-type: none"> • instruments with quoted market prices – the market price • other instruments with fixed and determinable payments – discounted cash flow analysis. <p>In the case of Level 2 investments, these are based on inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. In the case of the Level 2 investments held, management have determined that the fair value and the carrying amount are the same.</p> <p><u>Level 3 investments</u></p> <p>The Council have a further investment in UK Municipal Bond Agency and the Council's trading subsidiary Quercus 7 Ltd – the combined value of these as at 31 March 2019 is £0.265m (31 March 2018, £0.051m). The increase reflects increased investment in Quercus 7 Ltd by Sevenoaks District Council. The fair value is determined by unobservable inputs for the asset.</p>	Our work over Financial Instruments disclosures is still in progress. We have not identified any issues with respect to the basis for fair value, or the carrying amounts held.	

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process and key assumptions to be reasonable

Going concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Going concern commentary

Management's assessment process

Management's assessment is based on the public sector interpretation of going concern as the continuation of the provision of services to support the preparation of the accounts on a going concern basis. Management has considered the Council's financial performance planning documents and cash flow expectations in considering that no material uncertainties need to be disclosed.

Auditor commentary

- We agree with management's assessments on the use of the going concern basis of accounting.
- Management's processes for assessing going concern are adequate.
- The forecasts are produced and reviewed by the finance team and the Head of Finance.

Work performed

We reviewed management's assessment of going concern provided to us, in conjunction with our knowledge and understanding of the Council. We reviewed the Council's financial performance and submitted planning documents.

Auditor commentary

- No material uncertainty has been identified.
- We have not requested any enhanced disclosures with respect to going concern

Concluding comments

Auditor commentary

- As we agree with management's assessment, there is no impact on our audit opinion.

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
① Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedures.
② Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related parties or related party transactions which have not been disclosed. However, nine councillor representations were not received at the time of the audit. We have made a recommendation to management on page 22.
③ Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
④ Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Council, which is included in the Audit Committee papers.
⑤ Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests to financial institutions with whom the Council holds investment balances. This permission was granted and the requests were sent. All but one of these requests were returned with positive confirmation, however one request was not received so we undertook alternative procedures, including a review of bank statements at the time of the investment's renewal and maturity.
⑥ Disclosures	<ul style="list-style-type: none"> .Our review found no material omissions in the financial statements.
⑦ Audit evidence and explanations/significant difficulties	<ul style="list-style-type: none"> All information and explanations requested from management were provided.

Other responsibilities under the Code

Issue	Commentary
1 Other information	<ul style="list-style-type: none"> We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix D</p>
2 Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters.</p>
3 Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Note that work is not required as the Council does not exceed the threshold.</p>
4 Certification of the closure of the audit	<p>We intend to certify the closure of the 2018/19 audit of Sevenoaks District Council in the audit opinion, as detailed in Appendix D.</p>

Value for Money

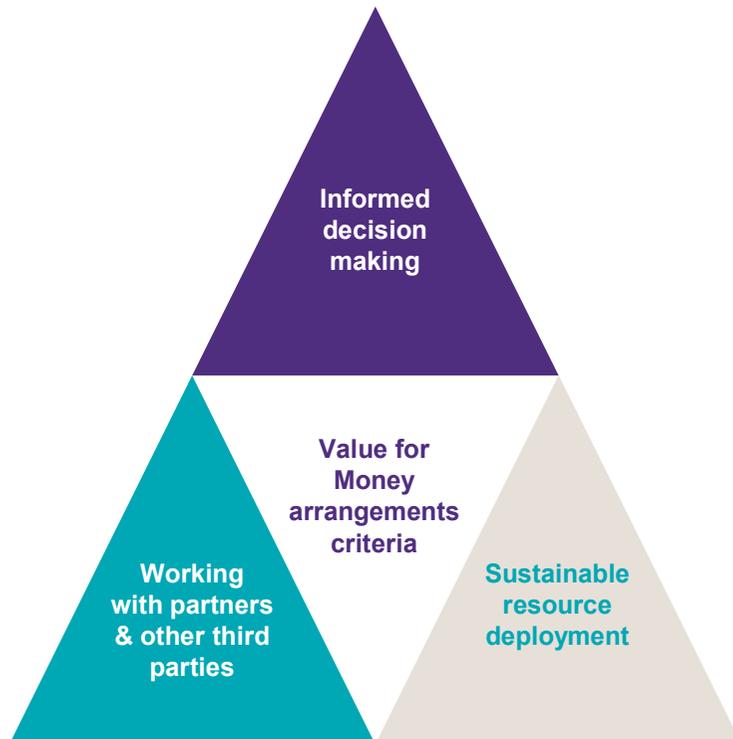
Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in March 2019 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated March 2019.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- You delivered another strong financial performance during 2018/19 achieving a surplus on Provision of Services of £0.085 million against a net revenue budget of £14.687 million. You have arrangements in place that monitor your performance and report key variances to the Cabinet quarterly.
- You have arrangements in place to continuously update your medium term financial strategy (MTFS). The MTFS is updated annually and the most recent Plan covers the 10 year period from 2018/19 to 2028/29. The MTFS sets out your key budget assumptions which were reported to the Cabinet in February 2019 including a 2.97% Council Tax rise in 2018/19 and 2% in subsequent years, 2% pay cost increases and 2.25% non-pay cost increases. From 2018/19, the MTFS included a ten year balance sheet alongside the revenue budget.
- Along with other districts, you have faced reductions in central government funding and your 10 year budget assumes no government support in respect of revenue support grant and new homes bonus. At the time of writing (June 2019) your 2019/20 balanced budget includes contribution of £391k from your stabilisation reserve which stands at £7.938 million as at 31 March 2019. In setting your provisional budgets to 2028/29, you estimate using a total of £2.729 million from the stabilisation reserve. Work is continuing to identify the further medium to longer term savings through a combination of efficiencies and income generation plans such as property acquisitions.
- We have considered your governance arrangements over future income generation overleaf. While the generation of income through your property investment company (Quercus 7) is in line with the aims of your Property Investment Strategy, and through your affordable housing company Quercus Housing, continues as an institutional priority, you are also seeking to identify new income developments through your Income Generation Group (and, where applicable, through project-specific working groups such as in relation to Income Strip funding).
- Following elections in May 2019, there is debate as to the extent to which members should be directly involved in the income generation process.

Your risk management arrangements are adequate. The Audit Committee receives periodic reports on your strategic risks; the last report was presented in September 2018. We have observed a good level of challenge and discussion during Committee meetings.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 19 and 20.

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix D.

Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendations for improvement.

Our recommendations and management's response to these can be found in the Action Plan at Appendix A

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings	Conclusion
<p>1 Governance arrangements over future income generation</p> <ul style="list-style-type: none"> Income generation forms a key part of your 10-year budget; income from property investment income is planned to increase from £0.735 million per year in 2018/19 to £1.655 million per year in by 2028/29. Alongside the existing Property Investment Strategy, during the year, an Income Generation Group (IGG) (led by the Head of Finance) was set up for the purpose of looking at existing income streams but also as a forum for identifying new opportunities and putting business cases in place for consideration at a Strategic Management Team level. Your financial planning has historically been accurate and robust, and you have a track record of achieving your planned results. Moreover, through the Property Investment Strategy you already have organisational experience of property investment more broadly. However, all forms of income generation carry an element of risk and need to be supported by informed decision making. Part of your wider income generation plans will be delivered through subsidiary companies. In 2015, you set up Quercus7 Limited, a subsidiary that will act as a Trading Company. In 2017 this was followed by Quercus Housing Limited, a subsidiary to enable you to provide affordable housing funded from S106 contributions. Quercus 7 began trading in January following its first property acquisition. While Quercus Housing is not currently trading, there is a probability that significant capital acquisitions occur before year end in one or both entities. Although fully owned by Sevenoaks District Council, the two subsidiaries are legally separate entities. The acquisition strategy set out in the Property Investment Strategy aims to integrate the activities of Quercus7 (although not Quercus Housing, which is funded separately through S106 contributions) into your overall strategy, and so governance and oversight arrangements will need to be effectively integrated to ensure appropriate value for money is being obtained. 	<ul style="list-style-type: none"> We reviewed your project management and risk assurance frameworks to understand how you are identifying, managing and monitoring risks and considered these arrangements against good practice. We also considered the composition, structure and outputs of the IGG and how effective these arrangements are in enabling you to obtain value for money from income generation opportunities. The governance arrangements for Quercus 7 Ltd and Quercus Housing are defined by way of a shareholders agreement and guarantors agreement respectively. Although there were no significant acquisitions during the review period, two significant acquisitions took place after year end, being: <ul style="list-style-type: none"> An Industrial unit in Canterbury, purchased through Quercus 7 for £2.19m in June 2019 Purchase of 14 flats in Westerham (within the District) for £3.6m in June 2019, with 9 flats to be let by Quercus Housing for affordable housing and 5 flats let by Quercus 7 for private sector rental. Both of these acquisitions were in line with the your strategic aims and in line with your income generation targets You have also demonstrated that you are willing to consider, but ultimately reject opportunities which fall outside your areas of expertise. During the year, an 'Income Strip' scheme was considered, which would have potentially committed the Council to a long term financing arrangement outside of the Borough. A member group was created to consider this and professional advice sought. The specifics of the arrangement were rejected, for a number of reasons including the level of risk involved in this specific scheme, although future arrangements of this nature have not been ruled out if circumstances support this. The ability to actively consider and reject options shows a level of institutional maturity with respect to income generation. 	<p>See next slide</p>
	<p>...continued overleaf</p>	

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings (continued)	Conclusion
<p>1 Governance arrangements over future income generation See <i>previous slide</i></p>	<ul style="list-style-type: none"> The income generation group is comprised of the Head of Finance, who acts as Chair, and a cross-section of senior management (Corporate Customer Service and Delivery Manager, Corporate Projects; Building Control Partnership Manager; Head of Direct Services; Head of Economic Development and Property.) The first Income Generation Group took place in December 2018, although the Group has not yet met since. In May 2019, the a local election took place. Members were elected for all wards within the District. Our discussions with management have identified that there are a number of members who have expressed interest in generating ideas with respect to income generation. Currently, there is no member representation on the Income Generation Group. The extent to which members should have a direct role in management functions with respect to Income Generation is a matter of local judgement; good practice seen elsewhere indicates that there is no 'one size fits all' approach. As part of our publication <i>In Good Company (September 2018)</i> we commented that while Local Authority Trading Companies can represent an effective way of promoting commercialisation in a way that is consistent with a local authorities aims, there is an important balance to be struck to ensure that the governance structure is set up in such a way that member input is fostered positively, but in a sustainable way that is not disproportionately influenced by electoral cycles. The Income Generation Group does not currently have a formal of terms of reference. Management have already identified the need for this, and there is a plan to have a terms of reference established in time for the group's next scheduled meeting in July. It is noted that the Income Generation Group aims to input into the budget setting process for 2020/21 As part of the determination of a terms of reference, management will need to define what the long term approach will be to member involvement. 	<p>Auditor view</p> <ul style="list-style-type: none"> We recommend that as part of the establishment of a terms of reference for the Income Generation Group, the relationship between elected Councillors and officers is clearly defined in such a way that fosters member interest and expertise, but in such a way that is not disproportionately influenced by electoral cycles. <p>Management response</p> <ul style="list-style-type: none"> As part of the budget process each year, Members are asked for their income generation ideas. Where a Member has particular expertise relating to a specific idea, they may be invited to attend an Income Generation Group meeting to provide additional information on that idea.

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified which were charged in relation to the financial year, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Grant	16,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £16,000 in comparison to the total fee for the audit of £33,230 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related			
[none identified]	-	-	N/A

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit Committee. None of the services provided are subject to contingent fees.

Action plan

We have identified two recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2019/20 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<p>1 </p>	<ul style="list-style-type: none"> Related party transactions Note 30 – declarations not received Councilors are required to make declarations to the Council. We noted nine instances where a Councilor had not returned a declaration. In each instance, the Councilor in question had submitted a declaration in 2017/18 which did not identify any material related party transactions. While this reduces the risk of unidentified transactions to a limited degree, management still need to assure themselves that no such transactions exist for 2018/19. 	<ul style="list-style-type: none"> Management should seek further assurances that those nine individuals who did not return declarations do not have material undisclosed or unidentified relationships with Sevenoaks District Council. This should include, but not necessarily be limited to, reviewing all committee minutes for those meetings attended by these councilors to determine whether they have declared any additional interests during the 2018/19 financial year. <p>Management response</p> <ul style="list-style-type: none"> Management made several attempts using different methods to obtain returns for all members including members who did not stand in the May 2019 elections. If no response was received the previous years return was used as a basis but for all related party stakeholders a detailed review of Company House records as well as our own Financial system was conducted. All related party transactions found were disclosed in the Financial Statements
<p>2 </p>	<ul style="list-style-type: none"> Value for Money Following the May 2019 Council elections, in response to councillor interest in income generation, management is considering the extent to which member involvement could be integrated into the Income Generation Group, which is to resume meeting in July 2019, alongside establishing a terms of reference. 	<ul style="list-style-type: none"> We recommend that as part of the establishment of a terms of reference for the Income Generation Group, the relationship between elected Councillors and officers is clearly defined in such a way that fosters member interest and expertise, but in such a way that is not disproportionately influenced by electoral cycles. <p>Management response</p> <ul style="list-style-type: none"> As part of the budget process each year, Members are asked for their income generation ideas. Where a Member has particular expertise relating to a specific idea, they may be invited to attend an Income Generation Group meeting to provide additional information on that idea.

Controls

-  High – Significant effect on control system
-  Medium – Effect on control system
-  Low – Best practice

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

We have not identified or proposed any adjustments aside from misclassification and disclosure changes; see next section.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Subjective Analysis, Note 24.c	A reclassification amendment has been made of £2,289,000 from employee expenses to other service expenses relating to pension interest. This error was identified by the Council.	<ul style="list-style-type: none"> N/A – management identified this disclosure change and have adjusted for it. 	✓
Subjective Analysis, Note 24.e	The prior year comparatives had not been included; the current year table had been mistakenly published twice.	<ul style="list-style-type: none"> Correct the table to include prior year comparatives. 	✓
Grants Income note	Notes for receipts in advance had been omitted in the first version of the accounts. The error was identified by the Council and has been adjusted.	<ul style="list-style-type: none"> N/A – management identified this disclosure change and have adjusted for it. 	✓

In addition to these misclassification adjustments, we have also identified a number of minor changes (such as formatting / textual corrections); these are not individually significant enough to warrant separate inclusion within this audit findings report and have been adjusted following discussions with the Finance team.

Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2018/19 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
<p>1 • McCloud judgement</p> <p>In December 2018, the Court of Appeal ruled that there was age discrimination in the judges' and firefighters' pension schemes where transitional protections were given to scheme members. It has since been identified that this ruling is likely to affect LGPS pension schemes as well (of which Sevenoaks District Council is part, through the Kent County Pension Fund), although the impact had been uncertain due to a potential appeal from Central Government against the ruling. However, the Supreme Court rejected permission to appeal the ruling on 27 June 2019.</p> <ul style="list-style-type: none"> • The IAS19 report previously issued as at 31 March 2019 (dated 16 April 2019) did not make an allowance for the McCloud judgement, due to uncertainty at the time of how this judgement may effect LGPS members' past or future service benefits. • However, given the uncertainty, to assess the materiality of the potential impact of this issue, in June 2019 management commissioned an summary impact assessment, from the scheme actuary (Barnett Waddingham) for Kent County Council. Based on this, the impact on total liabilities was estimated at £983,000. 	983	983	983	<p>Management has made the decision not to amend as the value is not considered material to the Council, and that there is too much perceived uncertainty in the estimation to warrant a specific quantitative amount.</p> <p>A management critical judgement has been disclosed with respect to this.</p>
Overall impact	£983,000	£983,000	£983,000	

Impact of prior year unadjusted misstatements

There were no prior year unadjusted misstatements that have a bearing on the 2018/19 audit.

Fees

We confirm below our final fees charged for the audit.

Audit Fees

	Proposed fee	Final fee
Council Audit	£33,230	£33,230*
Total audit fees (excluding VAT)	£33,230	£33,230

- The fees reconcile to the financial statements as follows. The difference reflects the fact that management accrued for the Q4 based on historic billing, rather than based on the full fee. The overall difference is trivial and we do not propose an adjustment.
 - fees per financial statements **£35k**
 - Over-accrual **£2k**
 - total fees per above **£33k**

Non Audit Fees

Fees for other services	Fees
Audit related services:	16,000**
• Certification of Housing Benefit Grant	
Non-audit services	-
	£16,000

* Final fee equals planned fee as set out in the Audit Plan issued 14 March 2019

** Certification of housing benefit subsidy will be completed by the November 2019 deadline. Fee is indicative and may be subject to change upon completion of work.

Audit opinion - draft

We anticipate we will provide the Council with an unmodified audit report

DRAFT Independent auditor's report to the members of Sevenoaks District Council Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sevenoaks District Council (the 'Authority') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, being the Narrative Report and the Annual Governance Statement, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Annual Financial Report, Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Audit opinion

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 15, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing 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.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Sevenoaks District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Audit opinion

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Sarah L Ironmogner

for and on behalf of Grant Thornton UK LLP, Local Auditor
London

[Date]



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