

AUDIT COMMITTEE

Minutes of the meeting held on 18 July 2019 commencing at 7.00 pm

Present: Cllr McGarvey (Chairman)

Cllr Mrs Morris (Vice Chairman)

Cllrs Kitchener, London and Pender

An apology for absence was received from Cllr. Firth

Cllr Dickins was also present.

3. Minutes

Resolved: That the minutes of the meeting of the Audit Committee held on the 28 March 2019 and the Special Audit Committee on 21 May 2019 be agreed and signed as a correct record.

4. Declarations of Interest

No additional declarations of interest were made.

5. Actions from Previous Meeting

The actions were noted.

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

There were none.

7. Audit Committee Terms of Reference and Member Development

The Chief Finance Officer presented a report on the Terms of Reference for the Audit Committee agreed at the Annual Council meeting on 12 May 2019.

Members were advised that the Audit Committee considered the work of the internal audit team and external auditors in relation to the Council's internal control, corporate governance and risk management arrangements. The report also covered the programme of Member Development and Training agreed in October 2018 which was designed to complement the core functions and responsibilities of the Committee, and to enhance the overall effectiveness of the Committee.

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Members were given the opportunity to select the briefings topics for the year.

Members supported the suggestion that Member Development sessions would last between 20-25 minutes and would be included as the first main agenda item. Internal Audit Standards, Risk Management, and Understanding Local Government Accounts were considered as preferred topics for Audit Committee's scheduled for 2019/20. A Member also showed interest in the Counter Fraud session.

Resolved: That

- a) the Terms of Reference be noted; and
- b) the briefing topics from the Member Development Programme for 2019/20, be noted.

8. Statement of Accounts 2018/19

The Committee welcomed Sarah Ironmonger the Engagement Lead and Sebastian Evans the Audit Manager from the Council's External Auditors, Grant Thornton to the meeting.

The Head of Finance presented a report on the Statement of Accounts 2018/19. He explained that a Member Working Group had reviewed the draft Statement of Accounts in detail and provided notes which were included at Appendix C to the report. The external auditors did not identify any adjustments to the financial statements.

The representatives of Grant Thornton explained their findings when considering the Statement of Accounts, which were to be signed off by the end of July 2019. The external representatives explained the McCloud Judgement to the Committee which would affect all Local Authorities through the transitional arrangement for pension schemes. Going forward, the potential liability would be incorporated at the triannual pension scheme valuation. The 2018/19 accounts had not been adjusted to recognise the McCloud liability due to uncertainty regarding the judgement and as the value was not considered to be material to the Council. The external auditors explained that of the risks considered 'significant' which must be included in all audits no significant risk had been found. They noted that group accounts may pose a greater risk as the subsidiary trading companies Quercus 7 and Quercus Housing expand.

The Chairman thanked the Member Working Group for reviewing the accounts with a special thanks to Councillors Pender and Kitchener for their contribution.

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Resolved: That

- a) the Statement of Accounts 2018/19 be approved; and
- b) the letter of representation be approved and signed by the Chairman.

9. Local Code of Corporate Governance

The Head of Legal and Democratic Services, in his capacity as Monitoring Officer, presented the report which brought to Members attention to the Local Code of Corporate Governance adopted by the Audit Committee on 26 September 2017. It was agreed that it would be good practice for the Committee to approve the Local Code of Corporate Governance once at the beginning of each electoral cycle. As there had been no reason to revise the Local Code the report sought re-adoption of the existing document.

Resolved: That

- a) the Local Code of Corporate Governance be approved; and
- b) the Monitoring Officer continue to be authorised to maintain and amend the Local Code of Corporate Governance in line with good practice.

10. Counter Fraud And Compliance Report 2018/19

The Fraud Manager presented the report which set out the work conducted by the Counter Fraud & Compliance Team during 2018/19. The Team had been based within the Council's shared Revenues and Benefits service and was tasked with co-ordinating the Council's participation in government led anti-fraud initiatives and creating pro-active exercises designed to protect valuable Council Tax and Business Rate revenue collection. Although the team was part of a shared service with Dartford, Members were advised that the figures provided in the report were solely for Sevenoaks.

Members were advised that the report showed the tangible successes achieved by the Fraud Team, however the Fraud Manager stressed that there were also intangible successes including providing value for money, protecting our reputation and increasing customer confidence in the Council Tax and Business Rate Schemes. It was reported that the financial benefit of the service outweighed its running costs.

The Fraud Manager advised that many large anti-fraud organisations included forecasts of future savings in their figures by estimating how much longer a fraud

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case would continue. The report contained details on possible future savings based on different projected loss timeframes.

In response to questions Members were advised that the same detection techniques were used across the Partnership and there appeared to be more instances of fraud in Dartford than in Sevenoaks. Data-matching was the most successful technique in identifying fraud which would be investigated regardless of size. Members noted the Cost Benefit Analysis 2018/19 and suggested a subtotal could be included for the 'fraud discovered' section. Members were also interested in seeing a breakdown of the numbers of people committing different types of fraud in a year.

In response to questions the Fraud Manager expanded on the 30% non-recovery rate of housing benefit overpayments and explained there was now a higher focus on preventing overpayments. Prevention within the service was considered to be a better approach than detection.

Resolved: That the work of the Counter Fraud & Compliance Team carried out during the year ended 31 March 2019, be noted.

11. Internal Audit Annual Opinion 2018/19

The Audit Manager presented the report which set out the effectiveness of the Council's internal control, governance and risk management arrangements. The Internal Audit Annual Opinion is a requirement of Public Sector Internal Audit Standards, and includes a summary of the work completed by Internal Audit during the year and other available sources of assurance. It was explained that the team were only able to give reasonable assurance as there was always an element of uncertainty.

The Audit Manager explained that the Committee would require assurance that the audit team were acting independently and free from any influence. Although reports were discussed with managers they were reported directly to the Committee. If needed, mechanisms were in place to support the Audit Manager to meet with the Committee, the Committee's Chairman and the External Auditors without any other Officers being present.

Members were advised that there had been a positive response from Managers who had been agreeing audit actions when arising in their service. Actions would not be closed until the team was assured the issue had been resolved and would be followed up once after closure. The team were concerned with getting to the root cause of audit findings and hoped to do more preventive work with teams. Members were interested in figures on preventative and corrective Audit Actions.

Action 1: That the Audit Manager investigate the possibility of providing figures differentiating between preventative and corrective actions.

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The Audit Manager wished to express thanks to his team for all their hard work and also to Members, Managers and Officers at the Council for their support in completing the work of the audit team. A Member raised questions around the 3 high priority Audit Actions raised, and was advised that two were reported on at the last meeting and one outstanding action was detailed in the following agenda item. Members and Officers discussed how best to recognise 'noteworthy efforts' and share best practice. The Audit Manager confirmed that best practice was shared across the Council and the Partnership as part of each audit where appropriate, but that they were not systematically captured in that same way as audit actions.

Resolved: That the Internal Audit Annual Opinion, be noted.

12. Internal Audit Update Report 2019/20

The report introduced by the Audit Manager updated Members on the Audit Partnership, including Internal Audit activity, service developments and progress towards the delivery of the 2019/20 Audit Plan. It was explained that resources were split equally between the Partnership Authorities with each authority having some days left unassigned for reactive project work. The restructure within the team and long term vacancies had resulted in a decrease in momentum for the beginning of the year (2019/20).

The Audit Manager drew the Committee's attention to the high priority print studio action which had been subject to two deferrals however, temporary measures had been implemented to limit risk ahead of the expected completion date in autumn 2019. In response to questions Members were advised that resources and knowledge were shared with Dartford and there were common risks, however each authority had their own distinct Audit plan.

Resolved: That the Internal Audit Update Report be noted.

13. Review of the Effectiveness of the Audit Committee 2018/19

The Chief Finance Officer introduced the report which assessed the achievements of the Audit Committee in 2018/19. The process incorporated the recommended self-assessment checklist from CIPFA which had been completed drawing from the work of the Committee in relation to its terms of reference and using the evidence available from the work of the Committee during 2018/19. A new self-assessment had been included in Appendix B which was proposed for the Committee to adopt going forward. Appendix C contained the responses to the questionnaire from Members who were on the Committee during 2018/19.

The Chief Finance Officer advised Members that the response turnout had been higher in previous years however responses had been difficult to collect this year as many Members had not been returning to the Committee or Council. It was noted from the self-assessment that the Audit Committee had opportunities to

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influence the external audit programme however they had not yet requested to do so. Members wished to clarify that in addition to other Committees' being able to refer issues to the Audit Committee, it could in turn initiate referring matters to those Committees.

In response to questions, the Audit Manager advised the Committee on the day to day work of the audit team. The Audit Manager invited Committee Members to visit the audit team if they would like to know more about their work.

Resolved: That

- a) the Self-Assessment Review of the Effectiveness of the Audit Committee for 2018/19 be approved; and
- b) the revised self-assessment be undertaken later in the year to identify any areas of improvement.

14. Work Plan

Members noted the work plan and agreed to include the proposed Member Development sessions for the remaining meetings for 2019/20. Internal Audit Standards was scheduled for September 2019, Risk Management for January 2020, and Understanding Local Government Accounts for March 2020. The Chairman extended his thanks to the Officers involved in the preparation of reports and attending Committee meetings.

THE MEETING WAS CONCLUDED AT 9.02 PM

CHAIRMAN