

Auditor's Annual Report on Sevenoaks District Council

2020-21

March 2022



Contents



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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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

Appendix A

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:



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.

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 no 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.

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.

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).

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

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.



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

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.

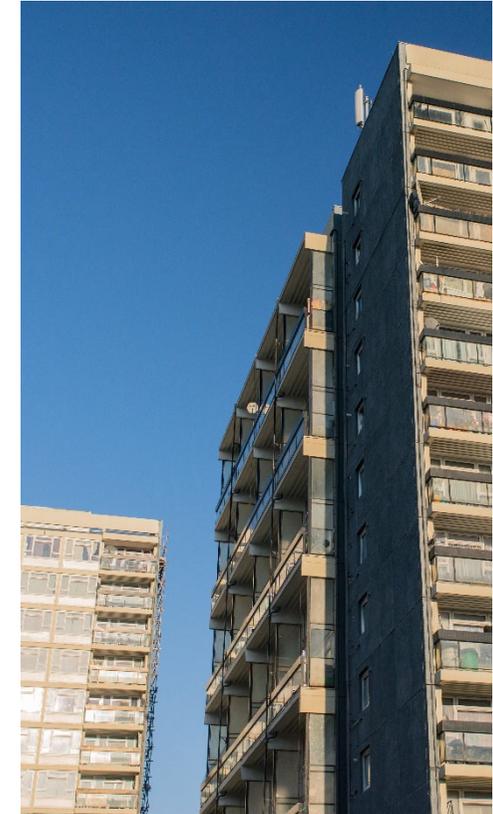
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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



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	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

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
<p>Statutory recommendations</p> <p>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</p>	Not required.
<p>Public interest report</p> <p>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.</p>	Not required.
<p>Application to the Court</p> <p>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.</p>	Not required.
<p>Advisory notice</p> <p>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:</p> <ul style="list-style-type: none"> • 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. 	Not required.
<p>Judicial review</p> <p>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.</p>	Not required.

