

## AUDIT COMMITTEE

Minutes of the meeting held on 30 March 2021 commencing at 5.00 pm

Present: Cllr. McGarvey (Chairman)

Cllr. Morris (Vice Chairman)

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

Cllr. Griffiths was also present.

### DEFERMENT OF AGENDA ITEMS

With the agreement of the Committee, the Chairman deferred Agenda item 9, 'Statement of Accounts 2020/21 - Establishment of Member Working Group' to the next meeting on 15 July 2021 as the deadline for signing the accounts had been extended allowing the Working Group to meet at a later date.

#### 60. Minutes

Resolved: That the Minutes of the meeting of the Audit Committee held on 3 November 2020 be agreed and signed as a correct record.

#### 61. Declarations of Interest

No additional declarations of interest were made.

#### 62. Actions from Previous Meeting

There were none.

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

There were none.

#### 64. Member Development

The Head of Legal and Democratic Services briefed Members on the role and functions of the Audit Committee, decision-making processes within the organisation, and governance.

Resolved: That the Members Development be noted.

65. External Audit - Annual Audit Letter 2019/20

The Chairman welcomed Paul Cuttle from Grant Thornton who presented the Annual Audit Letter for 2019/20. The letter included key findings of the previous year including audit of the accounts and value for money.

Following queries, Members were advised that materiality was defined as the size of the misstatement in the financial statements that would lead to a change or influence in economic decisions. The materiality set for the audit of the Council's financial statements was £1,110,000 which was 2% of the Council's gross revenue expenditure. The lower threshold was set at £55,000, anything above which had been reported to the Audit Committee in findings.

It was clarified that if there was a factual error found which was below the £55,000 threshold but it was believed there were likely more errors of this nature, the data would be extrapolated.

Resolved: That the report be noted.

66. External Audit - Annual Audit Plan 2020/21

Paul Cuttle from Grant Thornton presented the External Audit Plan for the year ending 31 March 2021. He advised that the significant risks considered included recognition of fraud in expenditure, management override of controls, and revenue cycles including fraudulent transactions. Other risks included the valuation of land and buildings as well as valuation of the pension fund net liability.

The approach for value for money arrangements for 2021 had changed. The National Audit Office introduced a new code of practice which included a new criteria that work would be completed against, more extensive reporting overall instead of reporting by exception, and the replacing of the binary qualified or unqualified approach with more sophisticated judgements.

Following queries on the increase in audit fees, Members were advised that changes to the approach to value for money arrangements and increased audit requirements of revised ISAs accounted for the proposed increase in 2020/21.

Resolved: That the report be noted.

67. Statement of Accounts - 2019/20 - Update

The Head of Finance presented the report which updated Members on the progress of the accounts since the previous meeting. The accounts had received a full clean audit opinion on 30 November 2020.

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Correcting adjustments made in the 2019/20 tri-annual valuation gave rise to a £18.9m experience item adjustment. This was related to an error made by the actuaries in 2016/17 resulting in a significant change included in the 2019/20 Pension Fund Accounts. From 2016/17 to 2018/19 the Pension disclosure and accounting accurately reflected the information provided by Barnett Waddingham, actuaries of the Kent Pension Fund at the time. Due to the size of the error, it was classed as a material error. Although the error had caused concern, it did not have detrimental or real cost implications.

A letter of complaint was sent to Kent County Council Pensions, who were Barnett Waddingham's client, to formally raise the error on Sevenoaks District Council's behalf.

*Action 1: That a summary of the response received from Kent County Council Pensions regarding the error be circulated to Members of the Committee.*

Members praised Officers involved for completing the audit on time. In particular, the Council's Head of Finance and Grant Thornton's Sebastian Evans were praised for addressing the error in a timely manner.

Member expressed their thanks to Grant Thornton's staff Sebastian Evans who had recently left Grant Thornton, and Sarah Ironmonger whose 5 year term overseeing the Council had been concluded.

Resolved: That the report be noted.

### 68. External Quality Assessment

The Audit Manager presented the report which outlined the findings of the External Quality Assessment (EQA). The strengths of the Internal Audit Partnership included their reflection of the Standards and quality assurance & improvement programme. There were suggested areas to improve such as increasing the efficiency of audit work and continuing to develop quality of work. Overall, the assessor concluded the partnership had 'partially' conformed with Standards. Eight recommendations provided in the report had been accepted.

Prior to the EQA, a full self-assessment was undertaken. The EQA conclusions were largely aligned with the conclusions of the self-assessment.

Resolved: That the report be noted.

### 69. Internal Audit Progress Report 2020/21

The Audit Manager presented the report which set out internal audit progress and its outcomes since the last meeting. Whilst progress against the plan was not as advanced as desired, there had been further progress than this time the previous

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year. It was likely that all work from 'Plan A' would be complete in time for the Annual Opinion in July. It was noted that cyber security, housing allocations policy and air quality had limited assurance.

Resolved: That the report be noted.

### 70. Internal Audit Plan and Charter 2021/22

The Audit Manager presented the report which provided the framework for Internal Audit activity in the 2021-22 financial year. The Internal Audit Charter set out the purpose, authority and responsibility of Internal Audit.

The Internal Audit Plan included work to be undertaken in 2021-22. It also provided information relating to the planning process, outcomes of planning consultations and the resources necessary to deliver the plan. The Audit Committee was required through its Terms of Reference to consider and approve the plan each year. Plan A included audits that the team intended to deliver which were already scheduled in. Plan B were additions which would be picked up if the resources were available. A new definition of assurance levels would be introduced to allow assurance to be easily comparable across financial years.

Key Performance Indicators had been reviewed and changed for 2021-22 to make the measurements more meaningful.

Following queries, it was clarified that Dartford Borough Council and Sevenoaks District Council had separate Internal Audit plans.

Resolved: That

- a) the Internal Audit Charter, be approved;
- b) the Internal Audit Plan 2021-22, be approved;
- c) the revised set of Key Performance Indicators, be approved; and
- d) the new assurance levels and definitions for 2021-22, be noted.

### 71. Annual Report to Council

The Audit Committee Annual Report 2020/21 to be presented to Full Council summarised the work of the Committee during the 2020/21 year.

Resolved: That the report be noted.

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### 72. Work Plan

The work plan was noted with the Statement of Accounts 2020/21 - Establishment of a Member Working Group to take place at the next meeting on 15 July 2021.

The meeting on 2 November 2021 would be brought forward to 23 September 2021.

The Statement of Accounts 2020/21 item would be moved to meeting on 23 September 2021.

The External Audit - Annual Audit Letter 2020/21, scheduled for the meeting on 25 January 2022, would be removed from the work plan.

THE MEETING WAS CONCLUDED AT 6.26 PM

CHAIRMAN