

The Audit Findings for Sevenoaks District Council

Year ended 31 March 2015

August 2015

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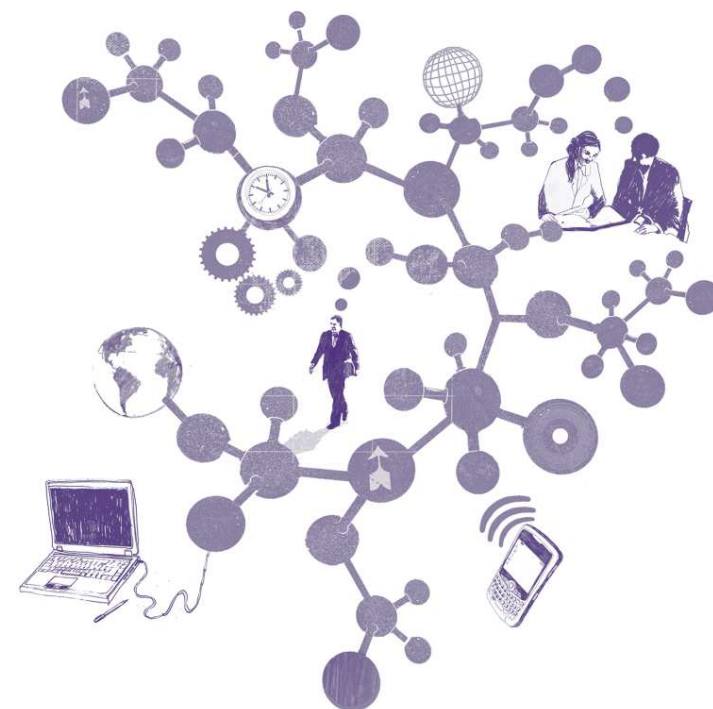
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24 August 2015

Dear Members

Audit Findings for Sevenoaks District Council for the year ending 31 March 2015

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Sevenoaks District Council, the Audit Committee) , as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with management and the Audit Committee.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), 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.

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 primarily 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 any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

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

Yours sincerely

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Section 1: Executive summary

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Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Sevenoaks District Council's (the Council) financial statements for the year ended 31 March 2015. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA UK&I).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position and expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated June 2015. Our audit is substantially complete although we are finalising our work in the following areas:

- review of the final version of the financial statements
- obtaining and reviewing the final management letter of representation
- review of final version of the Annual Governance Statement and
- updating our post balance sheet events review, to the date of signing the opinion

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion in respect of the financial statements.

We recognise that officers have worked hard to support us during the audit and to address points raised by our review. The quality of the working papers and documents supporting the balances within the financial statements were of a reasonable standard and we did not identify any adjustments affecting the Council's reported financial position (details are recorded in section 2 of this report). The draft financial statements for the year ended 31 March 2015 recorded net expenditure of [£11,227k]; the audited financial statements show the same.

Whilst the above is pleasing, the Council was unfortunately unable to provide a complete set of draft financial statements by the agreed date at the start of the audit. In addition, there were a high number of disclosure and presentational errors in the draft statements which the Council has corrected in the revised set of financial statements. In overall terms, the draft statements were below the standard which we would expect. This has had an impact in terms of time spent and the audit fee.

Value for Money conclusion

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion. The Council continues to have strong arrangements in place and as part of the Council's ambition to become financially self-sustainable it has started to purchase investment assets in 2014/15 .

Further detail of our work on Value for Money is set out in section three of this report.

Whole of Government Accounts (WGA)

We have completed our work on the Whole of Government Accounts and have no issues which we wish to highlight for your attention.

Controls

Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

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 any control weaknesses, we report these to the Council.

Findings

We draw your attention in particular to control issues identified in relation to:

- self authorisation of journals

Further details are provided within section two of this report.

The way forward

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Chief Executive and Chief Finance Officer.

We have made a number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Chief Finance Officer and the finance team.

We propose to hold a debrief meeting with the finance team after the accounts are signed off to discuss how the Council can both strengthen and bring forward its accounts closedown process to meet the requirements of the Department for Communities and Local Government. This will be critical as the deadline for accounts closedown moves forward to July by 2017/18. Further details are set out in section two of this report.

Acknowledgment

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.

Grant Thornton UK LLP
August 2015

Section 2: Audit findings

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Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 23 June 2015. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 23 June 2015.

Audit opinion

Our proposed audit opinion is set out in Appendix B.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<ul style="list-style-type: none"> • review and testing of revenue recognition policies • testing of material revenue streams • review of unusual significant transactions • We rebutted this presumption during the interim phase of the audit, and this was communicated to members as part of the audit plan. 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management override of controls</p> <p>Under ISA (UK&I) 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management • testing of journal entries • review of unusual significant transactions 	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review and testing of journal entries has not identified any significant issues except that a lack of segregation of duties in the journal process increases the risk that any potential misstatement could be undetected.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>



Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding Testing the reconciliation of operating expenditure recorded in the general ledger to the subsidiary systems and interfaces Cut off testing to assess whether transactions are recorded in the correct period Substantive testing of operating expenditure payments for remainder of the year Substantive testing of year end payable balances Procedures to gain assurance that material goods and services received prior to the year are correctly accrued for. 	Our audit work has not identified any significant issues in relation to the risk identified
Employee remuneration	Employee remuneration accrual understated	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding Testing the reconciliation of payroll expenditure recorded in the general ledger to the subsidiary systems and interfaces Trend analysis and risk identification for monthly payroll costs Substantive testing of payroll payments, assessing whether payments are made in accordance with the individual's contract of employment and deductions are correctly calculated Testing to confirm the completeness of payroll transactions and appropriate cut-off. 	Our audit work has not identified any significant issues in relation to the risk identified
Welfare expenditure	Welfare benefit expenditure improperly computed	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding We have completed modules set by the DWP which include performance of an analytical review and BENO1 certification. This will involve the selection of samples of welfare benefit expenses from across the year, for which the benefit payable will be recalculated to determine whether the amount paid was in accordance with DWP guidelines and welfare legislation Tested the reconciliation of the Housing Benefit system to the general ledger. 	Our audit work has not identified any significant issues in relation to the risk identified

Accounting policies, estimates & judgements



In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	The Council's revenue recognition policies are disclosed within the accounting policies. This confirms that the revenue is recognised in the year to which it relates, rather than when the cash is actually received.	Our review of this policy confirms it is in line with the CIPFA Code of Practice.	 Green
Estimates and judgements	Key estimates and judgements included within the accounts include: <ul style="list-style-type: none"> • Going concern • Leases • Arrears • Business rate appeals • Pensions liability • Property, Plant and Equipment • Provisions 	Following our consideration of these judgements and estimates, we are satisfied they are in line with the Code of Practice, and with the approach taken by the Council in the previous year.	 Green

Assessment

-  **Red** Marginal accounting policy which could potentially attract attention from regulators
-  **Amber** Accounting policy appropriate but scope for improved disclosure
-  **Green** Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
Going concern	The Chief Officers have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Chief Officers' assessment and are satisfied with managements' assessment that the going concern basis is appropriate for the 2014/15 financial statements.	 Green
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention	 Green

Assessment

 **Red** Marginal accounting policy which could potentially attract attention from regulators

 **Amber** Accounting policy appropriate but scope for improved disclosure

 **Green** Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we are required by auditing standards 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 other incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Council.
4.	Disclosures	<ul style="list-style-type: none"> Our review found numerous non-trivial omissions in the financial statements.
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any significant related party transactions which have not been disclosed. Two ex Members did not respond to the Council's letter on related parties, they had no related party disclosures last year.
6.	Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests for bank and investment balances. This permission was granted and the requests were sent and were returned with positive confirmation.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration, Welfare expenditure and Operating Expenses as set out on page 10 above.

The matters that we identified during the course of our audit are set out in the table below. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Issue and risk	Recommendations
1.	<p>The Council has only a few staff that can prepare and authorise journals. We identified that journals were prepared and reviewed by the same officer during the year. We have tested all material balances within the financial statement and are satisfied of the validity and accuracy of material journals.</p> <p>A lack of segregation of duties in the journal process increases the risk that any potential misstatement could be undetected.</p>	<p>Ensure all journals are approved electronically by an officer that has not been involved in the preparation process.</p>

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.

Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all non-trivial misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the primary statements and the reported financial position.

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Impact on total net expenditure £000
1 Included in Property Plant and Equipment was £2,577k of vehicles plant and equipment assets fully written down (net book value £nil), incorrectly recognised in cost and accumulated depreciation despite no longer being owned by the Council.		2,577 Dr Accumulated Depreciation 2,577 Cr Cost	
2 Non Domestic Rates debtor was originally netted off the creditor.		£805 Dr Debtors £805 Cr Creditors	

Unadjusted misstatements

The table below provides details of adjustments identified which we request be processed but 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 Account £'000	Balance Sheet £'000	Reason for not adjusting
1 A Debtor has an associated provision incorrectly included in Creditors.		Dr Creditors £72 Cr Bad Debt Provision £72	These amendments are too small to impact on the reader of the accounts
2 Note 12 Financial instruments: a provision of £81k has not been netted off trade receivables in the disclosure note.		£81	These amendments are too small to impact on the reader of the accounts

Misclassifications & 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.

As recommended for the last two years the Council should build into the financial statements preparation process a more thorough comprehensive quality assurance review to identify errors.

Many casting errors, incorrect use of brackets and typos were identified in the financial statements such as the comprehensive income & expenditure statement (CIES), Movement in reserves statement, notes 8, 9, 10, 17, 18, 21, 24, 31.

Adjustment type	Value £'000	Impact on the financial statements
1 Misclassification	1,197	CIES: Revenue Expenditure Funded by Capital under Statute (REFCUS) £1,197k for affordable housing, was incorrectly included in central services to the public rather than housing services. 2013/14 comparatives amended for £852k, in line with the above. Matching income of £1,197k was transferred from capital grants and contributions to housing services.
2 Misclassification	855	CIES: REFCUS £855k should have been in central service to the public rather than capital grants and contributions.
3 Misclassification	355	CIES: REFCUS gross income and gross expenditure for environmental and regulatory services were overstated by £355k.
4 Misclassification	237	CIES: REFCUS gross income and gross expenditure for planning services were overstated by £237k.
5 Misclassification	483	CIES: REFCUS £483k disabled facilities grant was incorrectly included in planning services rather than housing services.
6 Disclosure	5,592	Note 10 PPE: The Stag Theatre £5,592k was incorrectly disclosed as a revaluation adjustment in the draft accounts. It has been corrected to show the derecognition of the asset value, reflecting the lease arrangement at peppercorn rent.
7 Disclosure		Note 10 PPE: The draft accounts included a line which referred to an 'error correction.' This disclosure is not in line with the Code of Practice on Local Authority Accounting and has now been corrected.
8 Misclassification	400	Note 20 Unusable Reserves: The Capital Adjustment Account showed capital expenditure of £1,650k when it should be £1,250k. The difference of £400k, related to the purchase of Suffolk House, which had been incorrectly included.
9 Misclassification	271	Note 12 Financial Instruments: This note excluded a partnership debtor of £271k which has now been included.

Misclassifications & disclosure changes continued

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.

Adjustment type	Value £'000	Impact on the financial statements
10 Misclassification	2,462 551	Note 31 Capital Expenditure and Capital Financing: Sources of finance were corrected for Government grant to £2,462k and sums set aside from revenue to £551k.
11 Misclassification	805 1,861 147	Note 21 Cash Flow Statement –Operating Activities : Movement in debtors and creditors – changed for the £805k – disclosure of Non Domestic Rates debtor (see adjustment misstatements on page 15) Pension Liability – changed from £545k to £1,861k – this was an error Note 22 Cash Flow Statement –Investing Activities: Proceeds from sale of PPE changed from £1,103k to £147k because it incorrectly included the purchase of Swanley working men's club. These adjustments affect the Cash flow statement.
12 Disclosure		Note 33 Impairment Losses: The note has been amended as it incorrectly stated that the Authority suffered no impairment losses, when this was not the case.
13 Disclosure		Note 36 Contingent Liabilities: The note has been amended to remove the paragraph which referred to a provision for Non Domestic Rate appeals as this is not a contingent liability.
14 Misclassification	3,307 1,274	Note 20 Unusable Reserves: The note has been amended to show the revaluation reserve upwards £3,307K and downwards revaluations £1,274K separately, rather than a net figure.
15 Disclosure	2,377	Note 14 Debtors: The note has been amended to now show the specific debtors to which the bad debt provision relates to.
16 Disclosure		Accounting Policies: The critical judgements disclosure has been improved to provide information on future funding levels.
17 Disclosure		Note 36 Contingent Liabilities: This has been amended to include disclosure of the Health and Safety Executive (HSE) claim.
18 Disclosure		We have made a suggestion to improve the Annual Governance Statement, referring to 2014 rather than 2015.

Misclassifications & disclosure changes continued

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.

	Adjustment type	Value £'000	Impact on the financial statements
19	Misclassification	1,242	Note 18 Provisions: The note has been expanded to show the additional provisions made during the year £1,242k and amounts used during the year £285k, rather than just the net figure.
20	Disclosure		Note 24 Amounts Reported for Resource Allocation Decisions: Note 29 Grant Income: Updated to correct Revenue Expenditure Funded by Capital under Statute (REFCUS) errors above and incorrect disclosure of costs and income in cost of services.

Section 3: Value for Money

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Value for Money

Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VfM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

These criteria are:

The Council has proper arrangements in place for securing financial resilience - the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control.

Overall our work highlighted: The Council has a detailed ten year financial plan and has identified its key financial targets for the period up to 2024. Financial governance arrangements are strong and effective financial control enabled the successful delivery of planned financial outcomes for the year.

Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

Overall our work highlighted: As part of the Council's ambition to become financially self-sustainable it has developed a new investment and asset management strategy. The Council has started to implement its strategy to invest in land and property that generate a return and to also establish a trading company to maximise both opportunities to invest and levels of return.

Overall VfM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	Inadequate arrangements

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
Key indicators of performance	The Council's key financial outcomes continue a track record of strong financial performance. The Council successfully delivered the 2014/15 budget and has maintained its robust reserve levels that will enable it to continue to invest in projects in the future.	Green
Strategic financial planning	The Council has robust financial planning arrangements and delivery of 2014/15. The 10 year financial plan reflects best practice and has helped to mitigate projected funding shortfalls using risk reserves. This allows the council to take a longer term view in regard to addressing funding shortfalls through service development. The Council has prioritised financial self sufficiency as a key plank of its Corporate Plan and overall financial strategy. This is supported by investment in new assets that provide increased revenue to the Council's budgets.	Green
Financial governance	The Council's financial governance arrangements have been strengthened in the year. After the 2015 elections new Cabinet Portfolios were put in place by the Leader of the Council. One of the seven portfolios is dedicated to Finance and is supported by a Finance Advisory Committee. Each of the Portfolio Holders, Cabinet Advisory Committees, Cabinet and Council are directly involved in the budget setting process.	Green
Financial control	The Council's 10 year budget ensures that the Council is not reliant on short term solutions as all decisions taken are evaluated over the long term. A robust budget setting process ensures that future risks are evaluated and sufficient resources are made available to ensure pressures can be managed within the budget limits set.	Green
Prioritising resources	The Council thoroughly reviews assumptions and models a range of scenarios which are presented to Members for their consideration, before finalising both the annual budget and the 10 year plan. As part of the process the Council's proposed growth and savings items are subject to Service Change Impact Assessments.	Green
Improving efficiency & productivity	The Council continues to have a rounded approach to performance management which incorporates information on cost and productivity as appropriate to individual services. The Council monitors a range of performance indicators on a monthly basis. These are considered by the Management Team and also by the Scrutiny Committee at each of their meetings. Portfolio Holders review performance of services within their remit at each of their monthly Briefing Meetings.	Green

Section 4: Fees, non-audit services and independence

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Fees, non-audit services and independence

We confirm below our final fees charged for the audit and **confirm there were no fees for the provision of non audit services.**

Fees

	Per Audit plan £	Actual fees £
Council audit	57,541	64,000
Grant certification on behalf of Public Sector Audit Appointments Limited (estimated)	16,460	Work in progress
Total audit fees	£74,001	

The extra fee reflects delays in the preparation of the draft financial statements as well as the number of errors in the draft financial statements which resulted in considerable additional audit time and resources.

The final fee is subject to approval by Public Sector Audit Appointments Ltd.

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 Standards and therefore we confirm that we 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 Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

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Communication of audit matters to those charged with governance

International Standard on Auditing ISA (UK&) 260, as well as other (UK&I) ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice (the Code) issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Ensure all journals are approved electronically by an officer that has not been involved in the preparation process.	High	<p>The risk of mis-appropriation of funds within codes is small due to the following processes already in place.</p> <ol style="list-style-type: none"> 1. Journals requested by non-Finance staff are agreed by Finance. 2. End of year accruals are authorised by the relevant Chief Officer before being agreed by Finance. 3. The budget monitoring reports require comments for any variances over £10,000 and are analysed on a line-by-line basis by the Finance Team. <p>Random checks will now be carried out to reduce the opportunity to mis-appropriate funds within codes. This will involve the Chief Finance Officer and Head of Finance completing monthly checks. This will ensure that journals completed by each member of the Finance Team are checked on a regular basis.</p>	15/09/15 Head of Finance
2	Improve the timeliness of the financial statements preparation process. This will be particularly important given the Department for Communities and Local Government's proposals to move the sign off deadline to 31 July by 2018.	High	It is intended to bring the 2015/16 annual accounts process forward by a further week as we move towards the earlier deadline.	31/01/16 Head of Finance
3	As recommended for the last two years the Council should build into the financial statements preparation process a more thorough comprehensive quality assurance review to identify errors.	High	A review of the resources and skills required will be carried out to identify the current gaps to reduce the chances of issues arising in future years. Changes will be in place for the 2015/16 annual accounts.	31/12/15 Head of Finance
4	Improve the accuracy, completeness and disclosures of the notes to the financial statements.	High	As 3 above.	

Appendix B: Audit opinion

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEVENOAKS DISTRICT COUNCIL

We have audited the financial statements of Sevenoaks District Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. 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 2014/15.

This report is made solely to the members of Sevenoaks District Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the 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.

Respective responsibilities of the Chief Executive and auditor

As explained more fully in the Statement of the Chief Executive Responsibilities, the Chief Executive 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 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Executive; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- *give a true and fair view of the financial position of Sevenoaks District Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- *have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We are required to report to you if:

- *in our opinion the annual governance statement does not reflect compliance with ‘Delivering Good Governance in Local Government: a Framework’ published by CIPFA/SOLACE in June 2007; or
- *we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- *we designate under section 11 of the Audit Commission Act 1998 a recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- *we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority’s arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority 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.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place 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.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- *securing financial resilience; and
- *challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those 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 2015.

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 form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Sevenoaks District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

We certify that we have completed the audit of the financial statements of Sevenoaks District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Signature

Andy L Mack

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

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?? September 2015



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