

# TONBRIDGE & MALLING BOROUGH COUNCIL



## EXECUTIVE SERVICES

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### Chief Executive

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**NB - This agenda contains proposals, recommendations and options. These do not represent Council policy or decisions until they have received proper consideration through the full decision making process.**

Contact: Committee Services  
[committee.services@tmbc.gov.uk](mailto:committee.services@tmbc.gov.uk)

26 March 2015

To: MEMBERS OF THE AUDIT COMMITTEE  
(Copies to all Members of the Council)

Dear Sir/Madam

Your attendance is requested at a meeting of the Audit Committee to be held in the Civic Suite, Gibson Building, Kings Hill, West Malling on Tuesday, 7th April, 2015 commencing at 7.30 pm

Yours faithfully

JULIE BEILBY

Chief Executive

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(LGA 1972 Sch 12A Paragraph 3 – Financial or business affairs of any particular person)

Any other items which the Chairman decides are urgent due to special circumstances and of which notice has been given to the Chief Executive.

## **MEMBERSHIP**

Cllr V M C Branson (Chairman)  
Cllr T Edmondston-Low (Vice-Chairman)

Cllr Mrs F A Kemp  
Cllr S M King  
Cllr Mrs A S Oakley

Cllr M Parry-Waller  
Cllr T J Robins

Apologies for absence

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Declarations of interest

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## TONBRIDGE AND MALLING BOROUGH COUNCIL

### AUDIT COMMITTEE

Monday, 26th January, 2015

**Present:** Cllr V M C Branson (Chairman), Cllr T Edmondston-Low (Vice-Chairman), Cllr S M King and Cllr M Parry-Waller

Grant Thornton, External Auditors: Mr D Wells (Engagement Lead)

Councillors Mrs J A Anderson, O C Baldock, N J Heslop, Mrs S Murray and M R Rhodes were also present pursuant to Council Procedure Rule No 15.21.

Apologies for absence were received from Councillors Mrs F A Kemp and Mrs A S Oakley

### PART 1 - PUBLIC

#### **AU 15/1 DECLARATIONS OF INTEREST**

There were no declarations of interest made in accordance with the Code of Conduct.

#### **AU 15/2 MINUTES**

**RESOLVED:** That the Minutes of the meeting of the Audit Committee held on 6 October 2014 be approved as a correct record and signed by the Chairman.

With reference to Minute AU 14/44, it was noted that a revised Internal Audit Plan was no longer required as the team was now fully resourced.

### MATTERS FOR RECOMMENDATION TO THE CABINET

#### **AU 15/3 ANNUAL REVIEW OF ANTI-FRAUD POLICIES**

The report of the Director of Finance and Transformation gave details of the outcome of a review of the Anti-Fraud Policies of the Council. A number of changes had been highlighted which were recommended for adoption and Members identified some further drafting amendments.

**RECOMMENDED:** That the Council approve the following draft policies:

- (1) the Anti-Fraud and Corruption Policy, as set out at Annex 1 to the report, subject to the amendment of paragraph 4.12 regarding declaration of gifts or hospitality to be consistent with the Constitution;

- (2) the Housing and Council Tax Benefit Anti-Fraud Policy, as set out at Annex 2 to the report, subject to deletion of the reference to 'Here and Now' in paragraph 5.2 and to an explanation of the removal of paragraph 5.6 regarding the Investigation Manager's quarterly report on the outcome of referrals; and
- (3) the Council Tax Reduction, Discounts and Exemptions Anti-Fraud Policy, as set out at Annex 3 to the report, subject to the corresponding removal of paragraph 5.6 regarding circulation of a quarterly report on the outcome of referrals.

**AU 15/4 TREASURY MANAGEMENT UPDATE AND ANNUAL INVESTMENT STRATEGY 2015/16**

The report of the Director of Finance and Transformation provided details of investments undertaken and returns achieved in the first nine months of the current financial year together with an introduction to the Annual Investment Strategy for 2015/16.

An explanation was given for the under-performance against budget attributable to the lower than expected return delivered by the external fund manager prior to transfer of the management of core funds in-house from 1 August 2014. Details were given of the current investment position and internal lending list. The Committee was advised that Capita, the Council's treasury advisors, had amended their credit worthiness methodology to a minimum long-term credit rating of Fitch 'A-' or equivalent rather than Fitch 'A' and this had been included in the Annual Investment Strategy for 2015/16.

**RECOMMENDED:** That

- (1) the treasury management position as at 31 December 2014 be noted;
- (2) the current minimum long-term credit requirement be reduced from Fitch 'A' to Fitch 'A-' or equivalent; and
- (3) the Treasury Management Strategy Statement and Annual Investment Strategy for 2015/16, as set out at Annex 3 to the report, be adopted.

**DECISIONS TAKEN UNDER DELEGATED POWERS IN ACCORDANCE WITH PARAGRAPH 3, PART 3 OF THE CONSTITUTION**

**AU 15/5 ACCOUNTING POLICIES FOR 2014/15 FINANCIAL STATEMENTS**

The report of the Director of Finance and Transformation presented the Accounting Policies proposed to be used in the preparation of the Financial Statements for 2014/15. It was noted that the only change

resulted from Grant Thornton's recommendation following the audit of the 2013/14 Accounts in respect of the interim revaluation of assets. The report set out the proposed new accounting policy in respect of Land and Buildings to which was added the following sentence at the end of the second paragraph: "The Council's external valuers will also advise annually on any further work required to identify material changes in asset valuations".

**RESOLVED:** That the Accounting Policies to be used in the preparation of the Financial Statements, as set out at Annex 1 to the report and amended at the meeting, be endorsed and commended to the General Purposes Committee at its meeting on 2 February 2014.

**AU 15/6 INTERNAL AUDIT CHARTER**

The report of the Chief Internal Auditor informed the Committee of the outcome of the review of the Internal Audit Charter and highlighted a minor amendment to reflect the change of title of the Audit Manager to Audit and Assurance Manager.

**RESOLVED:** That the Internal Audit Charter, as set out at the Annex to the report, be noted and endorsed.

**AU 15/7 AUDIT COMMISSION - PROPOSED WORK PROGRAMME AND SCALES OF FEES 2015/16**

The report of the Director of Finance and Transformation introduced the Audit Commission's Proposed Work Programme and Scales of Fees for 2015/16. It was noted that the Commission did not plan to make any changes to the work programme but was proposing to reduce the scale of fees by a further 25% as a result of a recent procurement exercise. This was welcomed by Members in the current financial climate.

**RESOLVED:** That the Audit Commission's proposed Work Programme and Scales of Fees for 2015/16 be noted and endorsed.

**MATTERS SUBMITTED FOR INFORMATION**

**AU 15/8 ANNUAL AUDIT LETTER 2013/14**

The report of the Director of Finance and Transformation advised the Committee of the receipt of the Annual Audit Letter summarising the main outcomes from the work carried out by the external auditors for the year ended 31 March 2014. The letter repeated the headline messages in the Audit Findings Report presented to the Committee in October 2014 which were that the Council's accounts were produced to a high standard, there continued to be a strong focus on effective financial management and a robust framework for addressing financial pressures and delivering planned savings.

Members welcomed the letter and thanked all staff involved.

**RESOLVED:** That the report be received and noted.

**AU 15/9 UPDATE ON WORK OF INTERNAL AUDIT DURING 2014/15**

The report of the Chief Internal Auditor provided an update on the progress of the Internal Audit Team against the agreed 2014/15 Internal Audit Plan. Further to Minute AU 14/44, Members were advised that it had been unnecessary to issue a revised plan since the recruitment of two full-time posts would enable the approved plan to be completed. A summary was given of the current status of all assurance reviews on the 2014/15 plan and, as requested at the last meeting, more information was provided on the results of the recommendation follow-up process.

Members thanked the Internal Audit Team for their efforts during difficult circumstances and requested that their best wishes be conveyed to the Chief Internal Auditor.

**RESOLVED:** That the report be received and noted.

**AU 15/10 GRANT THORNTON PUBLICATION: RISING TO THE CHALLENGE - THE EVOLUTION OF LOCAL GOVERNMENT**

The report of the Director of Finance and Transformation referred to receipt of Grant Thornton's publication 'Rising to the challenge – The evolution of local government' assessing whether local authorities had arrangements in place to ensure their sustainable financial future. It was noted that the overall message was positive, the study finding that most local authorities had continued to rise to the challenge posed by government reductions. The key messages drawn from the latest Annual Audit Letter highlighted the effectiveness of the measures taken by the Council and reference was made to the Medium Term Financial Strategy which allowed the financial pressures to be addressed in a measured and controlled way.

**RESOLVED:** That the report be received and noted.

**AU 15/11 GRANT THORNTON - AUDIT COMMITTEE UPDATE**

The report of the Director of Finance and Transformation introduced Grant Thornton's report on progress in delivering their responsibilities as the Council's external auditors. Mr Wells commented on the various elements of the report, in particular that Grant Thornton's national report '2020 Vision' pointed to a time for radical discussion of ways of achieving a sustainable future for local government.

**RESOLVED:** That the report be received and noted.

**AU 15/12 GRANT CERTIFICATION WORK 2013/14**

The report of the Director of Finance and Transformation summarised the findings from the certification by Grant Thornton of the 2013/14 housing benefit subsidy claim. It was noted that this was now the only claim requiring certification and clarification given that the balance owed to the Council by the DWP in 2013/14 was £3,567.

**RESOLVED:** That the report be received and noted.

**AU 15/13 EXCLUSION OF PRESS AND PUBLIC**

There were no items considered in private.

The meeting ended at 8.19 pm

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## TONBRIDGE & MALLING BOROUGH COUNCIL

### AUDIT COMMITTEE

07 April 2015

#### Report of the Chair of the Audit Committee

#### Part 1- Public

#### Matters for Recommendation to Council

#### 1 AUDIT COMMITTEE ANNUAL REPORT

**This report is produced to inform Council on how the Audit Committee has provided those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. It is recommended that the Audit Committee agree that this report is presented to Council to support this assurance.**

#### 1.1 Introduction

- 1.1.1 The Accounts & Audit (England) Regulations 2011 (2011 No. 817) impose a responsibility on a local authority “for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body’s functions and which includes arrangements for the management of risk.”
- 1.1.2 The Chartered Institute of Public Finance & Accountancy (CIPFA) sets out the role of Audit Committees in their Practical Guidance for Local Authorities 2013. This states that “*the purpose of the Audit Committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.*”
- 1.1.3 The Audit Committee comprises seven Members. The Committee has four meetings each year at which reports submitted by Council Officers and the External Auditors are considered. By consideration of these reports and matters raised within them it is considered that the Audit Committee fulfils the core functions of an Audit Committee as set out in the CIPFA Guidance and is able to give independent assurance to the Council to meet the requirements of the Accounts & Audit Regulations.
- 1.1.4 The core functions of the Audit Committee are dealt with in the following paragraphs.

## **1.2 Assurance Statements**

- 1.2.1 The Audit Committee is required to consider the contents of the Annual Governance Statement (AGS) which took place in April 2014.
- 1.2.2 The Council has a Local Code of Corporate Governance that sets out how the Council will comply with the principles of the CIPFA/SOLACE (Society of Local Authority Chief Executives) "Framework for Delivering Good Governance in Local Government". This Local Code of Corporate Governance is reviewed regularly and presented to the Audit Committee for endorsement.
- 1.2.3 The AGS explains how the Council complies with the Local Code of Corporate Governance and the Accounts & Audit Regulations.
- 1.2.4 Part of the AGS gives updates on emerging issues and identifies impacts in the future of these issues as well as setting out action taken to enhance the overall corporate governance framework.
- 1.2.5 The AGS is supported by signed Assurance Statements provided by members of the core Management Team and the three statutory officers and is prepared by way of a self-assessment questionnaire and supporting evidence. No significant concerns were raised as a result of this exercise.
- 1.2.6 In the same Audit Committee meeting there was confirmation from both Management Team and Audit Committee that the Council had complied with International Standards on Auditing.
- 1.2.7 The Audit Committee considered the content of the AGS and supporting evidence before it was recommended to be approved by the General Purposes Committee to accompany the Statement of Accounts.
- 1.2.8 The Local Code of Corporate Governance was reviewed and revised in June 2014 prior to recommendation for adoption by Council. This will be used as the basis for the AGS relating to 2014/15.

## **1.3 Internal Audit Function**

- 1.3.1 The Audit Committee has a role in relation to the authority's Internal Audit function to: -
- Oversee its independence, objectivity, performance and professionalism.
  - Support the effectiveness of the internal audit process.
  - Promote the effective use of internal audit within the assurance framework.
- 1.3.2 The Audit Committee received a number of reports to oversee the role of the Internal Audit function.



- 1.3.3 In April 2014 the Audit Committee was presented with an interim report from the Chief Internal Auditor as a summary of supporting evidence to the AGS. This report gave the Chief Internal Auditor's opinion that the Council had maintained an adequate and effective internal control environment.
- 1.3.4 The Annual Internal Audit Plan for 2014/15 was presented to the Audit Committee and they were able to consider the content prior to recommending approval.
- 1.3.5 The Audit Committee is required to consider the effectiveness of Internal Audit on an annual basis. This review was based upon evidence produced and the view of Management Team. A report was submitted to the Audit Committee Members in June 2014 by the Director of Finance & Transformation which reported that Management Team opinion on the effectiveness of Internal Audit was "Good". Members considered the findings of this review and endorsed the opinion that the effectiveness of Internal Audit was "Good".
- 1.3.6 The Audit Committee was given a report in June 2014 on the work completed by Internal Audit in the previous year that detailed how resources had been used. The report also covered a number of performance measures to assist the Audit Committee to assess the performance and effectiveness of the function.
- 1.3.7 The Internal Audit Charter is a key document in the delivery of Internal Audit setting out the purpose, authority and responsibilities of the service which was subject to review at the January 2015 meeting of the Audit Committee.
- 1.3.8 The Internal Audit Charter gives the Chief Internal Auditor the right to raise issues directly with the Chair of the Audit Committee if considered necessary. This would only occur in exceptional circumstances where the Chief Internal Auditor considered that the Chair of the Audit Committee needed to be made aware of significant assurance concerns. There have not been any instances where this has been considered necessary.
- 1.3.9 Throughout the year the Audit Committee received a number of reports updating Members of the progress of work carried out by Internal Audit against the Audit Plan. These reports informed the Audit Committee of the auditor's opinion on the audit undertaken and gave additional information where a red opinion (evidence of significant non-compliance) was given.

#### **1.4 Audit Committee Responsibilities**

- 1.4.1 The responsibilities of the Audit Committee are set out in the Constitution of the Council. As the Audit Committee has been a relatively new Committee there were a number of areas where there were overlaps of responsibility with other Committees. This has frequently led to duplication of effort and delayed process.
- 1.4.2 The Council meeting of 17 February 2015 agreed to a number of Constitutional changes to reflect the alignment of the Audit Committee to new CIPFA guidance

on the role of the Audit Committee. This has led to the Audit Committee having areas of delegated responsibility transferred to them.

## **1.5 Risk Management Arrangements and Control Environment**

- 1.5.1 The Audit Committee is required to consider the effectiveness of the authority's risk management arrangements and the control environment. The Members are required to review the risk profile for the organisation and seek assurances that action is being taken on risk-related issues, including partnerships with other organisations.
- 1.5.2 The risk profile for the Council is undertaken as part of the audit needs assessment to identify those areas where Internal Audit is most effective.
- 1.5.3 The Risk Management Strategy is the framework for setting out the responsibilities for ensuring that a sound risk management process is in place. The strategy is reviewed by the Audit Committee on an annual basis and this review took place in June 2014 when the current strategy was considered fit for purpose and it was recommended to Council that it would be adopted again.
- 1.5.4 The Risk Management Strategy requires managers to carry out a review of their operational registers every six months. This process did not result in any material concerns that required reporting to Members.
- 1.5.5 The strategy states that all Members would receive risk management training during their four year term of office. (The Committee considered that this should take place during the current cycle to accommodate new Members). This training was held on Monday 17 January 2013 with a total attendance of twenty Members of which three were Members of the Audit Committee.
- 1.5.6 The Insurance Officer maintains a record of all claims made against the Council which are reported to the Audit Committee on a regular basis. These reports also inform Members of the steps being taken to minimise similar claims being made against the Council.
- 1.5.7 All reports to Council require a risk assessment of the issues involved to be reported as part of the consideration of the report.

## **1.6 Assurance Framework and Planning**

- 1.6.1 The assurance framework is the overall process that provides evidence to support the AGS. The Audit Committee has a responsibility to understand what assurance is available to support the AGS.
- 1.6.2 The AGS was presented to Members at the meeting of April 2014. The supporting evidence to the AGS consisted of a document setting out the areas of the assurance framework to be considered with an explanation of evidence that supported the conclusions of the AGS.

## **1.7 Value for Money and Best Value**

- 1.7.1 One specific area for the Audit Committee should be consideration of the external auditor opinion on value for money as set out in the codes of audit practice. In addition, the Audit Committee should consider what other assurances are available in relation to identified value for money risks and highlight areas for improvement. (CIPFA Audit Committee Guidance).
- 1.7.2 The External Auditors, Grant Thornton, produced their Annual Audit Letter relating to the year ended 31 March 2014 which was presented to the Audit Committee at their meeting of January 2015.
- 1.7.3 The report concluded that the external auditor was satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.
- 1.7.4 As part of the embedded system for achieving value for money all Council reports contain a section where value for money is considered.

## **1.8 Countering Fraud and Corruption**

- 1.8.1 The Audit Committee role is defined as having an oversight of the strategy to counter fraud and to assess whether or not it meets recommended practice and standards.
- 1.8.2 The Audit Committee is responsible for the review of the policies relating to countering fraud and corruption. In June 2014 it reviewed the "Whistleblowing Charter" and recommended that it was endorsed by the General Purposes Committee.
- 1.8.3 In the meeting of January 2015 the anti-fraud policies were reviewed; these were recommended for approval by Council.
- 1.8.4 The Audit Committee also received an update on the progress of the National Fraud Initiative results in October 2014, together with a checklist for elected members to help them assess their authority's performance in relation to NFI.
- 1.8.5 The "Whistleblowing Charter" requires the Audit Committee to be informed of the outcome of any investigations arising from concerns raised under it. No such matters have been drawn to the attention of the Committee in the period covered by the report.

## **1.9 External Audit**

- 1.9.1 The Audit Committee should receive all reports from external auditors and monitor action to be taken that arises from them.

1.9.2 The Audit Committee has received copies of all external auditor reports during the year and has been able to consider the content. The external auditors provide a representative to all Audit Committee meetings where the Audit Committee is able to raise questions regarding the content of reports.

## **1.10 Financial Reporting**

1.10.1 Local Authority accounts are produced in line with guidance set out by CIPFA. The role of the Audit Committee with regard to these financial statements is not one of detailed knowledge of this guidance but is more aligned to focus on financial reporting and financial governance rather than on the wider issues of spending and performance.

1.10.2 The CIPFA Guidance identifies areas that the Audit Committee should be concerned with as follows: -

- reviewing the explanatory foreword to ensure consistency with the statements and the financial challenges and risks facing the authority in the future
- reviewing whether the foreword is readable and understandable by a lay person
- identifying the key messages from each of the financial statements and evaluating what that means for the authority in future years
- monitoring trends and reviewing for consistency with what is known about financial performance over the course of the year
- reviewing the suitability of accounting policies and treatments
- seeking explanations for changes in accounting policies and treatments
- reviewing major judgemental areas, e.g. provisions
- seeking assurances that preparations are in place to facilitate the external audit.

1.10.3 The Audit Committee received the Statement of Accounts at the meeting of 16 June 2014. This report gave the Audit Committee assurance that the accounts were presented in compliance with required legislation and best practice guidance. Following consideration of the accounts and a detailed report giving evidence of how compliance is achieved the Audit Committee agreed to endorse the Statement of Accounts and supporting documents.

## **1.11 Partnership Governance**

- 1.11.1 The latest CIPFA Guidance identifies that the Audit Committee should review assurances over partnerships to ensure that arrangements are satisfactorily established and are operating effectively.
- 1.11.2 The arrangements for significant partnerships are covered as part of the audit planning process and covered within individual audits as appropriate.

## **1.12 Treasury Management**

- 1.12.1 Although it is not included as a core objective of the Audit Committee, the CIPFA Guidance recognises that Treasury Management scrutiny may be a function of some Audit Committees to meet the requirements of the CIPFA Treasury Management Code of Practice.
- 1.12.2 The Committee receive regular updates on Treasury Management including the treasury management mid-year review and annual report. At the meeting of 16 January 2015 Members of the Audit Committee approved the Treasury Management Strategy Statement and Investment Strategy for 2015/16.

## **1.13 Training**

- 1.13.1 The Chair and members of the Audit Committee receive in-house and or external training at varying intervals to assist with the understanding of the issues considered.
- 1.13.2 On 20 November 2014 The Chair of the Audit Committee attended a Kent Audit Networking event hosted by the Council's External Auditors.

## **1.14 Conclusion**

- 1.14.1 The evidence in the preceding paragraphs explains how the Audit Committee has overseen the core functions of an Audit Committee as defined in the CIPFA Guidance.
- 1.14.2 The guidance identifies that the purpose of the Audit Committee is to provide those charged with governance, with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance arrangements.
- 1.14.3 This report provides independent assurance from those charged with governance to the Council on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.

**1.15 Legal Implications**

1.15.1 The Audit Committee role is based upon the CIPFA Guidance and meets the requirements of the Accounts & Audit Regulations.

**1.16 Financial and Value for Money Considerations**

1.16.1 The Audit Committee has a role considering the external opinion on value for money. This has been undertaken as outlined in section 1.7 of this report.

**1.17 Risk Assessment**

1.17.1 The Audit Committee consideration of risk assessment is covered in section 1.5 of this report.

**1.18 Equality Impact Assessment**

1.18.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act.

**1.19 Recommendations**

1.19.1 That Members of the Audit Committee consider this report and recommend that it is presented to Council to provide independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.

Background papers:

contact: Vivian Branson

Nil

Councillor Vivian Branson  
Chair of Audit Committee

## TONBRIDGE & MALLING BOROUGH COUNCIL

### AUDIT COMMITTEE

07 April 2015

#### Report of the Director of Finance & Transformation

#### Part 1- Public

#### Delegated

### 1 ANNUAL REVIEW OF WHISTLEBLOWING CHARTER

#### Summary

This report informs Members of the outcome of a review of the Whistleblowing Charter. The review has identified a number of amendments required to bring the charter into line with best practice and this report recommends that these changes are adopted.

#### 1.1 Introduction

1.1.1 The Whistleblowing Charter provides employees and Members with information about how they may report concerns regarding breaches of laws, regulations, policies or procedures committed by other employees or Members of the Council. It also outlines how the Council will deal with those concerns once they have been reported. The document is reviewed annually and the updates proposed are summarised in this report.

#### 1.2 Whistleblowing Charter

1.2.1 The Charter was last reviewed and approved by the General Purposes Committee in June 2013. The recent review has identified a number of changes required to bring the document into line with best practice, specifically to provide potential whistleblowers with more information on how their concerns will be dealt with to demonstrate that they will be treated fairly. The proposed revised Policy document is attached at **[Annex 1]** to this report with proposed deletions scored through and additions shown in red italics for ease of reference.

1.2.2 It is proposed that the document be referred to as the Whistleblowing Policy rather than a Charter. This brings it into line with other Council policy documents.

1.2.3 Section 2 has been added with a definition of whistleblowing to assist those reading the document.

1.2.4 Section 3 has been amended to show the aims and scope of the policy.

1.2.5 Section 4 'Who can use the charter?' has been replaced with 'Who does the policy cover?' which has been shortened and made clearer for ease of reading.

- 1.2.6 Section 5 has been added to explain what support the Council will provide to individuals raising their concerns. This section gives a clear explanation of what the whistleblower can expect and aims to give people more confidence to come forward.
- 1.2.7 Section 6, which provides details on how to raise a concern, has been expanded with more information on how to report concerns, what avenues are available and what is expected from the individual.
- 1.2.8 Section 7 outlines how the council will respond when a concern is raised. This has been expanded to provide employees and members with information about what they can expect once they have reported their concerns.
- 1.2.9 Section 8 provides further assurance by advising individuals how they can progress the matter if they are not satisfied with the response received from the Council as the employer.

### **1.3 Action Following Approval of Policies**

- 1.3.1 Once approved by Members, the revised Policy will be circulated to all staff with computer access using Netconsent and will be updated on the Council website.

### **1.4 Legal Implications**

- 1.4.1 These policies are not mandatory but do comply with best practice and refer to the relevant legislation where appropriate.

### **1.5 Financial and Value for Money Considerations**

- 1.5.1 Providing clear guidelines to staff on how they may report concerns of inappropriate conduct or fraud strengthen the Council's zero tolerance approach to fraud and corruption.

### **1.6 Risk Assessment**

- 1.6.1 While there is no statutory requirement to have an appropriate mechanism for dealing with whistleblowing, it is relevant to helping the Council comply with associated law. Failure to have an adequate whistleblowing mechanism carries significant reputational risks.

### **1.7 Equality Impact Assessment**

- 1.7.1 The recommendations in this report do not have any adverse impact or discriminate against any different groups in the community. The specific guidelines that have been added to the policy regarding harassment and victimisation make a positive contribution towards promoting equality.



## 1.8 Recommendations

- 1.8.1 Members are asked to review the draft Policy and subject to any required amendments to **RECOMMEND** that it is endorsed by the next General Purposes Committee.

Background papers:

contact: James Larkin

Nil

Sharon Shelton  
Director of Finance & Transformation

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# WHISTLEBLOWING CHARTER POLICY



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Date of last Review

March 2015

# TONBRIDGE & MALLING BOROUGH COUNCIL WHISTLEBLOWING POLICY

**A confidential reporting policy for all Councillors, employees and contractors**

## 1. Introduction

- 1.1 ~~Tonbridge & Malling Borough Council is committed to developing a culture where it is safe and acceptable for all its employees, including employees of providers and partners, and stakeholders to raise their concerns about what is happening at work.~~ *Tonbridge & Malling Borough Council operates within legal requirements and regulations and expects its employees to co-operate in this by adhering to all laws, regulations, policies and procedures. The Council recognises that employees are often the first to realise that there may be something seriously wrong within the Council. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the Council. They may also fear harassment or victimisation. In these circumstances it may be easier to ignore the concern rather than report what may just be a suspicion of malpractice.*
- 1.2 ~~This covers unlawful conduct, financial malpractice, dangers to the public or environment or avoidable losses. Avoidable losses arise from fraud, error, mismanagement or dishonesty.~~ *The Public Interest Disclosure Act 1998 (the 1998 Act) contains measures which help to promote greater openness between employers and employees in the workplace and supports a structure for whistleblowing. The 1998 Act:*
- a) is designed to give statutory protection to employees who “blow the whistle” on their employer’s malpractice; and*
  - b) although not requiring the Council to set up an appropriate mechanism for dealing with whistleblowing, makes clear the important role that such a mechanism can play in helping the Council comply with the law.*
- 1.3 ~~The Whistleblowing Charter gives you the opportunity to have your concerns heard and investigated in confidence and without fear of reprisal. Our charter has been developed in accordance with the Public Interest Disclosure Act 1999. The Act was introduced to ensure that concerns raised by employees are dealt with at an early stage and in an appropriate manner, including protection for the employee.~~ *The Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment we expect and support employees, and others that we deal with, who have serious concerns about any aspect of the Council's work to come forward and voice those concerns. This policy is intended to encourage and enable individuals to raise concerns within the Council, without fear of reprisals, rather than overlooking a problem or “blowing the whistle” outside. The policy does, however, recognise that individuals must be able to take matters further if they are dissatisfied with the Council’s response.*

- 1.4 ~~We recognise that employees are often the first to notice that something is seriously wrong within the Council. We want all employees to feel confident about voicing and acting on concerns they may have about service provision, malpractice, conduct of officers, Councillors or anyone acting on behalf of the Council.~~

## **2 Definition of Whistleblowing**

- 2.1 *'Whistleblowing' means the disclosure of malpractice or wrongdoing within an organisation.*

## **3. Aims of the Charter *Aims and Scope of this Policy***

3.1. The ~~charter~~ *whistleblowing policy* aims to:

- encourage you to feel confident about raising concerns and to question and act on those concerns;
- provide a way for you to raise concerns and receive appropriate feedback on any action taken;
- confirm that all concerns raised will be examined and the Council will assess what action should be taken;
- reassure you that you will be protected from possible reprisals or victimisation if you have made a disclosure in good faith; and
- provide ways for you to take the matter further if you are dissatisfied with the Council's response.

## **3. What does the Charter cover**

3.2. ~~Malpractice, abuse and wrongdoing can cover a whole range of issues but we have listed examples here for your guidance:~~ *The Whistleblowing Policy is intended to cover concerns that fall outside the scope of the Council's Grievance Procedure which enables employees to lodge a grievance relating to their employment. This policy is also intended to cover concerns that fall outside the scope of the Council's corporate complaints procedures and other statutory reporting procedures and support the disclosure of concerns and suspicions which cannot be raised through the channels set out in the Council's Corporate Anti-Fraud & Corruption Policy. These may include:*

- any unlawful act, whether criminal (e.g. theft) or a breach of the civil law (e.g. slander or libel)
- health and safety risks, including risks to the public as well as to other employees (e.g. faulty electrical equipment)
- damage to the environment (e.g. pollution)

- the unauthorised use of public funds (e.g. expenditure for improper use)
- possible fraud and corruption (e.g. housing benefit fraud)
- inappropriate or improper conduct (e.g. abuse of power, bullying / harassment)
- serious failure to comply with appropriate professional standards (e.g. National Code of Local Government Conduct)
- breach of Council or statutory codes of practice or the Council's standing orders (e.g. Tonbridge and Malling Staff Code of Conduct)
- discrimination on the grounds of race, colour, creed, ethnic or national origin, disability, age, sex, sexual orientation, marital status or class
- abuse of children and vulnerable adults (e.g. through physical, sexual, psychological or financial abuse, exploitation or neglect)
- other unethical conduct.

~~3.1. Many of the above areas will represent inevitably an avoidable loss, which affects our service delivery.~~

~~3.2. The charter does NOT apply to raising grievances about an employee's personal situation and, thus, does not replace existing procedures for personal differences or conflicts. If you have concerns in this area you should consult with the Council's Grievance Policy or your immediate manager.~~

#### **4. Who can use the Charter? *Who does this Policy Cover?***

~~4.1. The charter applies to all Council employees, contractors and suppliers including agency staff, and those who provide services under contract to the Council such as refuse collection workers. *This policy applies to disclosures made in relation to or by:*~~

- *any employee of the Council, either under contract of employment or apprenticeship*
- *any Councillor of the Council*
- *any contractors, their agent, subcontractors and suppliers working with or on behalf of the Council, such as leisure centres*
- *consultants and agency staff working with or for the Council*
- *any organisation working in partnership with the Council.*

~~4.2. You are encouraged to raise your concerns provided that:~~

- ~~you make the disclosure in good faith~~

- you believe that the information or any allegation is reasonably true.

~~3.1. The Council will not tolerate false or malicious allegations or the victimisation of any employee who has raised a concern in good faith.~~

~~3.2. Raising a matter maliciously that you know to be untrue or the victimisation of any employee may result in disciplinary action.~~

~~3.3. The Council will also to seek to minimise the effect on employees who have had a false or malicious allegation made against them.~~

## **5 Supporting the individual raising a concern**

**5.1 Harassment or Victimisation:** *The Council is committed to good practice and high standards. The Council also recognises that the decision to report a concern can be a difficult one to make. It will not tolerate harassment or victimisation of whistleblowers and will take action to protect individuals who raise concerns in good faith.*

*Any investigation into allegations of potential malpractice will not influence or be influenced by any disciplinary or redundancy procedures that may already affect the individual. However, this does not mean that if the individual is already the subject of disciplinary or redundancy procedures, that those procedures will be halted as a result of raising a concern under this policy.*

**5.2 Confidentiality:** *Individuals are encouraged to put their name to any allegation; concerns expressed anonymously are much less powerful but will be considered at the discretion of the Council, taking into account:*

- *the seriousness of the issues raised;*
- *the credibility of the concern; and*
- *the likelihood of confirming the allegation from attributable sources.*

*All concerns will be treated in confidence and the Council will do its best to protect the individual's identity when they do not want their name to be disclosed. It must be appreciated that the investigation process may reveal the source of the information and a statement by the individual raising the concern may be required as part of the evidence. If the situation arises where the Council is not able to resolve the concern without revealing the individual's identity, this will be discussed with the individual in an attempt to identify how the matter can be progressed.*

**5.3 Untrue Allegations:** *Any individual who makes an allegation in good faith, but which is not subsequently confirmed by the investigation, will have no action taken against them. If, however, an individual makes malicious or vexatious allegations or an allegation for personal gain, disciplinary action may be taken against them.*

## **6. How can I raise my concern? *How to raise a concern***

~~6.1. The earlier you express your concern, the easier it is to take action. As a first step, you should raise any concern you have with your immediate manager or their superior, orally or in writing. *When an individual wishes to raise a concern, they will need to identify the issues carefully. An individual must be*~~



clear about the standards against which they are judging practice. They should consider the following:

- Is it illegal?
- Does it contravene professional codes of practice?
- Is it against government guidelines?
- Is it against the Council's guidelines?
- Is it about one individual's behaviour or is it about general working practices?
- Does it contradict what the employee has been taught?
- Has the employee witnessed the incident?
- Did anyone else witness the incident at the same time?

6.2. ~~If you feel that you have an issue that you cannot raise with your manager then you should contact one of the following:~~ – *Employees should raise concerns in the first instance with their immediate Line Manager or Service Manager, if possible. Similarly, non-employees (e.g. agency workers or contractors) should raise a concern in the first instance with their contact within the Council, usually the person to whom they directly report.*

- ~~any assistant director or chief officer;~~
- ~~a Personnel officer;~~
- ~~the Chief Executive or head of service; or~~
- ~~the Chief Internal Auditor~~

6.3. ~~The Chief Internal Auditor is the main point of contact for staff wishing to report an incident using the whistleblowing procedure. They will ensure that the matter is investigated.~~ *In some cases, the nature, seriousness or sensitivity of the concern or the individuals involved in the activities causing concern means that this may not always be appropriate. If a person feels they cannot raise their concern with their immediate management/contact, they are able to go directly to:*

Name	Designation	Direct Contact Number
David Buckley	Chief Internal Auditor	01732 876086
Katey Arrowsmith	Audit & Assurance Manager	01732 876085
James Larkin	Investigations Manager	01732 876337

Please Note: These Officers can also be contacted via email

~~6.4. You can call the Chief Internal Auditor on 01732 876086 or by email to [david.buckley@tmbc.gov.uk](mailto:david.buckley@tmbc.gov.uk). All calls are treated in the strictest confidence.~~  
*Individuals may also contact these officers for advice/guidance on how to pursue matters of concern or if, having raised the concern with the immediate manager/contact, they feel there has not been an appropriate response.*

*6.5. In the event of a concern being of an extreme and potentially serious nature, individuals may raise the matter directly with the Chief Executive.*

*6.6. Once an employee is certain that the concern should be raised, the following action should be considered:*

- Concerns may be raised verbally or in writing. Employees who wish to make a written report should give the background and history of the concern and the reason why they are particularly concerned about the situation. The earlier concerns are expressed the easier it is to take action. A form is available at Appendix 1 of this policy for those wishing to raise a concern in writing.*
- If the employee wishes, they may ask for a private meeting with the person to whom they wish to make the complaint. An employee may take a Trade Union representative or work colleague with them as a witness or for support. The employee should take to the meeting, if possible, dated and signed written supporting statements from anyone who can also confirm the allegations.*
- When making the complaint verbally, the employee should write down any relevant information and date it. Keep copies of all correspondence and relevant information.*
- The employee should ask the person to whom they are making the complaint what the next steps will be and if anything more is expected of them.*

*6.7. Although the individual raising the concern is not expected to prove the truth of an allegation, they will need to demonstrate to the person contacted that there are sufficient grounds for the concern.*

## **7. ~~How will the Council respond?~~ *How the Council will respond***

~~7.1. The Council's response will depend on the nature of the concern that has been raised. In all instances the Council will:~~ *Once a concern is raised the appropriate Council manager is responsible for making initial enquiries, taking advice from Personnel, Internal Audit and/or the Investigations Team to help decide if an investigation is appropriate and if so, what form it should take. In determining the action to be taken, the Council will take into consideration public interest and whether the concerns or allegations fall*

*within the scope of and may be dealt with under other specific procedures such as the Council's Grievance Procedure.*

- ~~record and acknowledge your concern and refer the matter for investigation within three days of receiving the report;~~
- ~~respect your confidentiality—your identity will not be disclosed to anyone without your consent;~~
- ~~assess your concerns to determine further action;~~
- ~~let you know what enquiries have been made;~~
- ~~tell you whether further investigations will be made and if not, why; and~~
- ~~inform you of the final outcome of the inquiry.~~

~~7.2. Depending on the nature of the issue raised, the Council may:~~ *Concerns raised may:*

- *be resolved by agreed action without the need for investigation;*
- *be investigated by management;*
- *be investigated by the Council's Investigation team and Personnel;*
- *be referred to the Police;*
- *be referred to the External Auditor.*
- ~~request more information or evidence from you;~~
- ~~investigate through an internal audit;~~
- ~~undertake disciplinary action;~~
- ~~launch an independent enquiry; or~~
- ~~refer the matter to the police.~~

~~7.3~~ *As soon as possible, and in any case within 10 working days of a concern being raised, the person handling the matter will write to the individual raising the concern acknowledging that it has been raised and indicating how, as far as possible, it will be dealt with. The individual will be kept informed of progress and will receive a full and final response, subject to any legal constraints.*

~~7.4~~ *The amount of contact between the persons considering the issues and the individual(s) raising the concern will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information*

*provided. If necessary to pursue investigation activity, the Council will seek further information from the individual. Where any meeting is arranged, the individual may be accompanied by a union or professional association representative or a friend or colleague.*

*7.5 The Council will take steps to minimise any difficulties which individuals may experience as a result of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings, the Council will arrange for you to receive advice and support in doing this.*

**8. Can I take the matter further if I'm not satisfied? *How the matter can be taken further***

~~8.1. In the first instance, we encourage all employees to raise their concern within the Council. If you are unhappy with the process or outcome of an investigation you can contact one of the following organisations or any organisation that you feel will be able to deal with your concerns: *This policy is intended to provide individuals with an avenue to raise concerns within the Council. The Council hopes that those using this process will be satisfied with the way their concerns are treated and any investigations that may be carried out. However, if they are not satisfied, or feel it is right to take the matter outside the Council, the following are possible contact points:*~~

- ~~• The Council's External Auditor, currently Grant Thornton UK LLP,~~
- ~~• Public Concern at Work (Tel: 020 7404 6609, [www.pcaw.co.uk](http://www.pcaw.co.uk)) who are a registered charity whose services are free and confidential,~~
- ~~• The local Citizens Advice Bureau,~~
- ~~• Relevant professional bodies, Trade Unions or regulatory organisations,~~
- ~~• Unison's whistleblower's hotline 0800 597 9750~~
- ~~• The Police,~~
- ~~• A solicitor,~~
- ~~• The Local Government Ombudsman.~~
- ~~• the Audit Commission's Public Interest Disclosure Line: 020 7630 1019;~~
- ~~• the independent charity Public Concern at Work: 020 7404 6609;~~
- ~~• Unison whistleblowing hotline: 0800 597 9750; or~~
- ~~• Grant Thornton (external auditor) 01293 554 071~~

~~8.2. If taking a concern outside the Council, employees should not disclose any confidential information unless they are doing so in accordance with the whistleblowing Charter. *If individuals do feel it is its right to take the matter outside the Council, they will need to ensure that confidential information is not disclosed. Advice and guidance on this issue may be sought from the contacts listed at paragraph 6.3 of this policy or the Council's Monitoring Officer – Adrian Stanfield.*~~

## **8. Responsible officer**

~~8.1. The Chief Internal Auditor is responsible for the supervision and co-ordination of all fraud matters, including the maintenance and operation of this policy. A record of concerns raised and the outcomes is maintained by him.~~

## **9. Review and Approval of this Policy**

~~9.1. The Audit Committee will receive annual reports of all matters raised under the Charter. The Charter will be reviewed annually by the Audit Committee and recommended to the General Purposes Committee for approval. *The Whistleblowing Policy will be reviewed at least annually, with any material amendment reported to the Audit Committee for recommendation to the General Purposes Committee for approval.*~~

**WHISTLEBLOWING POLICY - REPORT OF A CONCERN**

Give a description of the concern including any serious risk to persons or property.

Give details of the information that you have relating to the concern, e.g. what evidence do you have that gives rise to your concern.

Have you previously raised this concern? If so, with whom and what action was taken?

Please give details about yourself - All concerns will be treated in confidence and every effort will be made not to reveal your identity if you so wish. At the appropriate time, however, you may need to come forward as a witness.

Name.....

Contact details.....

I understand that this concern is being raised under the Council's Whistleblowing Policy and have read and understood the Policy.

Signed..... Date.....

## TONBRIDGE & MALLING BOROUGH COUNCIL

### AUDIT COMMITTEE

07 April 2015

#### Report of the Director of Finance and Transformation

#### Part 1- Public

#### Delegated

### 1 TREASURY MANAGEMENT UPDATE

**This report provides an update on treasury management activity undertaken during the 2014/15 financial year within the context of the national economy and invites Members to endorse the action take by officers and note the treasury position at the end of February 2015.**

#### 1.1 Introduction

1.1.1 CIPFA issued a revised Code of Practice for Treasury Management in November 2009. The revised Code was adopted by the Council on 18 February 2010 and suggests that Members should be informed of Treasury Management activity at least twice a year, but preferably quarterly. This report ensures the Council is embracing Best Practice in accordance with CIPFA's revised Code of Practice and subsequent updates.

#### 1.2 Economic Background

1.2.1 Economic growth in the UK slowed in the final quarter of 2014, with GDP rising by 0.5% compared to 0.7% in the previous quarter. Nevertheless, growth of 2.6% for the year as a whole made 2014 the best overall performance since 2007. Growth is expected to continue rising at similar levels in 2015 (2.5%) and 2016 (2.3%).

1.2.2 Inflation as measured by the Consumer Price Index (CPI) has continued to fall on the back of falling oil prices to a record low of 0.3% in January 2015. Inflation is expected to fall further and may turn negative late spring / early summer. Weak inflation, substantially below the 2% target, is perceived by the markets as sound reason for the Monetary Policy Committee (MPC) not to raise the Bank Rate in the near term.

1.2.3 The Chancellor's 2015 budget contained no major changes to the tone of fiscal policy. The programme of cuts in Government expenditure will continue in order to return the current budget deficit to a surplus in 2018/19.

1.2.4 On the international front the US Federal Reserve retained the current US base rate of 0.25% at its monthly meeting in March. The accompanying statement

omitted the word 'patient' with regard to initiating normalisation of monetary policy, reinforcing market expectation of a rate rise this summer.

- 1.2.5 After several months of speculation the European Central Bank (ECB) announced a programme of quantitative easing (QE) to boost the ailing euro-zone economy. €60bn of public and private sector securities are expected to be purchased on a monthly basis from March 2015 until September 2016.
- 1.2.6 Following the formation of a coalition government headed by an anti-austerity party, negotiations on the restructuring Greek debt continue. The process has not been without its problems in recent weeks resulting in market volatility.

### 1.3 Interest rate forecast

- 1.3.1 The Bank Rate has remained at an emergency level of 0.5% for the last 6 years. Capita's latest forecast, updated in February 2015, anticipates the Bank Rate will remain at this level for a further 9 months before rising in the first quarter of 2016.

Rate	Now %	Jun- 15 %	Sep- 15 %	Dec- 15 %	Mar- 16 %	Jun- 16 %	Sep- 16 %	Dec- 16 %	Mar- 17 %	Jun- 17 %	Sep- 17 %	Dec- 17 %
Bank Rate	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.25	1.25	1.50	1.50	1.75
3 mth LIBID	0.50	0.50	0.50	0.60	0.80	0.90	1.10	1.30	1.40	1.50	1.80	1.90
6 mth LIBID	0.65	0.70	0.70	0.80	1.00	1.10	1.30	1.50	1.60	1.70	2.00	2.10
12 mth LIBID	0.93	1.00	1.00	1.10	1.30	1.40	1.60	1.80	1.90	2.00	2.30	2.40
25yr PWLB	3.20	3.40	3.60	3.80	3.90	4.00	4.20	4.30	4.40	4.50	4.60	4.60

### 1.4 Investment Performance

- 1.4.1 In accordance with the CIPFA Code the Council's priorities in order of importance are: to ensure security of capital; liquidity; and having satisfied both, to obtain an appropriate level of return which is consistent with the Council's risk appetite.
- 1.4.2 Cash flow funds are available on a temporary basis and their amount varies from month to month and during the course of each month depending on the timing of receipts (council tax, business rates, grants and other sources of income) and payments (precepts, NNDR pool contributions, benefits, staff and suppliers). In addition the Council has £13.4m of core cash balances available for investment. These funds which comprise our revenue and capital reserves are for the most part available to invest for more than one year.
- 1.4.3 As at the end of February 2015, funds invested and interest earned is set out in the table below.



	Funds invested at 28 Feb 2015	Average duration to maturity	Weighted average rate of return	Interest earned to 28 Feb 2015	Gross annualised return	7 day LIBID benchmark
	£m	Years	%	£	%	%
In-house cash flow	9.1	0.03	0.68	65,050	0.64	0.35
Externally managed core funds to 31 July	-	0.78 [1]	0.61 [1]	27,900	0.62	0.35
In-house managed core funds from 1 August	13.4	0.15	0.72	58,050	0.74	0.35
<b>Total</b>	<b>22.5</b>	<b>0.10</b>	<b>0.71</b>	<b>151,000</b>	<b>0.67</b>	<b>0.35</b>

[1] Figures shown for comparative purposes represent the values applicable to the externally managed portfolio on 31 July, the day before transfer to in-house management.

- 1.4.4 The authority bettered the 7 day LIBID benchmark by 32 basis points and interest earned of £151,000 is £4,900 better than our 2014/15 revised estimate for the same period.
- 1.4.5 A full list of investments held on 27 February 2015 and our lending list of the same date are provided at **[Annex 1]** and **[Annex 2]**.
- 1.4.6 The Council participates in Capita's benchmarking service which enables the Council to gauge performance against Capita's other local authority clients. An extract from the latest benchmarking data is provided in the form of a scatter graph at **[Annex 3]**. The graph shows the return (vertical scale) against credit / duration risk (horizontal scale) associated with an authority's investments. At the end of December 2015 our return (purple diamond) outperformed that anticipated by the model based on our exposure to credit / duration risk. At 0.71% our return also bettered the non-metropolitan district average of 0.69% and the overall population average (includes county councils, unitary, police and fire authorities) of 0.68%.
- 1.4.7 **Cash Flow Funds.** Our daily cash flow balances for the year ahead are modelled at the start of the financial year. That cash flow model is then updated daily and reviewed on a regular basis. The majority of our cash flow surpluses are invested overnight in bank deposit accounts and money market funds to ensure sufficient short term liquidity to meet payment obligations. However, when cash surpluses permit, fixed term investments are also undertaken to take advantage of the higher yields available from this type of investment.

- 1.4.8 **Core Funds.** Historically these funds have been managed by an external fund manager and are used to support both revenue and capital expenditure. The core fund balance has been reducing in recent years and will continue to diminish over the next few years as the Council grapples with savings targets to achieve a balanced budget. The core fund balance has diminished to a level where in-house management is practical without the need for additional staff resources. As a consequence the 2014/15 Annual Investment Strategy made provision for these funds to be transferred in-house and contribute to future savings targets through reduced fund management fees. The transfer to in-house management took place on 1 August 2014.
- 1.4.9 On 1 August all tradable instruments (Gilts, Treasury Bills and Certificates of Deposit) which comprised the lion's share (£12.6m) of the core fund were transferred to the Council's custody account with King & Shaxon and the cash balance (£0.8m) transferred to the Council's bank account. With the exception of the Gilts (£2.2m, maturing 2018) the fund manager's preference for short duration instruments, typically three months in duration, explains their poor performance relative to in-house cash flow management identified in the table above (paragraph 1.4.3).
- 1.4.10 All the investments acquired by the external fund manager, including the Gilt, have now been reinvested by the Council's in-house team. On reinvestment, duration was extended and as a consequence returns have improved (0.74% in-house vs the external fund manager's 0.62%).

## 1.5 Borrowing

- 1.5.1 It is a statutory duty for the Council to determine and keep under review the "Affordable Borrowing Limits" by way of the Prudential Indicators (affordability limits) set out in the approved Treasury Management Strategy Statement. In this regard it is confirmed that no borrowing was undertaken in the period April 2014 to February 2015.

## 1.6 Compliance with the Annual Investment Strategy

- 1.6.1 Throughout the period April 2014 to February 2015 the requirements set out in the 2014/15 Annual Investment Strategy which aim to limit the Council's exposure to investment risks (minimum counterparty credit criteria; sovereign, counter-party and group exposure limits; type of investment instrument; and investment duration limits) have been complied with.

## 1.7 Legal Implications

- 1.7.1 Under Section 151 of the Local Government Act 1972, the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority including securing effective arrangements for treasury management. In addition, Capita are employed to provide independent advice on legislative and professional changes that impact on the treasury management function.

## 1.8 Financial and Value for Money Considerations

1.8.1 The Bank Rate has remained at a historical low (0.5%) for a sixth successive year. The Funding for Lending initiative introduced by the Bank of England in summer 2012 had a significant downward impact on returns being offered by financial institutions at the time and that impact has continued. At the end of February 2015, investment income of £151,000 has been earned exceeding our revised estimate for the same period by £4,900.

1.8.2 Performance is monitored against a benchmark return (7 Day LIBID) and against other local authorities in Kent and the broader local authority pool via Capita's benchmarking service.

## 1.9 Risk Assessment

1.9.1 The application of best practice, including the regular reporting and scrutiny of treasury management activity, as identified by the CIPFA Code is considered to be an effective way of mitigating the risks associated with treasury management.

## 1.10 Equality Impact Assessment

1.10.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act.

## 1.11 Recommendations

1.11.1 Members are invited to **recommend** that Cabinet:

- 1) endorse the action taken by officers in respect of treasury management activity for the period April 2014 to February 2015, and
- 2) note the treasury position at the end of February 2015.

Background papers:

contact: Mike Withey

Forecast and benchmarking data provided by Capita.

Sharon Shelton  
Director of Finance and Transformation

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## Investment Summary as at 27 February 2015

Counterparty	Sovereign	Fitch Credit rating				Capita Credit Worthiness/ Suggested Duration Limit	Investment type (Specified/Non-Specified) [Statement date to Maturity]	Investment from	Maturity Date	Principal sum invested £	Return (coupon / yield at purchase) %	% of total investments	Instrument type	Core Funds £	Cash Flow £	
		Long Term	Short Term	Viability	Support											
Bank of Scotland	UK	A	F1	a-	1	12 months	Specified	11/04/2014	13/04/2015	1,000,000	0.95%	8.86%	Fixed deposit	1,000,000	1,000,000	
Bank of Scotland	UK	A	F1	a-	1	12 months	Specified	14/10/2014	14/04/2015	1,000,000	0.70%					
<b>Bank of Scotland Total</b>										<b>2,000,000</b>						
Barclays Bank	UK	A	F1	a	1	6 months	Specified	29/08/2014	29/05/2015	1,000,000	0.80%	9.97%	Fixed deposit	1,000,000		
Barclays Bank	UK	A	F1	a	1	6 months	Specified	22/10/2014	22/07/2015	1,250,000	0.78%		Fixed deposit	1,250,000		
<b>Barclays Bank Total</b>										<b>2,250,000</b>						
BNP Paribas MMF	n/a	AAA	mmf (Eq)	-	-	5 years	Specified	27/02/2015	02/03/2015	1,852,000	0.46%	8.21%	Call - MMF		1,852,000	
<b>BNP Paribas MMF Total</b>										<b>1,852,000</b>						
Handelsbanken [1]	Sweden	AA-	F1+	aa-	1	12 months	Specified	27/02/2015	02/03/2015	4,350,000	0.45/.50%	19.28%	Call	2,250,000	2,100,000	
<b>Handelsbanken Bank Total</b>										<b>4,350,000</b>						
Insight Liquidity Plus EMF	n/a	AAA	f/S1 (S&P)	-	-	5 years	Specified	18/02/2014	02/03/2015	1,050,000	0.76%	4.65%	Call - EMF		1,050,000	
<b>Insight Liquidity Funds Total</b>										<b>1,050,000</b>						
Lloyds Bank	UK	A	F1	a-	1	12 months	Specified	11/04/2014	13/04/2015	1,000,000	0.95%	11.08%	Fixed deposit	1,000,000	1,000,000	
Lloyds Bank	UK	A	F1	a-	1	12 months	Specified	23/09/2014	23/03/2015	1,000,000	0.70%		Fixed deposit			1,000,000
Lloyds Bank	UK	A	F1	a-	1	12 months	Specified	22/10/2014	22/07/2015	500,000	0.80%		Fixed deposit			500,000
<b>Lloyds Bank Total</b>										<b>2,500,000</b>						
NatWest Bank Call Account	UK	A	F1	bbb	1	12 months	Specified	27/02/2015	02/03/2015	10,000	0.25%	0.04%	Call		10,000	
<b>National Westminster Bank Total</b>										<b>10,000</b>						
Nationwide Building Society	UK	A	F1	a	1	6 months	Specified	29/08/2014	29/05/2015	1,000,000	0.80%	8.86%	Fixed deposit	1,000,000		
Nationwide Building Society	UK	A	F1	a	1	6 months	Specified	14/10/2014	16/03/2015	1,000,000	0.60%		Fixed deposit	1,000,000		
<b>Nationwide Building Society Total</b>										<b>2,000,000</b>						
Santander UK Plc	UK	A	F1	a	1	6 months	Specified	27/02/2015	02/03/2015	4,551,000	0.80%	20.17%	Call	2,451,000	2,100,000	
<b>Santander UK Plc Total</b>										<b>4,551,000</b>						
Standard Chartered Bank	UK	AA-	F1+	aa-	1	6 months	Specified	02/09/2014	02/06/2015	1,000,000	0.84%	8.86%	CD	1,000,000		
Standard Chartered Bank	UK	AA-	F1+	aa-	1	6 months	Specified	08/09/2014	08/06/2015	1,000,000	0.84%		CD	1,000,000		
<b>Standard Chartered Bank Total</b>										<b>2,000,000</b>						
<b>Total invested</b>										<b>22,563,000</b>		<b>100.00%</b>		<b>13,451,000</b>	<b>9,112,000</b>	

Number of investments	18	Average investment value £	1,254,000
Number of counter parties	10	Average investment per counter party £	2,256,000
<b>Group exposures (UK Nationalised) - max 25% for core funds or £2.6m cash flow.</b>			
<b>RBS + National Westminster</b>		<b>Core £</b>	<b>Core %</b>
		0	0.00%
<b>Bank of Scotland + Lloyds</b>		2,500,000	18.59%
		<b>Cash £</b>	
		10,000	
		2,000,000	

<b>Total non-specified investments should be less than 60% of Core Funds</b>	0.00%
--	-------

[1] 0.45% upto £2.5m, 0.50% over £2.5m

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## Tonbridge and Malling Borough Council Internal Lending List

Checked against Capita Duration Matrix dated 27/02/15

Minimum investment criteria is Capita Green (100 days) Duration Band  
(entry point broadly equates to Fitch A, F1, bbb-, 1 unless UK nationalised / semi-nationalised).

Counterparty	Sovereign	Sovereign Rating [1]	Fitch Long Term	Fitch Short Term	Fitch Viability	Fitch Support	Exposure Limits			Capita Duration [2]
							Cash Flow	Core Fund	Combined	
Nordea Bank	Finland	AA+	AA-	F1+	aa-	1	£2.1m	£2.6m	£4.7m	12 months
Deutsche Bank	Germany	AAA	A+	F1+	a	1	£2.1m	£2.6m	£4.7m	100 days
ING Bank	Netherlands	AA+	A+	F1+	a	1	£2.1m	£2.6m	£4.7m	6 months
Svenska Handelsbanken AB	Sweden	AAA	AA-	F1+	aa-	1	£2.1m	£2.6m	£4.7m	12 months
Barclays Bank	UK	AA+	A	F1	a	1	£2.1m	£2.6m	£4.7m	6 months
HSBC Bank plc	UK	AA+	AA-	F1+	a+	1	£2.1m	£2.6m	£4.7m	12 months
Santander UK plc	UK	AA+	A	F1	a	1	£2.1m	£2.6m	£4.7m	6 months
Standard Chartered Bank	UK	AA+	AA-	F1+	aa-	1	£2.1m	£2.6m	£4.7m	6 months
Nationwide Building Society	UK	AA+	A	F1	a	1	£2.1m	£2.6m	£4.7m	6 months
<b>Bank of Scotland plc [3]</b> Group limit with BOS and Lloyds of £2.6m	UK	AA+	A	F1	a-	1	£2.6m	£3.3m	£5.9m	12 Months
<b>Lloyds Bank plc [3]</b> Group limit with BOS and Lloyds of £2.6m	UK	AA+	A	F1	a-	1	£2.6m	£3.3m	£5.9m	12 Months
<b>National Westminster Bank plc [3]</b> Group limit with Nat West and RBS of £2.6m	UK	AA+	A	F1	bbb	1	£2.6m	£3.3m	£5.9m	12 Months
<b>The Royal Bank of Scotland plc [3]</b> Group limit with Nat West and RBS of £2.6m	UK	AA+	A	F1	bbb	1	£2.6m	£3.3m	£5.9m	12 Months
<b>UK Debt Management Office inc Treasury Bills</b>	UK	AA+	N/A	N/A	N/A	N/A	No limit	No limit	No limit	N/A
<b>UK Treasury - Sovereign Bonds (Gilts)</b>	UK	AA+	N/A	N/A	N/A	N/A	N/A	£6.7m	£6.7m	N/A
<b>UK Local Authorities</b>	UK	AA+	N/A	N/A	N/A	N/A	£2.1m	£2.6m	£4.7m	N/A

[1] Reflects the lowest of the three rating agencies views (Fitch, Moody's and Standard and Poor's). Strategy requires sovereigns to be rated at least AA-.

[2] **All deposits overnight** unless otherwise approved by the Director of Finance and Transformation **AND** Chief Financial Services Officer. If other than overnight duration must not exceed Capita's recommendation (Capita + 3 months for UK Entities up to a maximum of 12 months).

[3] UK nationalised / semi-nationalised.

Money Market Funds						
Minimum investment criteria one of AAA-mf, AAAmmf or AAAm.						
Fund Name	Moody	Fitch	S&P	Exposure Limit		
				Cash Flow	Core Fund	Combined
Blackrock	AAA-mf	-	AAAm	£2.1m	£2.6m	£4.7m
BNP Paribas	-	-	AAAm	£2.1m	£2.6m	£4.7m
Goldman Sachs	AAA-mf	AAAmmf	AAAm	£2.1m	£2.6m	£4.7m
Deutsche Fund	AAA-mf	-	AAAm	£2.1m	£2.6m	£4.7m
Ignis	-	AAAmmf	AAAm	£2.1m	£2.6m	£4.7m
Morgan Stanley	AAA-mf	AAAmmf	AAAm	£2.1m	£2.6m	£4.7m
Prime Rate	AAA-mf	AAAmmf	AAAm	£2.1m	£2.6m	£4.7m
Insight	-	AAAmmf	AAAm	£1.05m	£1.3m	£2.35m

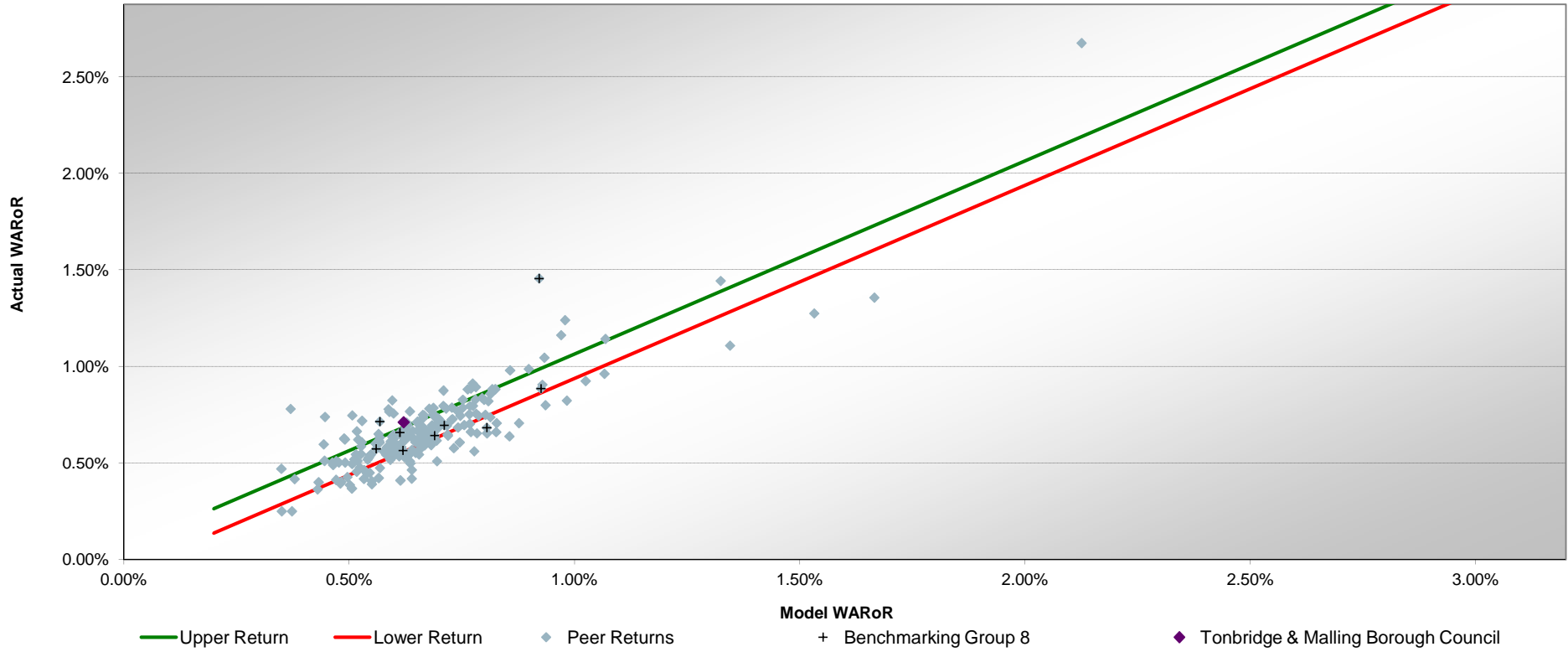
Enhanced Cash Funds						
Minimum investment criteria AAA.						
Fund Name	Moody	Fitch	S&P	Exposure Limit		
				Cash Flow	Core Fund	Combined
Insight Liquidity Plus	-	-	AAAf/S1	£1.05m	£1.3m	£2.35m

Approved by Director of  
Finance & Transformation  
2nd March 2015



Tonbridge & Malling Borough Council

Population Returns against Model Returns 31 Dec 2014



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	Actual WARoR	Model WARoR	Difference	Lower Bound	Upper Bound	Performance
<b>Tonbridge &amp; Malling Borough Council</b>	0.71%	0.62%	0.09%	0.56%	0.68%	Above

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## TONBRIDGE & MALLING BOROUGH COUNCIL

### AUDIT COMMITTEE

07 April 2015

#### Report of the Chief Internal Auditor

#### Part 1- Public

#### Delegated

### 1 INTERNAL AUDIT PLAN 2015-16

This report seeks Members approval of the Internal Audit Plan for 2015-16.

#### 1.1 Background

1.1.1 Professional standards for Internal Audit require the Chief Audit Executive to establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals. A risk-based Internal Audit plan has been prepared for the authority to cover the 2015-16 financial year to fulfil this requirement.

#### 1.2 Internal Audit Plan 2015-16

1.2.1 A copy of the proposed internal audit plan for 2015-16 is attached at **[Annex 1]** of this report. This is intended to provide Members with a clear picture of how the Council will make use of its Internal Audit function, reflecting on all work to be undertaken by the team during the financial year.

1.2.2 It should be noted that the format of the 2015-16 plan differs from previous years, with information on the process for developing, resourcing and delivering the plan being provided in the plan document rather than in a covering report; this is in order to more fully meet the requirements of the Public Sector Internal Audit Standards (PSIAS) and CIPFA's Local Government Application Note to the Standards.

1.2.3 The proposed plan has been reviewed and endorsed by the authority's Management Team prior to being presented to this Committee. The proposed plan has also been shared with the Council's External Auditors, Grant Thornton LLP.

#### 1.3 Legal Implications

1.3.1 Section 151 of the Local Government Act 1972 requires the Council's S151 Officer to make arrangements for "the proper administration of the Council's financial affairs".

1.3.2 The Accounts and Audit Regulations (England) 2011 require the Council to “undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.” To do so, the Council’s Internal Audit team works to the Public Sector Internal Audit Standards (PSIAS) and CIPFA’s Local Government Application Note to the Standards.

#### **1.4 Financial and Value for Money Considerations**

1.4.1 The work of the Internal audit team is directed by the annual Internal audit Plan and aims to provide assurance that the Council’s finances and operations are appropriately controlled while making a positive contribution to economy, efficiency and effectiveness of the Council’s services.

#### **1.5 Risk Assessment**

1.6 The Internal Audit Plan is intended to ensure that the work of Internal Audit is effectively directed. For this very reason, the process for preparing the plan is itself informed by an assessment of the risks and audit needs of the Council. Members’ endorsement of the Internal Audit Plan 2015-16 ensures that the status of the plan is maintained.

#### **1.7 Equality Impact Assessment**

1.7.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

#### **1.8 Recommendations**

1.8.1 Members are asked to **consider** and **endorse** the Internal Audit Plan 2015-16.

Background papers:

contact: Katey Arrowsmith

Internal Audit Working Papers

David Buckley  
Chief Internal Auditor

## Tonbridge & Malling Borough Council Internal Audit Plan 2015-16

### **1. Introduction**

- 1.1 Section 151 of the Local Government Act 1972 and Regulation Six of the Accounts and Audit Regulations (England) 2011 set out the requirement for Local Authorities to have an Internal Audit function. The [Public Sector Internal Audit Standards](#) define Internal Audit as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations.
- 1.2 Tonbridge & Malling Borough Council's Internal Audit function contributes to the effective and efficient delivery of the Council's Corporate Performance Plan and is delivered and developed in accordance with the Council's Internal Audit Charter.
- 1.3 This Internal Audit plan is prepared in accordance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note and aims to ensure that sufficient audit assurance work is carried out to enable the Chief Internal Auditor (in his capacity as Chief Audit Executive) to deliver an opinion regarding the adequacy and effectiveness of the internal control arrangements within the Council.

### **2. Audit Needs Assessment**

- 2.1 The 2015-16 Internal Audit plan has been based upon an annual risk assessment of the Council's Internal Audit needs. The Audit Needs Assessment is undertaken to:
  - 2.1.1 Identify the Council's business objectives (as set out in the current Corporate Performance Plan and service specific plans).
  - 2.1.2 Identify the authority's business activities to meet those objectives.
  - 2.1.3 Rank these systems in terms of inherent and control risk, taking into account the sensitivity of the system and any revised management arrangements, to enable prioritisation of areas for Internal Audit review.
- 2.2 The Audit Needs Assessment is used, in conjunction with input from Senior Management and knowledge of the wider control environment, to help ensure that Internal Audit resources are directed to the areas where they are considered to be of most effective use to the Council in helping to ensure the achievement of its objectives, the improvement of internal control and the efficiency of service delivery.

### **3. Resourcing**

- 3.1 The Internal Audit functions of Tonbridge & Malling Borough Council and Gravesham Borough Council have operated in a shared management arrangement since 1 December 2010. The 2015-16 Internal Audit plan will be delivered using the in-house Internal Audit resource based at Tonbridge & Malling Borough Council which consists of the Chief Internal Auditor, the shared Audit & Assurance Manager and two full-time Trainee Internal Auditors.
- 3.2 The total audit resource available in 2015-16 is 402 days which is considered sufficient to provide assurance over all high risk areas identified by the Audit Needs Assessment and to deliver the annual audit opinion. The Audit & Assurance Manager and Chief Internal Auditor will continue to provide induction training and development support to the two Trainee Internal Auditors during the year. The audit planning process considers the skills

and experience of the in-house team when programming audits, and all work planned is considered to be within the capability of the in-house team.

- 3.3 The Internal Auditor assigned to each audit review is selected by the Audit & Assurance Manager, in liaison with the Chief Internal Auditor, based on their knowledge, skills, experience, discipline and any declared conflicts of interest to ensure that the audit is conducted effectively. If an audit called for specialist skills/experience beyond that within the team, arrangements would be put in place to secure specialist skills from an external contractor. It is not anticipated that any specialist audit resources will be required to deliver the 2015-16 Internal Audit Plan. The level and skills of audit resources available will remain under review throughout the year to ensure that they continue to be sufficient.
- 3.4 The Internal Audit Plan contributes to the Council's overall assurance framework and as such, where possible, information will be shared and activities coordinated with other internal and external providers of assurance to the Council.

#### **4. 2015-16 Internal Audit Plan**

- 4.1 The plan is intended to provide a clear picture of how the Council will make use of its Internal Audit function, reflecting all work to be undertaken by the team during the financial year. The plan is split by assurance and consultancy work and records, for each area of focus, the proposed scope and the number of audit days that have been allocated.
- 4.2 The assurance work included on the plan has been listed in priority order based on the results of the Audit Needs Assessment and in conjunction with Senior Management to maximise productive time. The consultancy work included on the plan at the request of Senior Management has been selected based on its potential to improve management of risks, add value and improve the organisation's operations.
- 4.3 The Internal Audit plan this year reflects the Council's focus on identifying financial savings and opportunities for generating income and efficiencies in services and includes a number of days allocated to reviews with emphasis on these areas. The plan also incorporates targeted proactive anti-fraud work intended to assist in ensuring that the Council has appropriate arrangements in place to prevent, as far as possible, fraud from entering our system gateways.
- 4.4 As in previous years it is intended that the Internal Audit team will remain responsive to the needs of the Council, the Directors and Senior Management during 2015-16; this is reflected in the provision of contingencies within the plan for consultancy services, responsive work and advice and information unknown at the time of planning. It should be recognised, however, that any requests for additional work which are not covered by the allowances within the annual audit plan will impact on the team's ability to achieve work specified on the plan.

#### **5. Monitoring & Reporting**

- 5.1 The Internal Audit plan will remain under review throughout the year and be adjusted as necessary, in response to changes in the Council's business, risks, operations, programs, systems and control. All such changes will be reported to and agreed with Management Team and Audit Committee.
- 5.2 The performance of the Internal Audit function is monitored and reported to the Audit Committee through regular reports including the overall opinion on the Council's control environment in the Annual Internal Audit Report.

No	Area of Audit Focus (In priority order)	Allocation of Audit Days	Proposed Scope
<b>ASSURANCE WORK</b>			
<u>Control assurance reviews</u>			
1	Data Protection	10	Review of the Council's arrangements to ensure compliance with the Data Protection Act.
2	IT software & network storage user access review	15	Review of arrangements to ensure access to Council IT systems is appropriately controlled in line with the Data Protection Act.
3	Housing benefit assessments	12	Review of arrangements to process claims for benefits.
4	Homelessness	12	Review of arrangements to discharge the Council's Homelessness duties with a specific focus on the use of temporary accommodation.
5	Corporate credit cards	10	Review of the Council's use of corporate credit cards.
6	Section 106 agreements	12	Review of the Council's arrangements to enter and monitor Section 106 Agreements to mitigate the impact of development on the borough.
7	Housing register & allocations	15	Review of arrangements to process applications for the common housing register.
8	Payroll	12	Review of arrangements to pay staff salaries.
9	Creditors (purchase ledger)	10	Review of arrangements to pay the Council's creditors.
10	Car park income	12	Review of arrangements to collect and bank income in respect of the Council's car parks.
11	Parking Enforcement & Penalty Charge Notice (PCN) recovery	15	Review of arrangements to manage and monitor the Council's Traffic Regulation Orders, enforce parking restrictions and recover PCN income.
12	Insurances	12	Review of the Council's insurance arrangements.
13	Refuse & recycling contract monitoring	10	Review of the Council's arrangements to monitor the contract in respect of refuse collection and recycling.
14	Youth & play development	12	Review of the operation of the Council's youth and play schemes.
15	Cemetery memorials	10	Review of arrangements to ensure the maintenance and safety of memorials in graveyards maintained by the Council.
16	Complaints handling	10	Review of arrangements to record and respond to customer complaints.
17	Sickness absence monitoring	10	Review of arrangements to monitor and manage staff sickness.
18	Property management (including asset review process)	15	Review of arrangements to manage the Council's property assets including ensuring best value is achieved.
19	Food safety inspections	12	Review of arrangements to plan, conduct and report on food safety inspections in the borough.
20	Tonbridge castle facilities hire	10	Review of arrangements to hire out facilities at Tonbridge Castle ensuring best value; including income collection arrangements.
21	Community safety partnership	10	Review of arrangements to deliver the Council's community safety objectives.
22	Licensing functions (excluding Alcohol & Taxi Licensing)	12	Review of arrangements to manage the licensing process.
23	Contingency Planning & Disaster Recovery	10	Review of the Council's arrangements to ensure business continuity should a major event/disaster occur
24	Building Control	10	Review of arrangements to monitor the contract to provide the borough's Building Control service.
25	Members allowances	12	Review of arrangements to calculate and pay Members Allowances.
26	Corporate policy maintenance	10	Review of arrangements to manage the Council's corporate policies.
27	IT helpdesk	10	Review of the operation of the Council's IT Helpdesk service.
28	Empty properties	10	Review of progress against recommendations made by the Council's Scrutiny Review.
		<b>320</b>	
<u>Counter-fraud activity</u>			
29	Expenses claims (including travel & subsistence)	12	Review of arrangements to prevent and/or identify fraudulent or erroneous expenses claims.
<u>Audit follow up work</u>			
30	Follow up of all recommendations agreed by management	10	Allowance for the routine follow up and reporting to the Council's Management Team of agreed recommendations.
		<b>342</b>	Assurance work
<b>CONSULTANCY WORK</b>			
<u>Known project work</u>			
	Benchmarking	10	Allowance to provide benchmarking services as directed by the Council's Management Team.
	Project management	5	Review of the Council's arrangements to manage projects.
	Leisure trust contract monitoring	5	Allowance to provide support to deliver enhancements to existing monitoring arrangements.
	Document imaging	5	Allowance to provide support to the Council's implementation of document imaging.
	E-billing	5	Allowance to support the Council's project to introduce e-billing facilities.
	Development control	5	Allowance to support the Development Management Team in revising business processes.
		<b>35</b>	
<u>Allowances for work unknown at the time of planning</u>			
	<b>Consultancy services</b>	10	Allowance for the provision of consultancy services unknown at the time of planning.
	<b>Responsive work</b>	10	Allowance for the provision of responsive support to the Council during the financial year.
	<b>Advice and information</b>	5	Allowance for the provision of control advice and information to the Council during the year.
		<b>402</b>	

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## TONBRIDGE & MALLING BOROUGH COUNCIL

### AUDIT COMMITTEE

07 April 2015

#### Report of the Chairman of the Audit Committee

#### Part 1- Public

#### Delegated

### 1 COMPLIANCE WITH INTERNATIONAL STANDARDS ON AUDITING

This report explains how those charged with Governance are required to assure the External Auditor that the Council has complied with the requirements of the International Standards on Auditing. The report has an annex attached giving details of compliance and seeks Members' approval of the responses given.

#### 1.1 Background

1.1.1 The above standards require an assurance for the External Auditor that the body charged with corporate governance is fulfilling its role in relation to management processes for identifying the risk of fraud and breaches of internal control. Specifically this requires confirmation of:

- How the body charged with corporate governance oversees management processes to identify and respond to such risks, and
- Whether the body charged with corporate governance has knowledge of any actual, suspected or alleged frauds affecting the Council.

1.1.2 A set of specific questions were received from the External Auditor. Responses are given to these questions to give assurance that there is compliance with the standards.

1.1.3 The responsibilities for corporate governance at Tonbridge & Malling now rest with the Audit Committee.

#### 1.2 Assurance Evidence

1.2.1 The questions and responses are attached at **[Annex 1]**. The responses to the questions have been prepared and agreed with the Chairman of the Audit Committee.

1.2.2 Members of the Audit Committee are required to consider these responses and, in so doing, to be satisfied that the Council is complying with International Standards on Auditing.

1.2.3 Management Team are also required to provide assurance of compliance with International Standards on Auditing in a separate questionnaire which can be found elsewhere on this agenda. This will provide the Audit Committee with additional evidence for their consideration.

1.2.4 There have not been any reported incidents of significant fraud or error to the Chief Internal Auditor during 2014/15.

### **1.3 Legal Implications**

1.3.1 Failure to comply with these standards could leave the Council open to a higher incidence of fraud and error resulting in additional legal costs to resolve.

### **1.4 Financial and Value for Money Considerations**

1.4.1 Non-compliance with these standards could result in additional work being required by the External Auditor to satisfy them that fraud and error were being prevented.

1.4.2 Any incidents of fraud require in depth investigation and use considerable resources to resolve. Any cost effective action to prevent instances of fraud will result in better use of resources.

### **1.5 Risk Assessment**

1.5.1 It is considered that the risk management system in place supported by the policies and internal controls are sufficiently robust to minimise incidents of fraud and error to ensure compliance with the standards.

### **1.6 Equality Impact Assessment**

1.6.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

### **1.7 Recommendations**

1.7.1 It is **RECOMMENDED** that the Audit Committee consider the attached answers in **[Annex 1]** and agree this assurance.

Background papers:

contact: David Buckley

Council policies and records

Councillor Vivian Branson  
Chairman of the Audit Committee

## Tonbridge & Malling BC

### 2014/15 Financial statements

#### Compliance with International Standards on Auditing: Information requested from Those Charged With Governance

##### Introduction

As part of our risk assessment procedures external auditors are required to obtain an understanding of certain management processes and the oversight of those processes by Those Charged With Governance (TCWG).

We therefore request responses from TCWG to the questions set out below. It is suggested the responses from TCWG should follow consideration of the responses from management.

For Tonbridge & Malling BC responsibility for approving the accounts falls to the Audit Committee.

ISA 240: Fraud		
1	How do TCWG exercise oversight of management's processes in relation to:	
a)	Undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud.	<p>The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the UK 2014/15. A Statement of Responsibilities for the Statement of Accounts is included in the Statement of Accounts which is approved by the Audit Committee and subsequently signed by the Chairman of the Committee and the Director of Finance and Transformation. This Statement of Responsibilities is supported by a detailed declaration from the Director of Finance and Transformation.</p> <p>The Accounts also contain the Annual Governance Statement which confirms compliance with the Code of Corporate Governance. It is signed by the Chief Executive and the Leader of the Council and confirms that there are no known breaches of laws and regulations.</p> <p>The accounts are presented to Members with an accompanying report which explains significant items and movements.</p>
b)	Identifying and responding to risks of fraud in the organisation (including how TCWG oversee any specific risks of fraud which management has brought to its attention, or any classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist).	<p>The zero-tolerance culture of the organisation towards fraud is reinforced by use of Anti-Fraud and Corruption Policies supported by a Whistleblowing Charter with outcomes being reported to Members. There is a comprehensive internal audit programme based upon a risk assessment that covers all of the main accounting systems on a regular basis. These reviews result in an assurance level being given to Members for each individual audit and this is used by the Chief Internal Auditor to give an overall assurance level to Members in his Annual Report. In addition, all reports and recommendations are reported to relevant Chief Officers and management with</p>

		<p>comprehensive follow-up procedures that monitor improvement.</p> <p>The Council works with partners to identify and investigate fraud. The referrals made through the National Fraud Initiative (NFI) exercise are investigated and outcomes are reported to Members of the Audit Committee.</p> <p>The Fraud Section works closely with the Department of Work and Pensions (DWP) to investigate allegations of fraud. There is also participation in the Housing Benefit Matching System that uses data matching in order to identify incorrect benefit payments. The outcomes of benefit investigations are regularly reported to the Finance, Innovation &amp; Property Advisory Board and in future to the Audit Committee.</p>
c)	Communication to employees of views on business practice and ethical behaviour.	<p>In order to make sure that all staff are fully aware of Anti-Fraud Policies, Anti-Money Laundering Policy and Whistleblowing Charter the Council uses "Netconsent". This is software that requires staff to read policies and acknowledge understanding of them before they can log on to the Council's computer systems. This has also been used to circulate Data Protection and email usage policies.</p> <p>All staff are required to abide by the Council's Code of Conduct and this is provided upon appointment to the Council. The Code of Conduct has been circulated to staff by use of Netconsent. There are enhanced Codes of Conduct in some sections such as Housing Benefits and Internal Audit where staff are also required to sign additional specific Codes of Conduct.</p>
d)	Communication to TCWG the processes for identifying and responding to fraud.	The Anti-fraud and supporting policies are reviewed and agreed by Members on a regular basis. Any serious breaches are reported to Members with action taken to improve control weaknesses that were identified.
2	Have TCWG identified any specific fraud risks within the organisation, particular locations where fraud is more likely to occur, or areas that are at risk of fraud?	<p>The Audit Committee is also responsible for overseeing the risk management process in place. Besides reviewing the risk management process the Committee is given regular reports on the risk exposure levels identified in the risk registers including specific attention to high risk areas. Regular reporting of insurance claims takes place. This would include any claims that have arisen from fraud or breaches of internal control.</p> <p>When the Annual Audit Plan is considered by the Audit Committee it will have taken into account any areas identified as high risk. Members receive an Annual Fraud Report detailing the work of the Investigations Team into the Council's highest fraud risk areas. Members are updated on publications such as "Protecting the Public Purse", exercises such as the National Fraud Initiative and action taken to address any issues raised.</p>

3	<p>How are staff encouraged to report their concerns about fraud, and the types of concerns that they are expected to report?</p>	<p>All staff are made aware of the Whistleblowing Charter using email and "Netconsent". The most recent version of this Charter was circulated to staff using Netconsent. Frontline staff were given fraud awareness training.</p> <p>The Corporate Governance web pages were redrafted following the review of policies. In 2013/14 there was an online fraud awareness session made available to all staff with computer access.</p> <p>The Council has a Whistleblowing Charter that is available to all staff and external stakeholders. This charter enables concerns to be raised confidentially with a prescribed explanation of how they will be investigated and dealt with. It also gives guidance on the types of concerns to raise.</p>
4	<p>How do they satisfy themselves that internal controls, including segregation of duties, exist and work effectively?</p>	<p>Members are presented with an Annual Governance Statement that informs them of the procedures in place that are designed to minimise the risk of fraud and error.</p> <p>The Internal Audit process requires the auditor to give a level of assurance on the area audited. There are regular reports provided to the Audit Committee that inform Members of these assurance levels. Members are also given a summary of the audit with details of any recommendations made.</p> <p>The Committee are able to question the Chief Internal Auditor or his staff on the contents of this report in order to satisfy themselves that adequate internal controls are in place to prevent fraud and breaches of internal control.</p> <p>Where there is a perceived weakness the report will contain steps recommended to strengthen the controls.</p> <p>Any reports addressed to the Council from the External Auditor are presented to the Audit Committee. The External Auditor and or his representative/s regularly attend Audit Committee meetings and will present their findings to the Audit Committee as well as answering any questions on the reports.</p>
5	<p>Are TCWG aware of any actual, suspected or alleged frauds during the year?</p> <p>If yes, what has been the response?</p>	<p>The only frauds that have been reported to Members during 2014/15 related to benefit fraud and these were reported to the Finance, Innovation and Property Advisory Board. No other significant concerns in 2014/15 have been reported to Members.</p>
6	<p>Are TCWG aware of any whistleblower tips or complaints during the year?</p> <p>If yes, what has been the response?</p>	<p>There were two concerns raised during the year 2014/15. One of these was found to be unfounded and the other was found to be a breach of the Code of Conduct that resulted in a disciplinary hearing. These have only recently been concluded and have not yet been reported to Members.</p>

<b>ISA 250: Compliance with laws and regulations</b>		
7	How do TCWG satisfy themselves that the Council complies with legislation and relevant regulatory frameworks?	The Council's Constitution is written to ensure compliance with law and requires all officers to comply with the relevant legislation. The Annual Governance Statement contains assurance that all relevant laws have been complied with. Any breaches of laws or regulations will be reported to Members by the Monitoring Officer.
8	Are you aware of any actual or potential litigation or claims that could materially affect the financial statements?	No issues are ongoing that could materially affect the financial statements.
<b>ISA 260: Accounts planning risk</b>		
9	Are TCWG aware of any significant internal and external operational, financial, compliance or other risks facing the Council which might have an effect on the financial statements? Where there are such risks, what is the likelihood of those risks materialising?	<p>The risk management system requires all Chief Officers to regularly review their risk registers and report any movements into the high area to Management Team.</p> <p>The results of these reviews of risk registers are reported to the Audit Committee and include specific information on high risk areas.</p> <p>In addition all reports requiring Members decision will contain an explanation of expected risk and steps taken to minimise the risk.</p> <p>These processes have not identified any events that might have a material effect on the 2014/15 financial statements.</p>
10	Are there any matters TCWG consider warrant particular attention during the audit? Are there any areas where they would request additional procedures to be undertaken?	There are no matters which TCWG consider warrant particular attention or areas where they consider additional procedures should be undertaken.
<b>ISA 570: Going concern</b>		
11	How do TCWG satisfy themselves that it is appropriate to adopt the going concern basis in preparing the financial statements?	<p>Going concern status is maintained through the use of the Medium Term Financial Strategy. The aim of the Strategy is to give us a realistic and sustainable plan that reflects the Council's priorities.</p> <p>The Council currently holds adequate levels of reserves that could be used in the event of emerging financial difficulties in the short term, allowing for more detailed plans to be considered and put in place for the longer term.</p> <p>Members receive regular reports on the financial position of the Council and, in turn, the impact on the Medium Term Financial Strategy and reserve balances.</p> <p>The assessment of going concern will also take into account the Council's status as a tax-raising body.</p>

## TONBRIDGE & MALLING BOROUGH COUNCIL

### AUDIT COMMITTEE

07 April 2015

#### Report of the Management Team

#### Part 1- Public

#### Matters for Information

#### **1 MANAGEMENT TEAM ASSURANCE ON COMPLIANCE WITH INTERNATIONAL STANDARDS ON AUDITING**

**There is a requirement for Management Team to confirm to the External Auditor that the above auditing standards have been complied with. The Audit Committee has to provide a similar assurance and this report provides supporting evidence to their consideration.**

#### **1.1 Assurance**

1.1.1 The determination of compliance with these standards is based upon a set of questions posed by the External Auditor. Responses to these questions have been considered and agreed by the senior Management Team.

1.1.2 The questions and responses are attached at **[Annex 1]**.

1.1.3 It is the opinion of Management Team that these standards are being complied with.

#### **1.2 Legal Implications**

1.2.1 Failure to comply with these standards could leave the Council open to a higher incidence of fraud and error resulting in additional legal costs to resolve.

#### **1.3 Financial and Value for Money Considerations**

1.3.1 Non-compliance with these standards could result in additional work being required by the External Auditor to satisfy them that fraud and error were being prevented.

1.3.2 Any incidents of fraud require in depth investigation and use considerable resources to resolve. Any cost effective action to prevent instances of fraud will result in better use of resources.

#### **1.4 Risk Assessment**

It is considered that the risk management system in place supported by the policies and internal controls are sufficiently robust to minimise incidents of fraud and error to ensure compliance with the standards.

Background papers:

contact: David Buckley

Council policies and records

Sharon Shelton

Director of Finance and Transformation on behalf of Management Team



## Tonbridge & Malling BC

### 2014/15 Financial statements

## Compliance with International Standards on Auditing: Information requested from management

### Introduction

As part of our risk assessment procedures external auditors are required to obtain an understanding of certain management processes and the oversight of those processes by Those Charged With Governance (TCWG). We therefore request responses from management and TCWG to the questions set out below.

For Tonbridge & Malling BC responsibility for approving the accounts falls to the Audit Committee.

### Fraud

ISA (UK&I) 240 covers auditor's responsibilities relating to fraud in an audit of financial statements.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks and how TCWG oversee these processes. As part of the oversight process TCWG should consider the potential for override of controls and inappropriate influence over the financial reporting process.

We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud.

	Please explain how management:	2014/15 Responses:
1	Undertakes an assessment of the risk that the financial statements may be materially misstated due to fraud. Is there such a risk for 2014/15? If so what are the accounts, classes of transactions, or disclosures where fraud risks have been identified or are likely to exist?	<p>We consider that the potential for material misstatement within the financial statements due to fraud is negligible. This assessment is based upon the use of budgetary control, risk management and significant peer review by senior officers during the accounts close-down process.</p> <p>Management are asked to consider the risk of fraud and error when completing their operational risk registers and any areas that are considered significant risk are reported to Management Team.</p> <p>The Internal Audit planning process carries out a risk assessment in order to score against fraud and error and targets those areas where the risk is considered highest.</p> <p>Management review financial statements as part of the year end closedown.</p> <p>This review includes the completion of a checklist on what reviews have been undertaken in order for the Section 151 Officer to be satisfied that the accounts have been prepared with a minimal risk of financial misstatement.</p> <p>No material risks have been identified for 2014/15.</p>
2	Identifies and responds to the risk of fraud in the organisation.	<p>The zero-tolerance culture of the organisation towards fraud is reinforced by use of Anti-Fraud and Corruption policies supported by a Whistleblowing Charter with</p>

		<p>outcomes being reported to Members. Any reported allegations of fraud will be investigated and dealt with according to the relevant policies.</p> <p>The Internal Audit planning process carries out a risk assessment in order to score against fraud and error and targets those areas where the risk is considered highest. The subsequent reviews result in an assurance level being given to Management and Members for each audit and this is used by the Chief Internal Auditor to give an overall assurance level to Members in his Annual Report. In addition, all reports and recommendations are reported to relevant Chief Officers and management with comprehensive follow-up procedures that monitor improvement.</p> <p>There is a strong risk management culture within the organisation. Management is required to consider fraud and error within their services as part of the risk management process. Management have a duty to report any changes in movement towards greater risk and are also required to report any concerns of fraud for investigation.</p> <p>The authority undergoes regular budgetary control reporting to management and Members, and this should identify potential fraud as being a variation to the set budget. Internal Audit testing of risk areas is designed to identify potential anomalies. All services are required to complete risk registers and to consider the risk of fraud in this exercise.</p>
3	Communicates to employees its views on business practice and ethical behaviour.	<p>Anti-Fraud Policies are frequently reviewed and distributed to staff. These include a statement of zero-tolerance towards fraudulent behaviour.</p> <p>Where staff have computer access they are required to acknowledge reading and understanding the policies by the use of NETconsent at log in point. These policies have recently been reviewed and will be distributed to staff after they are approved.</p> <p>The Council web pages on fraud will be updated and the latest versions of Anti-Fraud Policies will be distributed through NETconsent.</p>
4	Communicates to TCWG the processes for identifying and responding to fraud.	<p>All policies relating to governance are regularly reviewed by TCWG. Any significant breaches, together with action taken to prevent future breaches are reported to the relevant Committee.</p>

To support audit planning we would also like to obtain the following information. It is suggested a response is agreed by the management team.

5	Are you aware of any instances of fraud, errors or other regularities within the organisation during the year?	<p>There have not been any reports of fraud or significant error reported to the Director of Finance and Transformation during this period.</p>
6	Do you suspect fraud may be occurring within the organisation?	<p>There have not been any areas of concern raised or any evidence of fraud referred to the Director of Finance and Transformation during this period. All Directors are required to submit an annual assurance statement</p>

		<p>which includes a requirement to declare any suspicions of significant fraud or error within their service. Fraud work has been targeted towards additional areas of investigation as promoted by the annual "Protecting the Public Purse" publication.</p>
7	<p>How do you encourage staff to report their concerns about fraud, and what type of concern are they expected to report?</p>	<p>Staff are presented with all updated policies on a regular basis and are required to acknowledge reading them and understanding them by the use of NETconsent. All staff are made aware that a failure to raise concerns is not acceptable.</p> <p>During 2013/14 all staff with computer access were given the opportunity to undertake on-line fraud awareness training. A total of 151 members of staff undertook the training. It was available to 390 staff but this included a number of leisure staff who had email addresses for pay slips but no access to a PC for the training so a %age would be misleading.</p> <p>The Council has approved a Whistleblowing Charter that enables staff to report concerns on a confidential basis. This refers to the Anti-Fraud and Corruption Statement to identify concerns that should be raised.</p>
8	<p>Are you aware of any whistleblower tips or complaints during the year and what was your response?</p>	<p>There were two issues raised under the Whistleblowing Charter during the period that were referred to senior management. These were investigated and it was concluded that one case was unfounded, the other case was a breach of the Code of Conduct which was subject to a disciplinary hearing but there was no element of fraud involved. The Charter is currently being reviewed and will be circulated to staff once agreed.</p>
9	<p>Have any reports been made during the year under the Bribery Act?</p>	<p>There have not been any reports of breaches reported.</p>
10	<p>Are you aware of any entries made in the accounting records of the organisation that you believe or suspect are false or intentionally misleading?</p>	<p>There have not been any suspicions raised with the Director of Finance and Transformation nor have there been any indicators within the budget monitoring process that suggest this has occurred.</p> <p>The Council has a Whistleblowing Charter that enables staff to raise concerns in line with the Public Disclosure Act 1998.</p>
11	<p>Are you aware of any organisational or management pressure to meet financial or operating targets?</p>	<p>Regular reporting of the Council's financial position is made to the Management Team. The Director of Finance and Transformation will regularly revise the Medium Term Financial Strategy as financial and operating targets become stretched. The approach adopted is to recognise trends and revise targets appropriately to respond to change with Management and Members being provided with regular updates.</p> <p>Budget monitoring takes place constantly and any issues are identified at an early stage. As a result of the Government's public sector savings targets, the Council continues to manage pressures for further savings and efficiencies. Management Team does not believe that this pressure on the organization as a whole compromises internal controls increasing the risk of fraud or error. Changes to procedures must be agreed by Management.</p>

## Compliance with laws and regulations

Under ISA 250 we are required to obtain an understanding of the legal and regulatory framework applicable to the Council. We are also required to obtain from management a general understanding of the procedures followed by the Council to ensure compliance with this framework.

12	Please provide a brief summary of the procedures followed by the Council to ensure compliance with legislation and relevant regulatory frameworks.	<p>The Council's Constitution contains the details of regulatory framework. The Constitution also contains details of delegated responsibilities.</p> <p>All decision making Committee papers include a section for legal consideration and a synopsis of the legal position is included in reports.</p> <p>Any significant breaches of legislation are investigated by the Monitoring Officer and are reported to Members.</p>
13	Have there been any suspected breaches of the legal and regulatory framework reported to the Monitoring Officer during the year? Is there any indication of significant concerns not reported to the Monitoring Officer, or is the Council on notice of possible instances of non-compliance?	<p>There have been no suspected breaches of the legal and regulatory framework reported to the Monitoring Officer during the year. There is no indication of significant unreported concerns, or possible instances of non-compliance.</p>

## Accounts planning risk

Under ISA 260 there is a requirement on auditors to obtain Management's view on:

14	The processes in place to identify risks which relate to financial reporting.	<p>Risks which relate to financial reporting are mitigated by a robust financial planning and control framework including budgetary control and ensuring that staff involved in the process have the requisite skills and experience to fulfil their responsibilities.</p>
15	The nature and extent of any significant internal and external operational, financial, compliance or other risks facing the Council which might have an effect on the financial statements.	<p>There is a requirement under the Council's Risk Management system for all risks identified as being "High" risk to be reported to Management Team. These risks have been reported to Management Team and there are none that have been identified as having a significant risk on the financial statements of the Council.</p> <p>The Council has a Medium Term Financial Strategy and risks identified that are likely to have an effect on the finances of the Council are factored into this plan. Regular reviews of the MTFS ensure that financial planning is closely monitored.</p>
16	Where there are such risks, the likelihood of those risks materialising.	<p>As stated above there are no risks that have been deemed to fall into this category.</p>
17	Matters and events which occurred during the year that could influence our audit approach or the entity's financial statements.	<p>None to the best of our knowledge.</p>
18	The appropriateness of the	<p>Review of accounting policies recently undertaken with</p>

	accounting policies to be used in the period and whether any changes in the entity's activities could require them to be updated.	no major updates considered necessary.
19	Their awareness of laws, accounting standards, corporate governance and regulatory requirements (including changes in or new items) that could affect the financial statements.	Management Team kept informed of changes in accounting standards and regulatory requirements that could have a significant effect on the financial statements.
20	Their views on the entity's control environment, including the process of reviewing the effectiveness of the system of internal control and the results of any review.	Internal Audit reviews the effectiveness of internal controls audit and report accordingly to Management Team. Recommendations are made to chief officers, and at least once a year, a complete summary of recommendations is given to the whole Management Team.  Management Team is satisfied as to the effectiveness of internal controls.
21	Have there been any significant transactions that are outside the Council's normal business activities?	None to the best of our knowledge.

## Litigation and claims

Under ISA (UK&I) 501 auditors are required to perform audit procedures to identify litigation and claims involving the entity which may give rise to a risk of material misstatement.

22	What are management's policies and procedures for identifying, evaluating and accounting for litigation claims and assessments?	Any claims received are reviewed according to the circumstances of the claim.
23	Are there litigation and claims involving the Council which may give rise to a risk of material misstatement?	None that would give rise to a material misstatement.
24	Have there been any inquiries or examinations performed by licensing, tax or other authorities and other regulators during the year?	The only enquiry from an external regulator requiring management input was a return to the Communications Commissioner relating to use of RIPA Communications powers. This was a nil return.
25	Please identify any external solicitors used during the year or who were working on open litigation or contingencies from prior years.	Bevan Britton.

## Related Parties

Under ISA (UK&I) 501 auditors are required to inquire of management and TCWG to obtain an understanding of the controls over related parties.

26	What controls does the Council have	All staff are required to disclose any interests and this
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	in place to identify, account for, and disclose, related party transactions and relationships (to include procedures over authorisation, recording and agreement of related party transactions?	includes the potential for related party transactions. If there are any potential conflicts of interest then the person must not deal with the transaction. Failure to comply with this requirement is a disciplinary matter.
27	Are you aware of any related party relationships or transactions that could give rise to instances of fraud?	There is no awareness of any related party relationships that could give rise to instances of fraud. Chief Officers are required to complete a form annually declaring any such interests and each service maintains a record of disclosures of staff within the section.

## Going concern

ISA (UK&I) 570 covers auditor responsibilities in the audit of financial statements relating to management's use of the going concern assumption in the financial statements.

The going concern assumption is a fundamental principle in the preparation of financial statements. Under this assumption entities are viewed as continuing in business for the foreseeable future. Assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business.

Under ISA 570 we are required to obtain from management an assessment of the organisation's ability to continue as a going concern.

28	How do management satisfy themselves that it is appropriate to adopt the going concern basis in preparing the financial statements?	<p>Going concern status is maintained through the use of the Medium Term Financial Strategy. The aim of the Strategy is to give us a realistic and sustainable plan that reflects the Council's priorities.</p> <p>The Council currently holds adequate reserves that could be used in the event of emerging financial difficulties in the short term, allowing for more detailed plans to be considered and put in place for the longer term.</p>
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## TONBRIDGE & MALLING BOROUGH COUNCIL

### AUDIT COMMITTEE

07 April 2015

#### Report of the Director of Finance & Transformation

#### Part 1- Public

#### Matters for Information

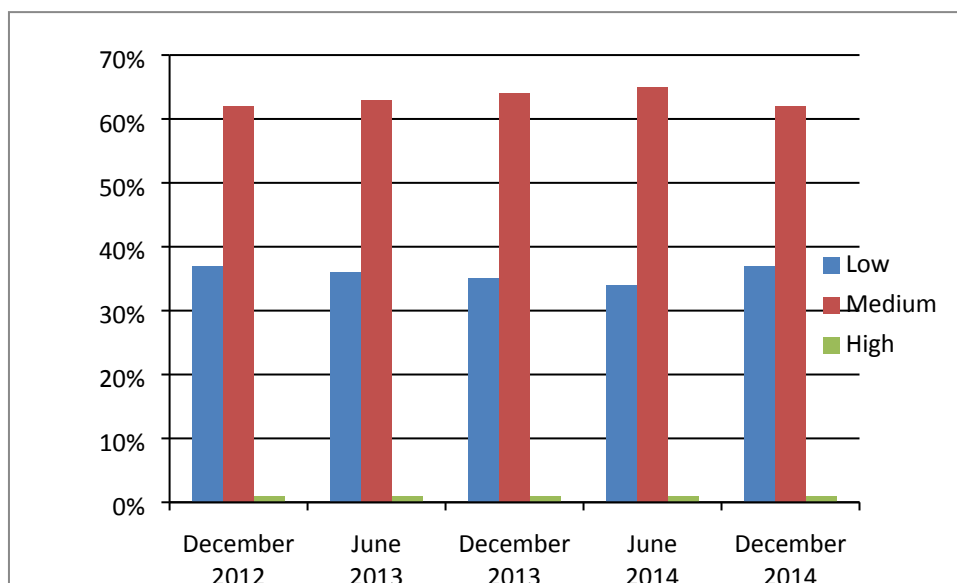
#### 1 REVIEW OF OPERATIONAL RISK REGISTERS – DECEMBER 2014

**This report serves to confirm to Members that the Council’s Service Operational Risk Registers have been reviewed and Chief Officers have been made aware of any high risk areas.**

##### 1.1 Background

1.1.1 Services are required to review their Operational Risk Registers on a 6 monthly basis, the objective being to ensure that management and Members are informed of the overall level of risk.

1.1.2 The results of the June 2014 review were not reported to this Committee and those figures are now included within this report. Members will note from the graph shown below that there has been little movement in the spread of risk.



	Low	Medium	High
December 2012	37%	62%	1%
June 2013	36%	63%	1%
December 2013	35%	64%	1%
June 2014	34%	65%	1%
December 2014	37%	62%	1%

- 1.1.3 The process used by Services to assess and maintain their registers has been in place for a number of years and there is now a need for that process to be refreshed. To that end, and in order to ensure a consistent approach to the exercise, meetings are to be held with officers from each Service to discuss the purpose of the registers and how they should be prepared and maintained.
- 1.1.4 Unfortunately, because of unforeseen circumstances, the commencement of this exercise was delayed. However, it is hoped that work will commence in time for the next review in June 2015.

## **1.2 Legal Implications**

- 1.2.1 There are no specific legal implications relating to the maintenance of risk registers. However, there is an implied requirement for this procedure within the Accounts & Audit Regulations.

## **1.3 Financial and Value for Money Considerations**

- 1.3.1 None.

## **1.4 Risk Assessment**

- 1.4.1 The maintenance of up to date and relevant registers is seen as being an important feature of the Council's risk management process.

## **1.5 Policy Considerations**

- 1.5.1 Business Continuity / Resilience

Background papers:

contact: Brian Courtney

Nil

Sharon Shelton  
Director of Finance & Transformation



## TONBRIDGE & MALLING BOROUGH COUNCIL

### AUDIT COMMITTEE

07 April 2015

#### Report of the Director of Finance and Transformation

#### Part 1- Public

#### Matters for Information

#### **1 GRANT THORNTON ITEMS FOR AUDIT COMMITTEE**

**This report introduces items from the Council's external auditors (Grant Thornton) the 2014/15 Audit Plan and Audit Committee Update.**

#### **1.1 2014/15 Audit Plan**

1.1.1 Each year under auditing standards our external auditors are required to issue an accounts audit plan [**Annex 1**] setting out the proposed approach to the audit of the Council's financial statements.

1.1.2 Although it identifies a number of risks which the external auditors will consider for our audit, in all cases these are applicable to local authorities generally; there is nothing specific to Tonbridge & Malling which need to be drawn to the Committee's attention. There are also no points arising from their interim work to date which I need to draw to your attention.

#### **1.2 Audit Committee Update**

1.2.1 This paper [**Annex 2**] provides the Audit Committee with a report on progress in delivering their responsibilities as the Council's external auditors. The paper also includes a summary of emerging national issues and developments that may be relevant to us as a Council.

#### **1.3 Legal Implications**

1.3.1 As set out in the documents.

#### **1.4 Financial and Value for Money Considerations**

1.4.1 As set out in the documents.

#### **1.5 Risk Assessment**

1.5.1 The Update gives details of emerging issues that will require future consideration.

Background papers:

contact: Paul Worden

Nil

Sharon Shelton  
Director of Finance and Transformation



# The Audit Plan for Tonbridge & Malling Borough Council

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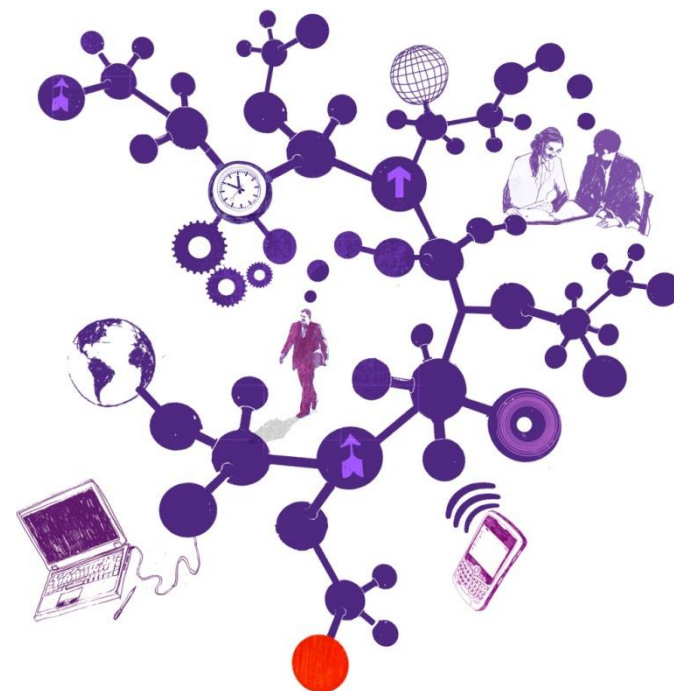
**Year ended 31 March 2015**

March 2015

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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 as part of our audit process. 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 any 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.

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## Section

1. Understanding your business
2. Developments relevant to your business and the audit
3. Our audit approach
4. An audit focused on risks
5. Significant risks identified
6. Other risks
7. Value for Money
8. Results of interim work
9. Key dates
10. Fees and independence
11. Communication of audit matters with those charged with governance

# Understanding your business

In planning our audit we need to understand the challenges and opportunities you are facing. We set out a summary of our understanding below.

## Challenges/opportunities

### 1. Strategic planning and transformation

- The Council invited the LGA to undertake a Corporate Peer Challenge in April 2014. Following this review a number of workstreams have been set up to consider issues around strategic planning, transformation and operational change.

### 2. Financial position

- Local authorities continue to face significant financial pressures following reductions in government funding. There is also uncertainty around the future of New Homes Bonus, which is a significant income stream for the Council. A robust medium-term financial planning framework is needed to address these pressures.

### 3. Delivering efficient and effective services

- In recent years the Council's financial planning has been supported by new approaches to service delivery, contract savings and internal efficiencies. The medium term financial strategy anticipates that further efficiency savings will be needed in future years.

### 4. Timetable for financial reporting

- The Accounts and Audit Regulations 2015 come into effect from 1 April 2015. These bring forward the local government reporting timetable for published accounts to 31 July in 2017/18. In 2017/18 draft financial statements will need to be prepared by 31 May. The Council's current closedown processes suggest it is well placed to achieve the accelerated timetable.

## Our response

We will

- monitor progress with these workstreams and consider any issues relevant to our value for money conclusion for 2014/15.

We will

- review your financial planning framework as part of the work to support our value for money conclusion.

We will

- consider if you continue to have efficient and effective arrangements for the delivery of services as part of the work to support our value for money conclusion.

Although not an issue for 2014/15 we will continue to work with you to;

- identify ways of further streamlining the process for preparing the financial statements
- investigate if there are ways to make the accounts more transparent and understandable.

# Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the code') and associated guidance.

## Developments and other requirements

### 1. Financial reporting

- Changes to the CIPFA Code of Practice

### 2. Legislation

- Local Government Finance settlement

### 3. Corporate governance

- Annual Governance Statement (AGS)
- Explanatory foreword

### 4. Financial Pressures

- Managing service provision with less resource
- Progress against savings plans

### 5. Other requirements

- The Council is required to submit a Whole of Government accounts pack
- The Council completes a claim for housing benefit subsidy grant on which audit certification is required

## Our response

We will

- liaise with the Council's finance team on relevant issues prior to the accounts being prepared
- ensure that you comply with the requirements of the CIPFA Code of Practice through our work to review the 2014/15 financial statements.

We will

- discuss the impact of legislative changes through our regular meetings with senior management and those charged with governance, providing a view where appropriate.

We will

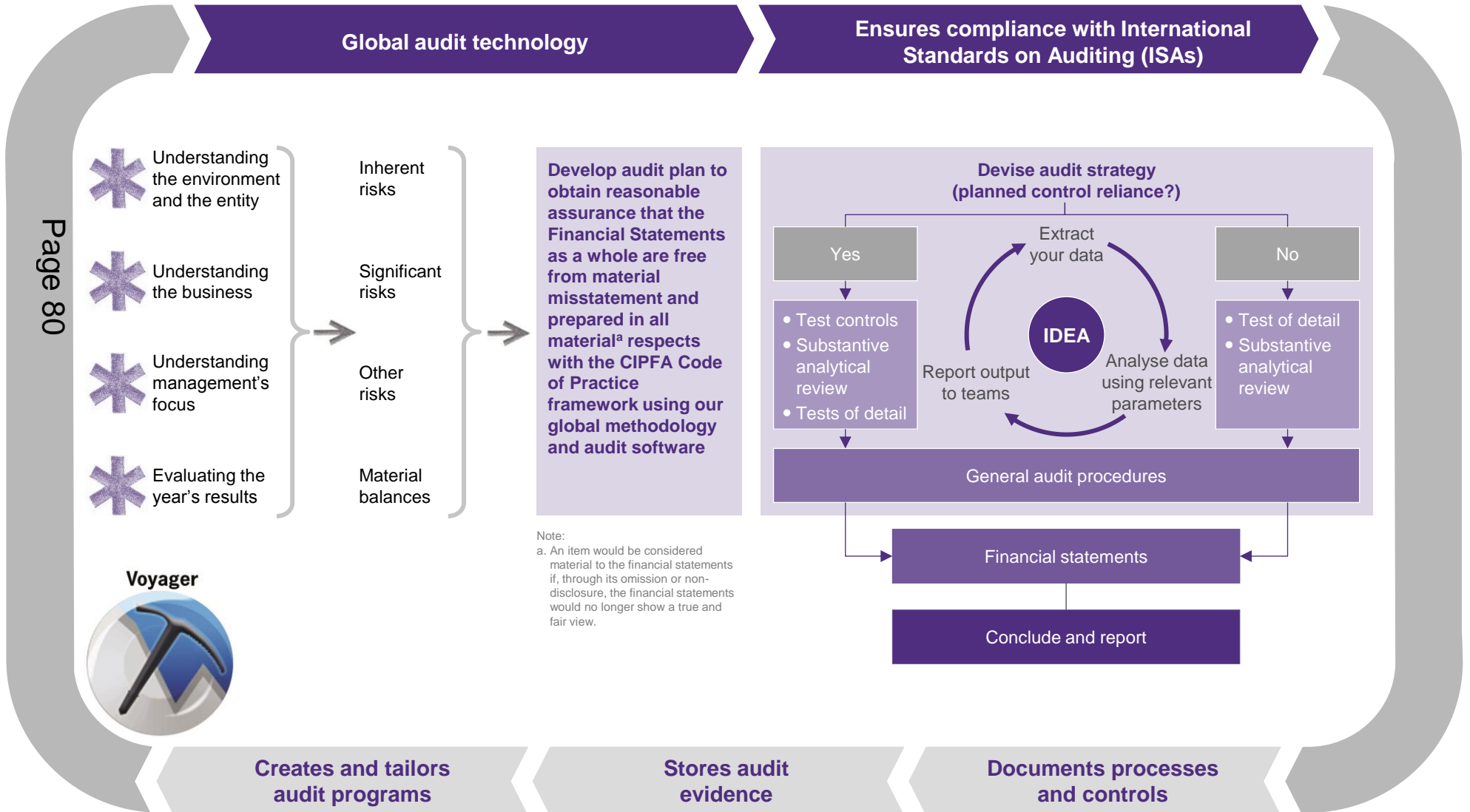
- review the arrangements in place for the production of the AGS
- review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge

We will

- review your performance against the 2014/15 budget
- undertake a wider review of financial resilience issues to support our VFM conclusion

- We will carry out work on the WGA pack in accordance with requirements
- We will certify the housing benefit subsidy claim in accordance with the requirements specified by Public Sector Audit Appointments Ltd. This company will take over the Audit Commission's responsibilities for housing benefit grant certification from 1 April 2015.

# Our audit approach





# Significant risks identified

'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 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council we have determined that the risk of fraud arising from revenue recognition can be rebutted because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including those at the Council, mean that all forms of fraud are seen as unacceptable.</li> </ul>
Management over-ride of controls	Under ISA 240 the presumption that the risk of management over-ride of controls is present in all entities.	<p><b>Work planned:</b></p> <ul style="list-style-type: none"> <li>• testing of journal entries</li> <li>• review of accounting estimates, judgments and decisions made by management</li> <li>• review of any unusual significant transactions</li> </ul>

# Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit Approach
Operating expenses Page 82	Creditors understated or not recorded in the correct period	<b>Work completed to date:</b> <ul style="list-style-type: none"> <li>• Identification and walkthrough of system controls</li> </ul> <b>Further work planned:</b> <ul style="list-style-type: none"> <li>• Substantive testing of creditor balances</li> <li>• Cut-off testing to ensure that transactions have been recorded in the correct accounting period.</li> </ul>
Employee remuneration	Employee remuneration accruals understated	<b>Work completed to date:</b> <ul style="list-style-type: none"> <li>• Identification and walkthrough of system controls</li> </ul> <b>Further work planned:</b> <ul style="list-style-type: none"> <li>• Review of yearend reconciliations to ensure completeness of information in the accounts</li> <li>• Trend analysis to assess completeness of payroll information</li> </ul>

# Value for money

## Value for money

The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

We have undertaken a risk assessment to identify areas of risk to our VfM conclusion. We will undertake work in the following areas to address the risks identified:

- review your Medium Term Financial Strategy.

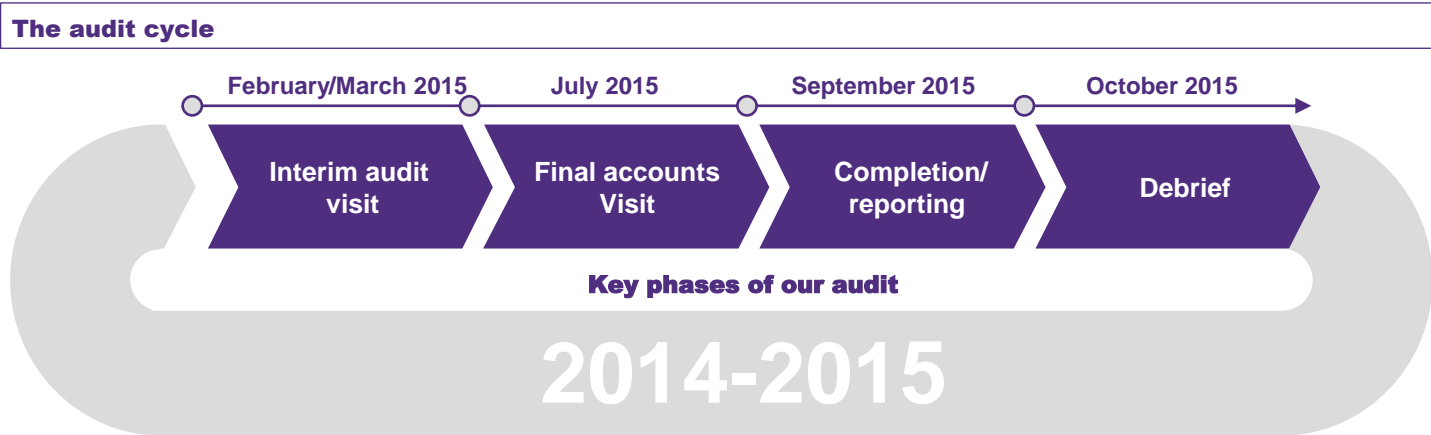
The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter.

# Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Findings and conclusion
<b>Internal audit</b>  Page 84	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall we have concluded that the internal audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
<b>Walkthrough testing</b>	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p>	<p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.</p> <p>Our work has not identified any weaknesses which impact on our audit approach.</p>
<b>Entity level controls</b>	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> <li>• Communication and enforcement of integrity and ethical values</li> <li>• Commitment to competence</li> <li>• Participation by those charged with governance</li> <li>• Management's philosophy and operating style</li> <li>• Organisational structure</li> <li>• Assignment of authority and responsibility</li> <li>• Human resource policies and practices.</li> </ul>	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.</p>

# Key dates



Date	Activity
January 2015	Planning
February/March 2015	Interim site visit
7 April 2015	Presentation of audit plan
July 2015	Year end fieldwork
7 September 2015	Report audit findings to those charged with governance
By 30 September 2015	Sign financial statements opinion and VFM conclusion

# Fees and independence

## Fees

	£
Council audit	61,035
Grant certification (indicative)	21,600
<b>Total fees (excluding VAT)</b>	<b>82,635</b>

### Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

### Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited, as the successor to the Audit Commission in this area.

## Fees for other services

Service	Fees £
None	Nil

### Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

### 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 Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

# Communication of audit matters with those charged with governance

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

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

## Respective responsibilities

This plan 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](http://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 issue 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		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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# Audit Committee Update for Tonbridge & Malling Borough Council

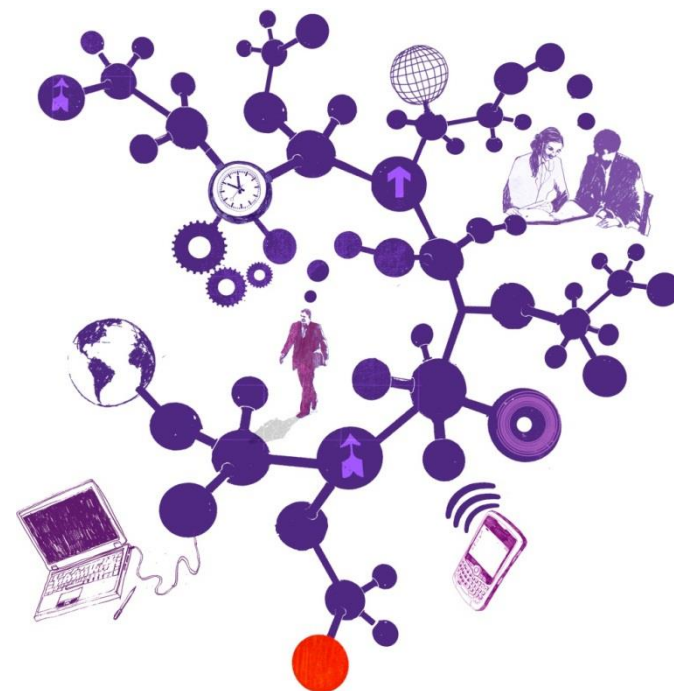
**Year ended 31 March 2015**

March 2015

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Engagement Manager  
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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 as part of our audit process. 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 your business or any 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.

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# Contents

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Emerging issues and developments	7

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# Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes a summary of emerging national issues and developments that may be relevant to you as a Council.

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector at [www.grant-thornton.co.uk/en/Services/Public-Sector/](http://www.grant-thornton.co.uk/en/Services/Public-Sector/) and where you can also download copies of our publications.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

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Darren Wells      Engagement Lead      T 01293 554120      E [darren.j.wells@uk.gt.com](mailto:darren.j.wells@uk.gt.com)

Trevor Greenlee      Engagement Manager      T 01293 554071      E [trevor.greenlee@uk.gt.com](mailto:trevor.greenlee@uk.gt.com)

# Progress at January 2015

Work	Planned date
<p><b>Interim accounts audit</b> Our interim work will include:</p> <ul style="list-style-type: none"> <li>• work to understand how the Council's functions are delivered, the control environment and the framework of controls for financial systems</li> <li>• walkthrough testing to confirm whether controls are implemented in accordance with our understanding in areas where we have identified a possible risk of material misstatement</li> <li>• early substantive testing</li> <li>• early work on any emerging accounting issues.</li> </ul>	<p>January – March 2015</p> <p>The outcomes from our work to date are reported in our 2014/15 Audit Plan, which is included as a separate item on today's agenda.</p>
<p><b>2014/15 Accounts Audit Plan</b> Under auditing standards we are required to issue a detailed accounts audit plan setting out our proposed approach to the audit of the 2014-15 financial statements.</p>	<p>Our 2014/15 Audit Plan is included as a separate item on today's agenda.</p>
<p><b>2014/15 final accounts audit</b></p> <p>In 2014/15 Grant Thornton has again run accounts workshops for officers at local authorities involved in preparing the financial statements. The workshops drew attention to current issues and changes in guidance and provided the opportunity for discussion and questions. The local workshop was attended by the Acting Financial Services Manager.</p> <p>Each year under auditing standards external auditors need to obtain an understanding of certain management processes and the oversight of those processes by those charged with governance. We have now requested these assurances to support our work on the 2014/15 accounts. We understand that the responses will be included as agenda items for the April Audit Committee.</p> <p>Our detailed review of the Council's financial statements will commence in July 2015.</p>	<p>July - September 2015</p>

# Progress at January 2015

Work	Planned date
<p data-bbox="58 329 526 361"><b>Value for Money (VfM) conclusion</b></p> <p data-bbox="58 405 1197 436">Our VfM conclusion is based on the following criteria specified by the Audit Commission:</p> <ul data-bbox="58 451 1348 561" style="list-style-type: none"><li data-bbox="58 451 1162 482">• the organisation has proper arrangements in place for securing financial resilience;</li><li data-bbox="58 496 1348 561">• the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</li></ul> <p data-bbox="58 611 1417 675">Our work will be based on a risk assessment to identify areas of risk to our VfM conclusion. The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report.</p>	<p data-bbox="1452 337 1815 368">February - September 2015</p>

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# Emerging issues and developments

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# All Aboard? - Local Government Governance Review 2015

## Grant Thornton

Our fourth annual review of local government governance is available at <http://www.grant-thornton.co.uk/en/Publications/2015/Local-Government-Governance-review-2015-All-aboard1/>.

The challenges faced by local authorities are intensifying as austerity and funding reductions combine with demographic pressures and technological changes to create a potential threat to the long-term sustainability to some organisations. Maintaining effective governance is becoming ever more complex and increasingly important.

Against this background we have focused this year's review on three key areas:

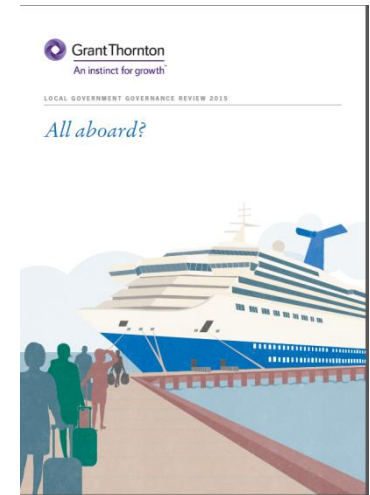
**Governance of the organisation** – the main area of concern highlighted in this year's governance survey is the level of dissatisfaction with the scrutiny process.

**Governance in working with others** – there is an urgent need for scrutiny to exercise good governance over the complex array of partnerships in which local authorities are now involved. Boundary issues notwithstanding, by 'shining a light' on contracted-out activities and joint operations or ventures, scrutiny committees can bring a new level of transparency and accountability to these areas.

**Governance of stakeholder relations** – despite the work that a number of local authorities are doing with the public on 'co-production' almost a third of respondents to our survey did not think their organisation actively involves service users in designing the future scope and delivery of its services.

We conclude that local authorities need to ensure that their core objectives and values are fulfilled through many other agencies. This implies a greater role for scrutiny and a need to make sure local public sector bodies' arrangements are as transparent as possible for stakeholders.

Hard copies of our report are available from your Engagement Lead or Engagement Manager.





# Stronger futures: development of the LGPS

## Grant Thornton

Our second review on governance in LGPS funds in England and Wales is based on comprehensive research with pension fund senior officers, supported by insights from pension fund auditors. The review is available at <http://www.grant-thornton.co.uk/Publications/2015/Stronger-futures-development-of-the-LGPS/>

With the local government pensions scheme (LGPS) continuing to face significant change and challenge there is a clear commitment to ensuring its survival and the provision of affordable pension benefits for the future. Following the implementation of a career average pension scheme in 2014 administering authorities are preparing for significant changes in governance arrangements effective from April 2015.

Some of the key messages from the report are:

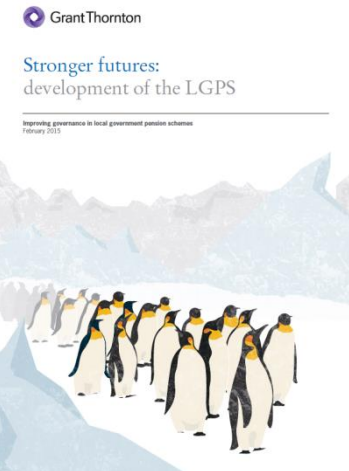
there are increasingly strong examples of innovation and increased collaborative working across the LGPS to achieve reduced costs and improved use of specialist skills and knowledge;

implementation of the career average scheme from April 2014 went well and demonstrated good project management and effective communication with members and employers; and

there have been several other positive trends across the LGPS since our 2013 review particularly around the widening scope of reporting to Pension Committees, including performance reporting, risk management and internal audit reviews.

However, we saw a wide variation in practice, including a concentration of risk reporting on investment risk. Over half of the funds have not implemented the CIPFA knowledge and skills framework as part of their member training, 45 per cent of Pension Committees do not receive internal audit reports and 15 per cent do not have specific internal audit coverage. Nearly half of funds have no information around the value of their liabilities between the triennial valuations.

Hard copies of our report are available from your Engagement Lead or Engagement Manager.



# Independent Commission into Local Government Finance

## Local government issues

The Independent Commission on Local Government Finance was established in 2014 to examine the system for funding local government in England and bring forward recommendations on how it can be reformed to improve funding for local services and promote sustainable economic growth. It published its final report, [Financing English Devolution](#), on 18 February 2015.

The report notes that the core of the Commission's proposition is the devolution of powers, funding and taxes to sub-national entities over a 10 year period. They estimate that this could lead to over £200 billion in public expenditure being controlled at a sub-national level. The expectation is that councils and their partners would work collaboratively to manage differences in capacity and resources. They see local areas becoming self sufficient.

The Commission advocates a 'variable speed' approach to reform with 'Pioneers' able to and wishing to reform at a faster pace. Reforms advocated for all authorities include:

- An independent review of the functions and sustainability of local government in advance of the next spending review
- Freedom to set council tax and council tax discounts and full retention of business rates and business rates growth
- Multi-year financial settlements
- The ability to raise additional revenue through the relaxation of the rules on fees and charges

'Pioneer' authorities would also implement:

- Single placed-based budgets for all public services
- Management of funding equalisation across a sub-national area
- Further council tax reforms including the ability to vary council tax bands and undertake revaluations
- Newly assigned and new taxes such as stamp duty, airport taxes and tourism taxes
- The establishment of Local Public Accounts Committees to oversee value for money across the place-based budget.



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## TONBRIDGE & MALLING BOROUGH COUNCIL

### AUDIT COMMITTEE

07 April 2015

#### Report of the Director of Finance and Transformation

#### Part 1- Public

#### Matters for Information

#### **1 GRANT THORNTON PUBLICATION – LOCAL GOVERNMENT GOVERNANCE REVIEW 2015 – ALL ABOARD**

**Grant Thornton in February 2015 published the report entitled ‘Local Government Governance Review 2015 – All aboard’.**

#### **1.1 Introduction**

1.1.1 The fourth annual review into local authority governance aims to assist senior management and elected members of councils to assess the strength of their governance arrangements and to prepare for the challenges ahead.

1.1.2 Focusing on three particular aspects of engagement – within the organisation, with partners and with the public – the key messages from the report are:

- While 90% felt their organisations encouraged well-managed risk taking and innovation, 43% felt scrutiny committees were not challenging enough about the way authorities do things.
- 84% of respondents said their organisations are now using or considering alternative delivery models but only 43% feel that scrutiny of service quality is sufficiently challenging.
- 54% said the transition to police and crime commissioners has not had a positive impact on local partnership working arrangements, while 42% saw no difference in local healthcare governance as a result of councils’ new public health role.
- The annual accounts and annual governance statement continue to expand in length, making them even more challenging for the public to read and understand.
- Only 30% of cabinet positions in local authorities are held by women, while over half of respondents said members do not adequately reflect the demographic profile of the local population.

1.1.3 Local authorities are required to prepare and adopt a Code of Corporate Governance. The current Code of Corporate Governance was adopted by the Council in July 2014 and is used for the purposes of the Annual Governance Statement. The purpose of the Annual Governance Statement is to assess and demonstrate that there is a sound system of corporate governance throughout the organisation. The Annual Governance Statement for the year ended 31 March 2015 and the accompanying self-assessment questionnaire and supporting evidence is to be reported to the June meeting of this Committee.

1.1.4 The report itself runs to 36 pages and can be found at the link below:

[http://www.grant-thornton.co.uk/Global/Publication\\_pdf/Local-government-governance-review-2015-All-aboard.pdf](http://www.grant-thornton.co.uk/Global/Publication_pdf/Local-government-governance-review-2015-All-aboard.pdf)

## **1.2 Legal Implications**

1.2.1 None.

## **1.3 Financial and Value for Money Considerations**

1.3.1 As set out in the report where appropriate.

## **1.4 Risk Assessment**

1.4.1 As set out in the report where appropriate.

Background papers:

Nil

contact: Neil Lawley  
Paul Worden

Sharon Shelton  
Director of Finance and Transformation

# Agenda Item 13

Any other items which the Chairman decides are urgent due to special circumstances and of which notice has been given to the Chief Executive.

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# Agenda Item 14

The Chairman to move that the press and public be excluded from the remainder of the meeting during consideration of any items the publication of which would disclose exempt information.

**ANY REPORTS APPEARING AFTER THIS PAGE CONTAIN EXEMPT  
INFORMATION**

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# Agenda Item 16

Any other items which the Chairman decides are urgent due to special circumstances and of which notice has been given to the Chief Executive.

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