

TONBRIDGE & MALLING BOROUGH COUNCIL



EXECUTIVE SERVICES

Chief Executive

Julie Beilby BSc (Hons) MBA

Gibson Building
Gibson Drive
Kings Hill, West Malling
Kent ME19 4LZ
West Malling (01732) 844522

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

12 June 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 Monday, 22nd June, 2015 commencing at 7.30 pm

Yours faithfully

JULIE BEILBY

Chief Executive

A G E N D A

PART 1 - PUBLIC

- | | | |
|----|--------------------------|-------|
| 1. | Apologies for absence | 5 - 6 |
| 2. | Declarations of interest | 7 - 8 |

3. Minutes 9 - 14

To confirm as a correct record the Minutes of the meeting of Audit Committee held on 7 April 2015

Matters for Recommendation to the Cabinet

4. Risk Management Strategy 15 - 22
5. Local Code of Corporate Governance 23 - 30
6. Treasury Management Update and Annual Report for 2014/15 31 - 50

Decisions to be taken under Delegated Powers

7. Annual Governance Statement 2014/15 51 - 66
8. Statement of Accounts and Annual Governance Statement 2014/15 67 - 78
9. Review of Effectiveness of Internal Audit 2014/15 79 - 84

Matters submitted for Information

10. Audit Fee Letter 2015/16 85 - 90
11. Annual Fraud Investigation Report 2014/15 91 - 100
12. Annual Internal Audit Report 2014/15 101 - 130
13. Urgent Items 131 - 132

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

Matters for consideration in Private

14. Exclusion of Press and Public 133 - 134

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.

PART 2 - PRIVATE

15. Urgent Items 135 - 136

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 M C Base
Cllr T Bishop
Cllr B T M Elks
Cllr S R J Jessel

Cllr S M King
Cllr Mrs S L Luck
Cllr M Parry-Waller

This page is intentionally left blank

Apologies for absence

This page is intentionally left blank

Declarations of interest

This page is intentionally left blank

TONBRIDGE AND MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

Tuesday, 7th April, 2015

Present: Cllr V M C Branson (Chairman), Cllr Mrs F A Kemp, Cllr S M King and Cllr M Parry-Waller

Grant Thornton, External Auditors: Mr T Greenlee (Audit Manager)

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

PART 1 - PUBLIC

AU 15/14 DECLARATIONS OF INTEREST

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

AU 15/15 MINUTES

RESOLVED: That the Minutes of the meeting of the Audit Committee held on 26 January 2015 be approved as a correct record and signed by the Chairman.

AU 15/16 CHAIRMAN'S ANNOUNCEMENT

The Chief Financial Services Officer referred to partnership working between Gravesham and Tonbridge and Malling Borough Councils and advised that the former had given notice to withdraw from the shared working arrangement for audit with effect from 15 May 2015. It was expected that similar notice would be given for the fraud function later in the year.

The identification and assessment of potential alternative arrangements was in progress from which to determine the preferred option.

Both the Chairman and the Leader of the Borough Council expressed disappointment at the end of the partnership arrangement and thanked the Audit and Assurance Manager for her contribution to the authority.

MATTERS FOR RECOMMENDATION TO THE COUNCIL

AU 15/17 AUDIT COMMITTEE - ANNUAL REPORT

The report of the Chairman of the Audit Committee was produced to inform the Council of the means by which the Committee had provided independent assurance to those charged with governance on the

adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.

The report summarised the work carried out by the Committee during 2014/15 and concluded that the required assurance set out in the CIPFA Audit Committee Guidance had been provided to those charged with governance. Reference was made to the constitutional changes approved by the Council on 17 February 2015 to reflect the alignment of the Audit Committee to new CIPFA guidance which would lead to the transfer to the Committee of additional areas of delegated responsibility.

RECOMMENDED: That the Annual Report be presented to the Council as 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.

* **Referred to Council**

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

AU 15/18 ANNUAL REVIEW OF WHISTLEBLOWING CHARTER

The report of the Director of Finance and Transformation gave details of the outcome of a review of the Whistleblowing Charter which had identified a number of amendments to bring the charter in line with best practice. Consideration was given to a revised draft which it was proposed should be referred to as the Whistleblowing Policy to correspond with other Council policy documents.

Attention was drawn to further amendments to reflect the impending changes to the staffing structure as a consequence of the termination of the partnership working arrangement. Contact details set out in paragraph 6.3 of the Policy would now refer to the Audit and Fraud Team rather than named individuals.

RESOLVED: That the draft Whistleblowing Policy set out at Annex 1 to the report be commended to the General Purposes Committee for endorsement.

AU 15/19 TREASURY MANAGEMENT UPDATE

The report of the Director of Finance and Transformation provided an update of treasury management activity undertaken during the 2014/15 financial year within the context of the national economy. Members were invited to endorse the action taken by officers and to note the treasury management position at the end of February 2015.

Attention was drawn to the better than anticipated position for investment income which had exceeded the revised estimate by £4,900.

RESOLVED: That the Cabinet be recommended to

- (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 management position at the end of February 2015.

AU 15/20 INTERNAL AUDIT PLAN 2015/16

The report of the Chief Internal Auditor presented the draft Internal Audit Plan for 2015/16. Consideration was given to coverage of the plan which was informed by an assessment of the risks and audit needs of the Council and contained both assurance and consultancy work. It was noted that the format of the plan differed from previous years with information on the process for developing, resourcing and delivering the plan being provided in the document itself in order to meet more fully the requirements of the Public Sector Internal Audit Standards and CIPFA's Local Government Application Note to the Standards.

The Committee was advised that the plan reflected the Council's focus on identifying financial savings and opportunities for generating income and efficiencies in services together with targeted anti-fraud work. However, it was sufficiently flexible to allow for response to unforeseen investigations as they arose.

RESOLVED: That the Internal Audit Plan for 2015/16, as set out at Annex 1 to the report, be endorsed.

AU 15/21 COMPLIANCE WITH INTERNATIONAL STANDARDS ON AUDITING

The report of the Chairman of the Audit Committee explained how those charged with governance were required to assure the External Auditor that the Council had complied with the requirements of the International Standards on Auditing. Members considered the questions and responses which had been prepared and agreed with the Chairman, responsibility for corporate governance now resting with the Audit Committee. It was noted that the Management Team was also required to provide assurance in this regard and this was the subject of a separate report.

RESOLVED: That the responses set out in Annex 1 to the report be endorsed and the assurance provided be agreed.

MATTERS SUBMITTED FOR INFORMATION**AU 15/22 MANAGEMENT TEAM ASSURANCE ON COMPLIANCE WITH INTERNATIONAL STANDARDS ON AUDITING**

The Committee received the report of the Management Team confirming compliance with the International Standards on Auditing. Reference was made to the similar assurance to be provided by the Audit Committee for which the Management Team provided supporting evidence (Minute AU 15/20 refers).

RESOLVED: That the report be received and noted.

AU 15/23 REVIEW OF OPERATIONAL RISK REGISTERS - DECEMBER 2014

The report of the Director of Finance and Transformation updated the Committee on the results of reviews of the Operational Risk Registers carried out by Services in June and December 2014 from which it was noted that there had been little movement in the spread of risk. Members were advised that since the process used to assess and maintain the registers had been in place for a number of years, meetings would be held with officers from each Service to ensure a consistent approach to the exercise.

RESOLVED: That the report be received and noted.

AU 15/24 GRANT THORNTON ITEMS FOR AUDIT COMMITTEE

The report of the Director of Finance and Transformation referred to items from Grant Thornton, the Council's external auditors. These included the 2014/15 Audit Plan which set out the proposed approach to the audit of the Council's financial statements. The Committee also received Grant Thornton's report on progress in delivering their responsibilities as the Council's external auditors together with a summary of emerging national issues and developments that might be relevant to the Council.

It was reported that there was nothing specific to Tonbridge and Malling which needed to be drawn to Members' attention.

RESOLVED: That the report be received and noted.

AU 15/25 GRANT THORNTON PUBLICATION: 'LOCAL GOVERNMENT GOVERNANCE REVIEW 2015 - ALL ABOARD'

The report of the Director of Finance and Transformation provided a summary of Grant Thornton's publication: 'Local Government Governance Review 2015 – All Aboard'. Reference was made to the requirement for local authorities to adopt a Code of Corporate Governance. It was noted that the Council's current Code had been

adopted in July 2014 and was used for the purposes of the Annual Governance Statement which would be reported to the June meeting of the Committee.

Reference was also made to the recently published 'De-cluttering the Accounts' and fuller detail would be provided at the next meeting of the Committee.

RESOLVED: That the report be received and noted.

AU 15/26 EXCLUSION OF PRESS AND PUBLIC

The Chairman moved, it was seconded and

RESOLVED: That as public discussion would disclose exempt information, the following matters be considered in private.

PART 2 - PRIVATE

MATTERS SUBMITTED FOR INFORMATION

AU 15/27 INSURANCE CLAIMS HISTORY: APRIL 2014 - MARCH 2015

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

The Director of Finance and Transformation reported on the nature and volume of liability and property damage insurance claims submitted during the period April 2014 to March 2015.

RESOLVED: That the report be received and noted.

The meeting ended at 8.07 pm

This page is intentionally left blank

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

22 June 2015

Report of the Chief Executive and Director of Finance and Transformation

Part 1- Public

Matters for Recommendation to Council

1 **RISK MANAGEMENT STRATEGY**

This report asks Members to review the Risk Management Strategy and to recommend it for endorsement by the Council.

1.1 Introduction

1.1.1 The Council has had a Risk Management Strategy in place for a number of years. The Council's Risk Management arrangements are designed to ensure a prudent approach is taken, with risks reduced to an acceptable level, thereby safeguarding the Council's assets, employees and customers.

1.1.2 The Risk Management Strategy sets out the Council's risk management objectives and details the roles and responsibilities of officers, Members and the Council's partners in ensuring risks are effectively identified, evaluated and controlled in a cost effective manner.

1.2 Review of the Risk Management Strategy

1.2.1 As part of arrangements in place to ensure risk management maintains a high profile within the Council, the Strategy is subject to annual review and endorsement through the Audit Committee, Cabinet and Council.

1.2.2 The Risk Management Strategy has been reviewed and no amendment is considered to be required other than some minor textual amendments. A copy of the Strategy is attached at **[Annex 1]**.

1.3 Legal Implications

1.3.1 There is a Health and Safety requirement for effective risk management to be in place and the strategy supports this requirement. There is also a requirement in the Accounts and Audit Regulations that accounting control systems must include measures to ensure that risk is appropriately managed.

1.4 Financial and Value for Money Considerations

1.4.1 Effective risk management arrangements make a positive contribution to ensuring value for money is provided in the delivery of services.

1.5 Risk Assessment

1.5.1 Sound risk management arrangements aid the Council in effective strategic decision-making. The Council's approach to risk should be reviewed on a regular basis to ensure it is up to date and operating effectively.

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 Members are requested to review the Risk Management Strategy, and subject to any amendment required, to **recommend** to Cabinet for adoption by Council.

Background papers:

contact: David Buckley

Nil

Julie Beilby
Chief Executive

Sharon Shelton
Director of Finance and Transformation

TONBRIDGE AND MALLING BOROUGH COUNCIL

RISK MANAGEMENT STRATEGY

1. Introduction

The risk management strategy of Tonbridge and Malling Borough Council is to adopt best practices in the identification, evaluation, and cost-effective control of risks. This is intended to ensure that risks are reduced to an acceptable level or, where reasonable eliminated, thereby safeguarding the Council's assets, employees and customers and the delivery of services to the local community.

One of the Council's aims is to:

“Maintain the Council's high standards of financial management and probity”.

The Council endeavours to pursue a forward-looking and dynamic approach to delivering services to the local community and will not be averse to taking a degree of commercial risk. However, it will always exercise a prudent approach to risk taking and decisions will be made within the parameters of the Council's internal control arrangements, i.e. Constitution, Procedural Rules, etc. These arrangements will serve to ensure that the Council does not expose itself to risks above an acceptable level.

Risks relating specifically to Health & Safety matters will be covered within the Council's Health & Safety Policy and supporting guidance notes issued by the Director of Planning, Housing and Environmental Health.

2. Objectives

The risk management objectives of the Council are to:

- embed risk management into the culture of the Council;
- monitor, manage and report on risk in accordance with best practice;
- be responsive to changing social, environmental and legislative requirements whilst effectively managing the related risks and opportunities;
- prevent injury, damage and loss and reduce the cost of risk;
- raise awareness of the need for risk management;
- actively promote 'sensible and responsible risk management' using practical steps to protect workers and the public from real risks that cause injury and death.

These objectives will be achieved by:

- defining the roles and responsibilities, in relation to risk management, of Officers and Members within the organisation;
- maintaining a risk management framework that will ensure the review on a rolling basis of strategic, operational and project risks faced by the Council – this approach will:

- identify corporate, operational and project risks;
 - assess the identified risks for likelihood and impact;
 - record the corporate risk register, linking these risks to strategic business objectives and assigning ownership for each risk;
 - detail the management action/controls required to mitigate identified risks;
 - require the corporate risk register to be discussed with the Audit Committee prior to approval by Council;
 - require confirmation to the Audit Committee of the reviews undertaken and to draw out any issues where deemed appropriate as a result;
 - require the reporting of risks to full Council where appropriate;
 - require all Cabinet/Committee/Board reports to include a section covering the key risk issues to be considered, together with any action required to mitigate identified risks;
 - require a risk assessment to be completed for all significant new projects and initiatives;
 - require the Treasury Management Strategy to outline the arrangements for properly managing treasury management risks;
 - require risks in relation to significant partnerships to be identified and assurances to be obtained regarding the management of those risks;
 - require appropriate incident recording to facilitate the analysis of risk data and steps taken to prevent or mitigate similar incidents occurring;
 - require an annual review of the risk management framework by the review of this strategy.
- providing relevant training on risk management to employees and Members of the authority;
 - actively participating in inter-authority internal audit and insurance groups thereby developing and sharing best practice in risk management;
 - encouraging officers participating in other professional discipline groups to secure the inclusion of risk management as an agenda topic;
 - disseminating to officers as appropriate published risk management information received from insurers and other related sources.

3. Roles and Responsibilities

a) Members

The Risk Management Strategy will be reviewed at least annually. Council approval of the updated strategy will be witnessed by the signature of the Leader of the Council and countersigned by the Chief Executive. The Chairman of the Audit Committee will take a lead role in promoting the application of sound risk management practices across the Council.

All Members of the Council will receive a Risk Management Training session during a four-year term in office.

The Audit Committee will consider the Risk Management process as part of the assurance evidence in support of any Corporate Governance Statement.

The Audit Committee will provide independent assurance of the adequacy of the risk management framework and will monitor the effective development and operation of risk management in the Council.

b) Management Team

Management are responsible for the identification and management of risks.

Management Team will consider strategic risk and if necessary will formulate an action plan to address the risk. Strategic risk reviews will be undertaken where new situations arise or as considered necessary by the Management Team.

The business continuity plan will include strategic risks that will cascade down to operational risk registers.

Chief Officers will ensure that their managers carry out an annual review of operational risk for all their areas of responsibility. This review process will include the views of relevant staff within the activity. This will be supported by a half yearly review carried out by the manager with any risks entering the red zone being reported to the Chief Officer. The Chief Officer shall alert Management Team of any significant emerging risks as he deems necessary.

Chief Officers will take steps to ensure that their staff are fully aware of the Council's Risk Management Strategy and how to raise concerns relating to risk.

c) Section Managers

Section Managers in conjunction with members of their teams (as appropriate) and other parties / partners (where applicable) will lead reviews of the operational risks relating to their sections, and will reflect the outcomes of these reviews in their own Operational Risk Registers. These operational risk reviews will be undertaken annually. In addition a half-yearly review will take place to identify any significant change in scored risk and any new risks that have arisen.

Where risks are identified as being in the red zone of the risk matrix they will be reported to Management Team.

Where a manager identifies that a risk is moving significantly towards the red zone he should monitor the situation and alert his Chief Officer to the fact.

d) Partners

Where the Council enters into a partnership arrangement, the officer responsible for monitoring the partnership must ensure that the partner has an adequate risk management strategy and sufficient insurance cover to protect the interests of the Council.

e) Employees Generally

The concept of risk management will be conveyed to all employees. “Netconsent” will be used to raise staff awareness of the Strategy annually.

A copy of this document will be held on the Council’s Intranet site. Employees will be expected in the first instance, to refer risk management concerns to their line managers. Should such concerns remain un-addressed, employees can refer their concerns elsewhere as prescribed in the Council’s Whistleblowing Policy.

Staff identified as being appropriate by their Manager will be asked to review the content and scoring of the Operational Risk registers for their section. This review should assist the Manager in completing the Risk Register.

All staff also have a duty to consider safe working practices and owe a duty of care to the safety of others. Any concerns relating to Health & Safety matters should be raised with line management, who, as part of their response, should seek guidance as necessary from the Director of Planning, Housing and Environmental Health.

f) Director of Planning, Housing and Environmental Health

The Director of Planning, Housing and Environmental Health shall be responsible for:

- monitoring and reviewing arrangements for the proper management of work place health & safety;
- preparing and updating the Council’s Health & Safety Policy;
- overseeing the issue of Health & Safety Guidance to assist service managers and staff comply with the Council’s Health & Safety Policy; and
- assessing compliance with Health & Safety legislation.

In the execution of these responsibilities the Director of Planning, Housing and Environmental Health will:

- consult with service managers in preparing an annual health and safety work programme which will include undertaking audits of work place activities and related risk assessments;
- assist service managers identify emerging health and safety risks and measures to address them including appropriate training;
- assist services managers prepare and review health and safety risk assessments;
- submit an annual report on health and safety management in the work place.

g) Financial Services

The Director of Finance & Transformation in consultation with the Exchequer Services Manager will:

- regularly review and advise upon the Council's insurance requirements and arrangements;
- advise Officers and Members on insurance covers available and / or in place;
- regularly advise Members of the Audit Committee on claims history and preventative action arising;
- arrange insurance cover as necessary;
- advise Officers on claims procedures, and process claims arising;
- assist in the development and provision of claims data to aid future risk control;
- disseminate published risk management information received.

The Director of Finance & Transformation will report to Management Team on any areas of significant financial risk identified by the budget monitoring process

The Internal Audit Section will take account of Risk Management provision when formulating the annual audit plan. Although the provision of adequate and effective risk management is Management responsibility each Internal Audit review will include a provision to ascertain if an up to date and adequate risk register is in place.

Signed:

Leader of the Council

Signed:

Chief Executive

This page is intentionally left blank

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

22 June 2015

Report of the Chief Executive and Director of Finance and Transformation

Part 1- Public

Matters for Recommendation to Council

1 LOCAL CODE OF CORPORATE GOVERNANCE

This report requests that Members of the Audit Committee carry out a review of the above Code and recommend through Cabinet adoption by the Council.

1.1 Introduction

1.1.1 Tonbridge and Malling Borough Council is committed to adopting the principles of good governance and demonstrates this publicly through the adoption and continued maintenance of a local Code of Corporate Governance, as recommended within the CIPFA/SOLACE (Chartered Institute of Public Finance & Accounting and the Society of Local Authority Chief Executives) Framework for Good Governance in Local Government, 2007.

1.1.2 In 2012, CIPFA/SOLACE published an addendum to the 2007 framework along with a Guidance Note for English Local Authorities. In order to meet the latest guidance, the Council's Code of Corporate Governance was reviewed and updated in 2013.

1.1.3 The CIPFA/SOLACE Framework for Good Governance in Local Government defines governance as 'the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities'.

1.1.4 Each year, the Annual Governance Review process, culminating in the Annual Governance Statement, is used to confirm that the Council's arrangements to comply with the Local Code of Corporate Governance are in place and effective.

1.2 Review of the Local Code of Corporate Governance

1.2.1 The Local Code of Corporate Governance adopted in 2013 has been reviewed and no amendment is considered to be required other than some minor textual amendments. A copy of the Code is attached at **[Annex 1]**.

1.3 Legal Implications

- 1.3.1 Whilst there is no legal requirement for Council's to develop a Local Code of Corporate Governance, such a Code provides a public document that demonstrates how the Council ensures it operates in a proper way and in accordance with the law.

1.4 Financial and Value for Money Considerations

- 1.4.1 There are no financial and value for money considerations arising from the Code.

1.5 Risk Assessment

- 1.5.1 The Code of Corporate Governance meets the principles of the CIPFA/SOLACE Framework for Good Governance in Local Government and has been prepared with due consideration to good governance practice, as set out in the Framework.

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 Members are requested to review the Local Code of Corporate Governance, and subject to any amendment required, to **recommend** to Cabinet for adoption by Council.

Background papers:

contact: David Buckley

CIPFA/SOLACE – “Delivering Good Governance in Local Government”.

Julie Beilby
Chief Executive

Sharon Shelton
Director of Finance and Transformation

**Tonbridge & Malling Borough Council
CODE OF CORPORATE GOVERNANCE**

INTRODUCTION

- 1.1 In 2001 the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) published *Corporate Governance in Local Government – A Keystone for Community Governance: Framework*. The Framework outlined the need for local authorities to review their governance arrangements against a number of key principles and report on their effectiveness in practice.
- 1.2 Six core principles of good governance were advocated by the Independent Commission on Good Governance in Public Services in *The Good Governance Standard for Public Services (2004)* with support from the Office for Public Management and CIPFA. In response to subsequent changes in local government, CIPFA and SOLACE published an updated framework for good governance in local government in 2007. The framework defines governance as, ‘the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities’.
- 1.3 The Independent Commission’s six core principles of good governance outlined in the CIPFA-SOLACE Framework show that good governance means:
- (i) Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
 - (ii) Members and officers working together to achieve a common purpose with clearly defined functions and roles
 - (iii) Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
 - (iv) Taking informed, transparent decisions which are subject to effective scrutiny and managing risk
 - (v) Developing the capacity and capability of Members and officers to be effective
 - (vi) Engaging with local people and other stakeholders to ensure robust public accountability

CODE OF CORPORATE GOVERNANCE	SUPPORTING EVIDENCE
1. Good governance means focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.	
<p>1.1. <i>Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcomes for citizens and service users.</i></p>	<p>There is a clear statement of the organisation's purpose in:</p> <ul style="list-style-type: none"> • Tonbridge & Malling Borough Council – Corporate Performance Plan 2012/15 <p>This document sets out the key priorities for the authority and how the Council will work with a range of partners and the local communities towards achieving the objectives.</p> <p>Over the coming months the Council will need to develop a new Corporate Performance Plan taking into account the actions identified following the 2014 Peer Review and recent issues and challenges.</p>
<p>1.2. <i>Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning.</i></p>	<p>The Corporate Performance Plan also sets out how the Key Priorities will be delivered and identifies improvement plans on how these can be delivered efficiently and effectively. This will involve working with partners and contractors to achieve this. Regular update reports are given to Management and Members outlining progress towards achieving these priorities.</p>
<p>1.3. <i>Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money.</i></p>	<p>The Council works towards improving value for money through:</p> <ul style="list-style-type: none"> • Exploration of innovative ways of working including potential for joint-working and shared services • Robust budgeting and Financial monitoring arrangements including detailed reviews of budgets and potential savings opportunities • The work of Internal Audit • The work of External Audit • Publication of annual budget and accounts information
2. Good governance means Members and officers working together to achieve a common purpose with clearly defined functions and roles	
<p>2.1. <i>Ensuring that a constructive working relationship exists between authority members and officers and that the responsibilities of members and officers are carried out to a high standard.</i></p>	<p>The Council has a protocol for relations between Members and Officers. The Council's Constitution sets out clearly any delegation of responsibility from Council and the decision making powers of:</p> <ul style="list-style-type: none"> • The Council • The Cabinet (including the Executive Leader and delegated decision-making to the Cabinet Portfolio Holders) • The Licensing Committee and other Council Committees.
<p>2.2. <i>Ensuring effective leadership throughout the authority and being</i></p>	<p>The Council's Constitution clearly sets out the process for holding the executive to account through the debate</p>

<p><i>clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function.</i></p>	<p>of items at committees and, specifically, the role of the Overview and Scrutiny Committee.</p>
<p>2.3. <i>Ensuring relationships between the authority, its partners and the public are clear so that each knows what to expect of the other.</i></p>	<p>The Council is accountable to the citizens of Tonbridge & Malling in delivering its duties and responsibilities. The Council manages relationships with partners and consults with the public through a number of mechanisms:</p> <ul style="list-style-type: none"> • Transparency agenda • Regular reporting to Members • Partnership arrangements supported by protocol agreements • Council Constitution
<p>3. Good governance means promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.</p>	
<p>3.1. <i>Ensuring authority Members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.</i></p>	<p>The Council has a Code of Conduct for Members. In addition the Council has:</p> <ul style="list-style-type: none"> • An Equalities Policy • A Code of Conduct for staff • A Declaration of Interest Register for Members and for staff • A Register of Gifts and Hospitality offered to Members and staff • Financial Procedure Rules • Contracts Procedure Rules • A publicised complaints procedure • A fraud-aware culture
<p>3.2. <i>Ensuring that organisational values are put into practice and are effective.</i></p>	<p>The Council has robust arrangements in place to ensure that it does the right things, for the right people in a timely, inclusive, open, honest and accountable manner. These are monitored and publicised through:</p> <ul style="list-style-type: none"> • The Council's performance reporting arrangements • Procedures for recruitment and training • Decision making practices • Data transparency arrangements, such as publication of decisions and committee meeting minutes • Partnership governance arrangements
<p>4. Good governance means taking informed and transparent decisions which are subject to effective scrutiny and managing risk</p>	
<p>4.1. <i>Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny.</i></p>	<p>The Council's Constitution sets out clearly the decision-making powers of:</p> <ul style="list-style-type: none"> • The Council • The Cabinet (including the Executive Leader and delegated decision-making to the Cabinet Portfolio Holders), • Other Council committees. <p>Feedback from the Overview and Scrutiny Committee and the Council's Cabinet and Committees is taken into</p>

	account in decision-making.
<i>4.2. Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs.</i>	The Council's Financial Procedure Rules support the provision of high quality financial advice. The Council also acts in consultation with stakeholders. The Council's Internal Audit Service provide assurance on the quality of financial and performance data reported.
<i>4.3. Ensuring that an effective risk management system is in place.</i>	The Council has arrangements in place to effectively monitor and manage risks to its business through the: <ul style="list-style-type: none"> • Risk Management Strategy • Corporate Risk Register • Service Risk Registers • Audit Committee role in scrutinising corporate risk • Consideration of risk in all Committee reports • Annual Governance Statement
<i>4.4. Using their legal powers to the full benefit of the citizens and communities in their area.</i>	The Council actively recognises the requirements and responsibilities placed on it by law and will act to observe all specific legal requirements placed upon it when taking decisions. The Council also strives to utilise its statutory powers to work in the public interest and to the full benefit of its citizens, particularly in relation to regulatory activity. All committee reports include a section to ensure any legal implications are fully analysed when making decisions.
5. Good governance means developing the capacity and capability of Members and officers to be effective	
<i>5.1. Making sure that Members and officers have the skills, knowledge, experience and resources they need to perform well in their roles.</i>	The Council has a training programme for Members and holds regular training sessions for Members on a variety of topics: <ul style="list-style-type: none"> • Induction training for all new members • Service-specific training, e.g. Community Safety • Committee-specific training, e.g. Audit Committee The Council has an extensive training programme for council officers including mandatory and voluntary training.
<i>5.2. Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group.</i>	The Council examines the capability of its people with governance responsibilities through appraisals, identifying any training gaps – the relevant training programmes are updated accordingly.
<i>5.3. Encouraging new talent for membership of the authority so that best use can be made in individuals' skills and resources in balancing continuity and renewal.</i>	The political group leaders take a lead in this area and use the Member training programme to support this ambition as required.
6. Good governance means engaging with local people and other stakeholders to ensure robust public accountability	

<p><i>6.1. Exercising leadership through a robust scrutiny function which effectively engages local people & all local institutional stakeholders including partnerships, & develops constructive & accountability relationships.</i></p>	<p>The Council is clear that it is ultimately accountable to the citizens of Tonbridge & Malling. The Council's Corporate Performance Plan 2012/15 outlines the means by which local stakeholders will be engaged and how constructive, challenging relationships will be built. The Council has put in place Committees / Boards with cross-party representation to ensure effective and robust discussion of issues.</p> <p>The Council also has an Overview and Scrutiny Committee to scrutinise decisions made by Cabinet.</p>
<p><i>6.2. Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning.</i></p>	<p>The Council has a good understanding of who lives, works and plays in the borough and have mechanisms to listen to and respond to their needs, aspirations and concerns.</p> <p>The Council has taken action to develop and support effective engagement opportunities with all groups of the local community:-</p> <ul style="list-style-type: none"> • The Council promotes the TM Youth Forum that represents the views of young people living in Tonbridge and Malling • The Council supports the Tonbridge & Malling Seniors' Forum (TAMS) which promotes and the needs of the older resident. • The Council engages with other key stakeholders through a number of partnerships that the Council has embarked upon. • The Council actively uses complaints received to learn and improve services, whether through the internal complaints system or via the Ombudsman.
<p><i>6.3. Making best use of human resources by taking an active and planned approach to meet responsibility to staff.</i></p>	<p>The Council has Investors' in People accreditation for the whole Council and actively engages with its staff through:</p> <ul style="list-style-type: none"> • Team meetings • Regular performance management meetings • The Joint Employee Consultative Committee

This page is intentionally left blank

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

22 June 2015

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Recommendation to Cabinet - Council Decision

1 TREASURY MANAGEMENT UPDATE AND ANNUAL REPORT FOR 2014/15

This report provides details of treasury management activity undertaken during April and May of the current financial year. The treasury management outturn position for 2014/15 is due to be reported to the June meeting of Cabinet and is also included in this report. Members are invited to endorse the action taken in respect of treasury management activity to the end of May 2015 and note the outturn position for 2014/15.

1.1 Introduction

1.1.1 The Chartered Institute for Public Finance and Accountancy (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 activities at least twice a year, but preferably quarterly. This report, therefore, ensures this Council is embracing best practice in accordance with CIPFA's revised Code of Practice and subsequent updates.

1.2 Economic Background

1.2.1 Thus far in 2014/15:

- The May Inflation Report saw the Bank of England reduce its forecasts for annual growth from 2.9% to 2.5% in 2015 and 2.7% in 2016. 2017 growth was forecast at 2.4% down from 2.7%. There were a number of contributing factors to these downward revisions.
- UK growth in quarter 1 2015 was disappointing and slowed to 0.3% (2.4% y/y) from 0.6% (3.0% y/y) in the previous quarter.
- The Bank also took a more pessimistic view on the rate and timing of growth in labour productivity and of increases in wages. The Bank cut its forecast for wages growth in 2015 from 3.5% to 2.5%. This is despite strong growth in employment and continuing reductions in the rate of unemployment which has

now fallen to 5.5%. Despite the positive news, wages (excluding bonuses) increased by only 1.9% per annum over the last three months. In the longer term a sustainable recovery is dependent on productivity improving allowing wages to rise faster than the rate of inflation.

- CPI inflation fell to -0.1% in April. This dip into deflation will only last for a short period until the fall in oil and food prices drop out of the twelve month calculation. CPI is expected to rise especially during Q4 2015 and be marginally higher than target (2%) two years from now.
- The Greek government, led by an anti-austerity party Syriza, is making a strong push to renegotiate the country's debt repayments. This has been met with a robust rejection by the European Central Bank (ECB), European Union and International Monetary Fund. There is a risk that this could end with Greece leaving the Euro. However, the Eurozone (EZ) has put in place sufficient firewalls that a Greek exit would have little direct impact on the rest of the EZ and the Euro.
- The American economy experienced disappointing growth in Q1 2015. GDP grew by 0.2% on an annualised basis due to bad weather hitting construction and consumer spending, a ports strike and the near 20% appreciation in the value of the dollar. However, growth is expected to recover strongly in quarter 2 and resume the trend to full recovery from the financial crash. Annualised growth for 2014 Q2, Q3 and Q4 of 4.6%, 5.0% and 2.6% hold promise for strong growth going forward and for further falls in unemployment. The Federal Reserve is expected to start increasing interest rates during 2015 and is likely to be the first major western central bank to do so.
- The ECB announced a €1.1 trillion programme of quantitative easing in January 2015. The programme which started in March and will run to September 2016 has already had a beneficial impact in improving confidence and sentiment in the EZ. The recent trend of marginal increases in GDP has continued with GDP of 0.4% in quarter 1 2015 (1.0% y/y). Deflation has also ended with inflation standing at 0.0% in April.

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 May 2015, anticipates the Bank Rate will remain at this level for a further 12 months before rising in the second quarter of 2016. Six months later than anticipated in the 2015/16 Annual Investment Strategy.

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	0.50	0.75	0.75	1.00	1.00	1.25	1.50	1.50
3 mth LIBID	0.50	0.50	0.50	0.60	0.70	0.80	0.90	1.10	1.30	1.40	1.50	1.80
6 mth LIBID	0.66	0.70	0.70	0.80	0.90	1.00	1.10	1.30	1.50	1.60	1.70	2.00
12 mth LIBID	0.99	1.00	1.00	1.10	1.20	1.30	1.40	1.60	1.80	1.90	2.00	2.30
25yr PWLB	3.40	3.50	3.60	3.70	3.80	4.00	4.10	4.20	4.30	4.40	4.40	4.50

1.4 2015/16 Treasury Management Performance

1.4.1 The Annual Investment Strategy for the 2015/16 financial year was approved by Council on 17 February 2015. The Strategy, outlines the Council's investment priorities as follows:

- Security of Capital,
- Liquidity.

1.4.2 In addition the Council aims to achieve the optimum return (yield) on investments commensurate with the proper levels of security and liquidity. In particular, for 2015/16 the Council will “avoid locking into longer term deals while investment rates continue their current low levels unless attractive rates are available with counterparties of particularly high creditworthiness which make longer term deals worthwhile”. The Council has adopted Capita's recommended creditworthiness approach which incorporates the credit ratings from each of the three main rating agencies and includes sovereign credit ratings and a market view of risk using credit default swap (CDS) data.

1.4.3 A full list of investments held on 31 May 2015 and our internal lending list in operation on that date are shown in **[Annexes 1 and 2]** of this report.

1.4.4 As illustrated above, investment rates available in the market are at an historical low point. The average level of cash flow funds available for investment purposes to the end of May 2015 was £9.3m. These funds were available on a temporary basis and the amount mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme. The Authority holds £13.4m of core cash balances. These funds are for the most part available to invest for more than one year, albeit some funds will need to be recalled towards the end of the financial year to top-up our daily cash balances.

1.4.5 As at the end of May 2015 funds invested and interest earned is set out in the table below:

	Funds invested at 31 May 2015 £m	Average duration to maturity Yrs	Weighted average rate of return %	Interest earned to 31 May 2015 £	Gross annualised return to 31 May 2015 %	7 day LIBID benchmark %
Cash flow	9.3	0.35	0.74	11,850	0.63	0.36
Core funds	13.4	0.38	0.81	17,750	0.79	0.36
Total	22.7	0.37	0.78	29,600	0.71	0.36

- 1.4.6 Interest earned of £29,600 is some £1,600 better than budget and 35 basis points better than benchmark.
- 1.4.7 **Cash Flow.** 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 undertaken to take advantage of the higher yields available. Thus far £5m nine month fixed term investments have been arranged yielding circa 0.8%.
- 1.4.8 The current cash flow forecast [**Annex 3**] points to more fixed term investment opportunities being available this summer. Duration will need to be limited to around six months to ensure these funds are available to support spending needs towards the end of the financial year (ends 31st March 2016).
- 1.4.9 **Core Funds.** Following the transfer of all core fund investments from our external fund manager to in-house management in August 2014, the opportunity to enhance yield by extending duration has continued. The current core fund portfolio includes a mix of nine and twelve month deposits together with one high yielding call account. The pattern of maturities is designed to ensure additional liquidity is available to the Council to support spending should the need arise and to take advantage of interest rate rises when they occur.

1.5 Benchmarking

- 1.5.1 The Council takes advantage of Capita's benchmarking facility which enables us to gauge our 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 4**]. The graph shows the return (vertical scale) vs. the credit / duration risk (horizontal scale) associated with an authority's investments. As at 31 March 2015 our return at 0.75% (purple diamond) was above the average of 0.70% for all other local authorities and relative to the Council's exposure to credit / duration risk that return was at the top end of Capita's predicted return (just below the upper boundary indicated by the green diagonal line).

1.6 Compliance with 2015/16 Annual Investment Strategy

- 1.6.1 During the financial year to date the Council has operated within the treasury limits and prudential indicators set out in the Annual Investment Strategy. The Prudential and Treasury Indicators will be included for review as part of the treasury management report to the September 2015 meeting of Audit Committee. No borrowing was undertaken during April or May 2015.
- 1.6.2 Throughout April and May 2015 all of the requirements contained in the 2015/16 Annual Investment Strategy intended to limit the Council's exposure to investment risks (minimum sovereign and counterparty credit rating; durational limits;

exposure limits in respect of counterparties, groups of related counterparty and sovereigns; and specified and non-specified investment limits) have been complied with.

1.7 2014/15 Treasury Management Outturn

1.7.1 A detailed report covering treasury management activity for the last financial year is being submitted to Cabinet on 24 June 2015 as an annex to the Revenue and Capital Outturn report for 2014/15. That annex is replicated in full and provided at **[Annex 5]** to this report.

1.7.2 A summary of the investment performance included in **[Annex 5]** is as follows:

2014/15 Financial Year	Average investment £m	Gross rate of return %	Interest earned £	Revised estimate £
In-house managed cash flow	10.9	0.64	70,000	70,000
Externally managed core fund to 31 July	4.5	0.62	27,900	25,500
In-house managed core funds from 1 August	8.9	0.74	66,350	64,650
Total	24.3	0.68	164,250	160,150

1.7.3 The combined performance of the Authority's cash flow and core funds bettered the revised estimate by £4,100.

1.8 Legal Implications

1.8.1 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.

1.9 Financial and Value for Money Considerations

1.9.1 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 May 2015, investment income of £29,600 has been earned exceeding the estimate for the same period by £1,600.

1.9.2 For the 2014/15 year as a whole the Council generated investment income of £164,250 which was £4,100 better than the 2014/15 revised estimate.

1.9.3 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.

1.10 Risk Assessment

1.10.1 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 the most effective way of mitigating the risks associated with treasury management.

1.11 Equality Impact Assessment

1.11.1 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.

1.12 Recommendations

1.12.1 Members are invited to **RECOMMEND** that Cabinet:

- 1) Endorse the action taken by officers in respect of treasury management activity for April and May 2015; and
- 2) Note the 2014/15 outturn position.

Background papers:

contact: Mike Withey

Capita Interest Rate Forecast (May 2015)

Sharon Shelton
Director of Finance and Transformation

Investment Summary 31 May 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										
Bank of Scotland	UK	A+	F1	6 months	Specified	14/04/2015	14/01/2016	1,000,000	0.80%	8.80%	Fixed deposit	1,000,000	1,000,000
Bank of Scotland	UK	A+	F1	6 months	Specified	21/04/2015	21/01/2016	1,000,000	0.80%		Fixed deposit		
Bank of Scotland Total								2,000,000					
Barclays Bank	UK	A	F1	6 months	Specified	22/10/2014	22/07/2015	1,250,000	0.78%	15.39%	Fixed deposit	1,250,000	1,000,000
Barclays Bank	UK	A	F1	6 months	Specified	28/04/2015	28/01/2016	1,000,000	0.80%		Fixed deposit		
Barclays Bank	UK	A	F1	6 months	Specified	29/05/2015	29/02/2016	1,250,000	0.81%		Fixed deposit	1,250,000	
Barclays Bank Total								3,500,000					
BNP Paribas MMF	n/a	AAA	mmf (Eq)	5 years	Specified	29/05/2015	01/06/2015	1,005,000	0.47%	4.42%	Call - MMF		1,005,000
BNP Paribas MMF Total								1,005,000					
Handelsbanken	Sweden	AA-	F1+	12 months	Specified	29/05/2015	01/06/2015	500,000	0.45%	2.20%	Call	500,000	
Handelsbanken Bank Total								500,000					
Insight Liquidity Plus EMF	n/a	AAA	f/S1 (S&P)	5 years	Specified	18/02/2014	01/06/2015	1,050,000	0.64%	4.62%	Call - EMF		1,050,000
Insight Liquidity Funds Total								1,050,000					
Lloyds Bank	UK	A+	F1	6 months	Specified	22/10/2014	22/07/2015	500,000	0.80%	10.99%	Fixed deposit	500,000	1,000,000
Lloyds Bank	UK	A+	F1	6 months	Specified	14/04/2015	13/04/2016	1,000,000	1.00%		Fixed deposit	1,000,000	
Lloyds Bank	UK	A+	F1	6 months	Specified	21/04/2015	21/01/2016	1,000,000	0.80%		Fixed deposit		
Lloyds Bank Total								2,500,000					
NatWest Bank Call Account	UK	BBB+	F2	12 months	Specified	29/05/2015	01/06/2015	149,000	0.25%	0.66%	Call		149,000
National Westminster Bank Total								149,000					
Nationwide Building Society	UK	A	F1	6 months	Specified	16/03/2015	16/12/2015	1,250,000	0.79%	15.39%	Fixed deposit	1,250,000	1,000,000
Nationwide Building Society	UK	A	F1	6 months	Specified	29/04/2015	29/01/2016	1,000,000	0.80%		Fixed deposit		
Nationwide Building Society	UK	A	F1	6 months	Specified	29/05/2015	29/02/2016	1,250,000	0.79%		Fixed deposit	1,250,000	
Nationwide Building Society Total								3,500,000					
Santander UK Plc	UK	A	F1	6 months	Specified	29/05/2015	01/06/2015	4,535,000	0.80%	19.94%	Call	2,451,000	2,084,000
Santander UK Plc Total								4,535,000					
RBS	UK	BBB+	F2	12 months	Specified	23/03/2015	23/03/2016	1,000,000	0.90%	4.40%	CD	1,000,000	
RBS Total								1,000,000					
Standard Chartered Bank	UK	AA-	F1+	12 months	Specified	02/09/2014	02/06/2015	1,000,000	0.84%	13.19%	CD	1,000,000	
Standard Chartered Bank	UK	AA-	F1+	12 months	Specified	08/09/2014	08/06/2015	1,000,000	0.84%		CD	1,000,000	
Standard Chartered Bank	UK	AA-	F1+	12 months	Specified	24/04/2015	25/01/2016	1,000,000	0.80%		CD		
Standard Chartered Bank Total								3,000,000					
Total invested								22,739,000		100.00%		13,451,000	9,288,000

Page 37

Number of investments	21	Average investment value £	1,083,000
Number of counter parties	11	Average investment per counter party £	2,067,000
Group exposures:		Core Funds £	Cash Flow £
RBS + National Westminster (UK Nationalised 25% or £3.3m per fund)		1,000,000	149,000
Bank of Scotland + Lloyds (20% or £2.6m per fund)		2,500,000	2,000,000
		Combined £	%
		1,149,000	5.05
		4,500,000	19.79

Total non-specified investments should be less than 60% of Core Funds	0.00%
--	-------

CD = Certificate of Deposit

This page is intentionally left blank

Tonbridge and Malling Borough Council Internal Lending List

Checked against Capita Duration Matrix dated 29/05/15								
Minimum investment criteria is Capita Green (100 days) Duration Band (entry point broadly equates to Fitch A-, F1, unless UK nationalised / semi-nationalised).								
Counterparty	Sovereign	Sovereign Rating [1]	Fitch Long Term	Fitch Short Term	Exposure Limits			Capita Duration [2]
					Cash Flow	Core Fund	Combined	
Nordea Bank	Finland	AA+	AA-	F1+	£2.6m	£2.6m	£5.2m	12 months
Deutsche Bank	Germany	AAA	A	F1	£2.6m	£2.6m	£5.2m	100 days
ING Bank	Netherlands	AA+	A	F1	£2.6m	£2.6m	£5.2m	6 months
Svenska Handelsbanken AB	Sweden	AAA	AA-	F1+	£2.6m	£2.6m	£5.2m	12 months
Barclays Bank	UK	AA+	A	F1	£2.6m	£2.6m	£5.2m	6 months
HSBC Bank plc	UK	AA+	AA-	F1+	£2.6m	£2.6m	£5.2m	12 months
Santander UK plc	UK	AA+	A	F1	£2.6m	£2.6m	£5.2m	6 months
Standard Chartered Bank	UK	AA+	AA-	F1+	£2.6m	£2.6m	£5.2m	12 months
Nationwide Building Society	UK	AA+	A	F1	£2.6m	£2.6m	£5.2m	6 months
Bank of Scotland plc Group limit with BOS and Lloyds of £2.6m	UK	AA+	A+	F1	£2.6m	£2.6m	£5.2m	6 months
Lloyds Bank plc Group limit with BOS and Lloyds of £2.6m	UK	AA+	A+	F1	£2.6m	£2.6m	£5.2m	6 months
National Westminster Bank plc [3] Group limit with Nat West and RBS of £3.3m	UK	AA+	BBB+	F2	£3.3m	£3.3m	£6.6m	12 Months
The Royal Bank of Scotland plc [3] Group limit with Nat West and RBS of £3.3m	UK	AA+	BBB+	F2	£3.3m	£3.3m	£6.6m	12 Months
UK Debt Management Office inc Treasury Bills	UK	AA+	N/A	N/A	No limit	No limit	No limit	N/A
UK Treasury - Sovereign Bonds (Gilts)	UK	AA+	N/A	N/A	N/A	£6.7m	£6.7m	N/A
UK Local Authorities	UK	AA+	N/A	N/A	£2.6m	£2.6m	£5.2m	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	-	AAA	£2.6m	£2.6m	£5.2m
BNP Paribas	-	-	AAA	£2.6m	£2.6m	£5.2m
Goldman Sachs	AAA-mf	AAAmmf	AAA	£2.6m	£2.6m	£5.2m
Deutsche Fund	AAA-mf	-	AAA	£2.6m	£2.6m	£5.2m
Standard Life (Ignis)	-	AAAmmf	AAA	£2.6m	£2.6m	£5.2m
Morgan Stanley	AAA-mf	AAAmmf	AAA	£2.6m	£2.6m	£5.2m
Prime Rate	AAA-mf	AAAmmf	AAA	£2.6m	£2.6m	£5.2m
Insight	-	AAAmmf	AAA	£1.3m	£1.3m	£2.6m

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	£1.3m	£1.3m	£2.6m

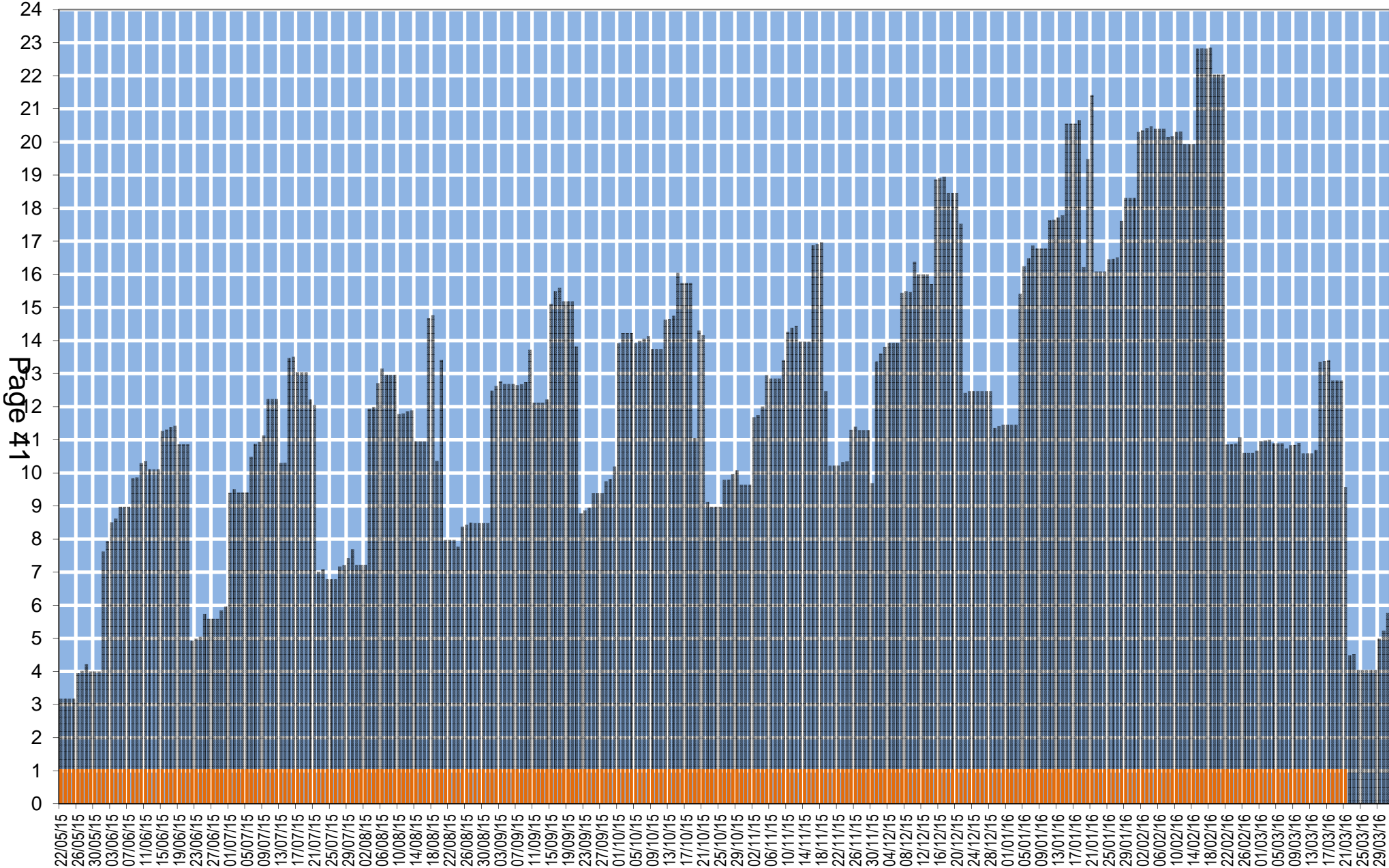
Approved by Director of
Finance & Transformation
1st June 2015

No Change

This page is intentionally left blank

Balance £M

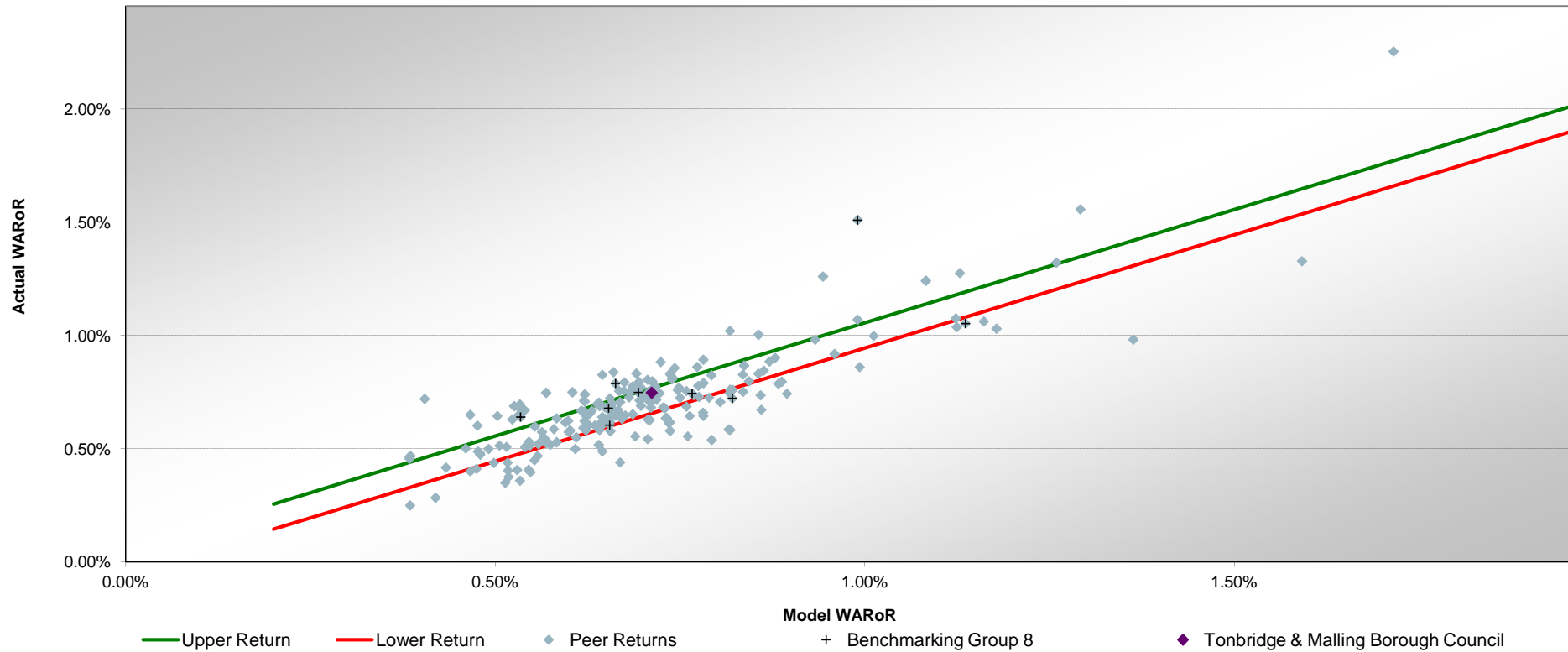
Excludes all Fixed Term Cash Flow Investments



This page is intentionally left blank

Tonbridge & Malling Borough Council

Population Returns against Model Returns 31 March 2015



Page 43

	Actual WARoR	Model WARoR	Difference	Lower Bound	Upper Bound	Performance
Tonbridge & Malling Borough Council	0.75%	0.71%	0.04%	0.66%	0.77%	Inline

This page is intentionally left blank

Treasury Management Annual Report 2014/15

1.1 Introduction

1.1.1 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2014/15 [**Appendix 1**]. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

1.1.2 During 2014/15 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year;
- a mid-year treasury update report; and
- an annual review following the end of the year describing the activity compared to the strategy (this report).

In addition, treasury management update reports have been presented to each meeting of the Audit Committee throughout the 2014/15 financial year. Treasury performance was also considered at the Finance, Innovation and Property Advisory Board through the regular Financial Planning and Control reports.

1.1.3 Changes in the regulatory environment place a much greater onus on Members for the review and scrutiny of treasury management policy and activities. This report is important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.

1.1.4 This Council also confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit Committee before they were reported to full Council.

1.2 The Economy and Interest Rates

1.2.1 The original market expectation at the beginning of 2014/15 was for the first increase in Bank Rate to occur in quarter 1, 2015 as the unemployment rate had fallen much faster than expected through the Bank of England's initial forward guidance target of 7%. In May, however, the Bank revised its forward guidance. A combination of very weak pay rises and inflation above the rate of pay increases meant that consumer disposable income was still being eroded and in August the Bank halved its forecast for pay inflation in 2014 from 2.5% to 1.25%. Expectations for the first increase in Bank Rate therefore started to recede as growth was still heavily dependent on buoyant consumer demand. During the second half of 2014 financial markets were caught out by a halving of the oil price and the collapse of the peg between the Swiss franc and the euro. Fears also increased considerably that the European Central Bank (ECB) was going to do too little too late to ward off the threat of deflation and recession in the Eurozone. By the end of 2014, it was clear that inflation in the UK was going to

head towards zero in 2015 and possibly even turn negative. In turn, this made it clear that the Monetary Policy Committee (MPC) would have great difficulty in starting to raise Bank Rate in 2015 while inflation was around zero and so market expectations for the first increase receded to quarter 1 of 2016.

- 1.2.2 Gilt yields were on a falling trend for much of the last eight months of 2014/15 but were then pulled in different directions by increasing fears after the anti-austerity parties won power in Greece in January; developments since then have increased fears that Greece may exit the euro. While the direct effects of this would be manageable by the European Union (EU) and ECB, it is hard to quantify quite what the potential knock on effects would be on other countries in the Eurozone once the so called impossibility of a country leaving the Euro had been disproved. Another downward pressure on gilt yields was the announcement in January that the ECB would start a major programme of quantitative easing. On the other hand, strong growth in the US caused an increase in confidence that the US was well on the way to making a full recovery from the financial crash and would be the first country to start increasing its central rate, probably by the end of 2015. The UK is expected to follow due to strong growth in 2013 and 2014 and good prospects for a continuation into 2015 and beyond.

1.3 Treasury Position at 31 March 2015

- 1.3.1 At the beginning and the end of 2014/15 the Council's debt and investment position was as follows:

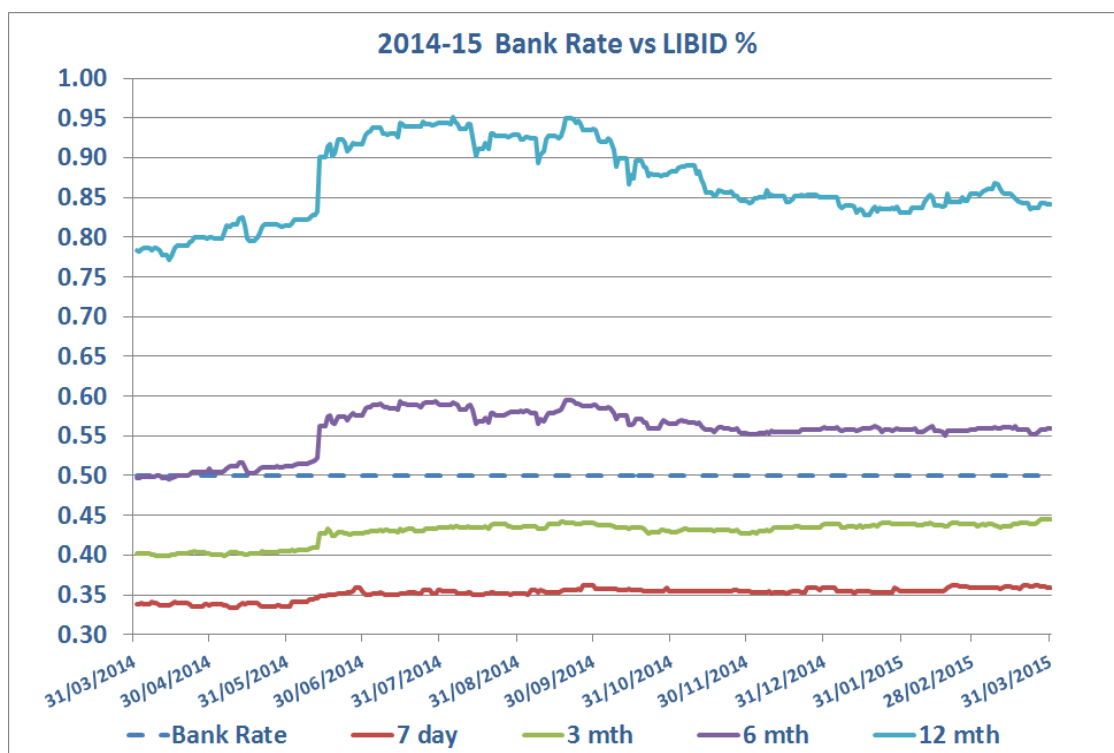
	31 March 2014 £m	Rate / Return %	Average duration Years	31 March 2015 £m	Rate / Return %	Average duration Years
Variable rate debt:						
Overdraft	0.00	-	-	0.00	-	-
Total debt	0.00	-	-	0.00	-	-
Fixed rate investments:						
In-house cash flow	2.00	1.10	0.03	2.00	0.95	0.04
In-house core fund	-	-	-	6.00	0.78	0.30
Externally managed core fund	0.64	0.35	0.17	-	-	-
Variable rate investments:						
In-house cash flow	3.55	0.74	0.01	4.02	0.64	0.00
In-house core fund	-	-	-	7.45	0.73	0.18
Externally managed core fund	12.76	0.62	0.81	-	-	-
Total Investments	18.95	0.68	0.56	19.47	0.75	0.17

1.4 The Strategy for 2014/15

- 1.4.1 The expectation for interest rates within the strategy for 2014/15 anticipated a low but rising Bank Rate starting in quarter 1 of 2015. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns.

1.5 Investment Rates in 2014/15

- 1.5.1 The Bank Rate remained at its historic low of 0.5% throughout the year and has now remained at that level for six years. Market expectations as to the start of monetary tightening started the year at quarter 1, 2015 but moved back to quarter 1, 2016 by the end of the financial year.



1.6 Investment Outturn for 2014/15

- 1.6.1 The Council's investment policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies. This is supplemented by additional market information including credit rating outlooks and credit default swap data. The 2014/15 Annual Investment Strategy was approved by the Council in February 2014 and subjected to a mid-year review in October 2014. In undertaking the review, no changes were made to the Council's minimum counterparty credit requirement or counterparty exposure limits. However, because of the relatively poor performance delivered by the Council's external fund manager in the early part of the year the review did warn that investment returns for 2014/15 would be lower than originally anticipated. Investment returns were reduced as part of the budget setting process from £167,000 by £6,850 to £160,150.
- 1.6.2 **Cash Flow Investments.** The Council maintained an average balance of £10.9m of internally managed cash flow funds. These funds earned an average rate of return of 0.64%. The comparable performance indicator is the average 7-day LIBID rate which was 0.35%. The return achieved also compares with a revised budget assumption of £10.5m investment balances earning an average rate of 0.67%. The majority of cash flow funds are required to meet our regular payment obligations and as a consequence are invested overnight in bank deposit accounts and money market funds which allow next day access.

However, the opportunity to invest for longer durations and generate additional yield is taken when cash flow surpluses permit.

1.6.3 **Core Fund Investments.** Responsibility for the management of core funds was split between the Council's external fund manager, Investec Asset Management (April 2014 to July 2014) and in-house management (August 2014 onwards). Core funds earned an average rate of return of 0.70% on an average balance of £13.4m against a benchmark return of 0.35%. This compares with a revised budget assumption of an average investment balance of £13.1m at a return of 0.69%. Unlike cash flow, core fund balances are not required to meet our regular payment obligations and are available to invest for longer durations including durations exceeding one year. This added flexibility should allow core funds to generate a better return relative to cash flow investments. This expectation was realised in the final eight months of financial year following the transfer of core funds to in-house management.

1.6.4 Performance for the financial year as a whole is summarised in the table below:

	2014/15 Average Balance £m	Return %	2014/15 Interest Earned £	2014/15 Revised Estimate £	Variance Better (worse) £
In-house cash flow	10.9	0.64	70,000	70,000	-
Externally Managed core fund to 31 July	4.5	0.62	27,900	25,500	2,400
In-house managed core funds from 1 August	8.9	0.74	66,350	64,650	1,700
Total	24.3	0.68	164,250	160,150	4,100

1.6.5 The combined performance of the Authority's cash flow and core funds bettered the revised estimate by £4,100.

1.7 Compliance with the Annual Investment Strategy

1.7.1 Throughout the period April 2014 to March 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. No liquidity issues were experienced resulting in nil borrowing throughout 2014/15.

Prudential and Treasury Indicators

1 Prudential Indicators	2013/14 Actual £'000	2014/15 Original £'000	2014/15 Actual £'000
Capital expenditure	1,744	3,348	2,341
Ratio of financing costs to net revenue stream	-1.41%	-1.42%	-1.36%
Net borrowing requirement:			
Brought forward 1 April	nil	nil	nil
Carried forward 31 March	nil	nil	nil
In year borrowing requirement	nil	nil	nil
Capital financing requirement as at 31 March	nil	nil	nil
Annual change in capital financing requirement	nil	nil	nil
Incremental impact of capital investment decisions:			
Increase in Council Tax (Band D) per annum	£(0.23)	£0.30	£0.30

2 Treasury Management Indicators	2013/14 Actual £'000	2014/15 Original £'000	2014/15 Actual £'000
Authorised limit for external debt:			
Borrowing	nil	5,000	nil
Other long term liabilities	nil	nil	nil
Total	nil	5,000	nil
Operational boundary for external debt:			
Borrowing	nil	2,000	nil
Other long term liabilities	nil	nil	nil
Total	nil	2,000	nil
Actual external debt	nil	nil	nil
Upper limit for fixed rate exposure over one year at year end	nil	0 – 60%	nil
Upper limit for variable rate exposure under one year at the year end	16,309 (86.1%)	40 – 100%	11,466 (58.9%)
Upper limit for total principal sums invested for over 364 days	2,234 (11.8%)	60%	nil (0%)

3 Maturity structure of new fixed rate borrowing during 2014/15	Upper limit %	Lower limit %
Under 12 months	100	nil
Over 12 months	nil	nil

This page is intentionally left blank

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

22 June 2015

Report of the Director of Finance and Transformation

Part 1- Public

Delegated

1 ANNUAL GOVERNANCE STATEMENT 2014/15

This report presents the Annual Governance Statement for the year ended 31 March 2015 for Members' consideration and approval. The Annual Governance Statement once approved is to be signed by both the Leader of the Council and the Chief Executive and is to accompany the Statement of Accounts 2014/15.

1.1 Introduction

- 1.1.1 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 2013 and it is this latest update that has been used for the purposes of the Annual Governance Statement.
- 1.1.2 The Statement will accompany the Statement of Accounts, but is not part of the Accounts. The purpose of the Annual Governance Statement is to assess and demonstrate that there is a sound system of corporate governance throughout the organisation. Governing is about how local government bodies ensure they are doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner.
- 1.1.3 The Annual Governance Statement for the year ended 31 March 2015 is attached at **[Annex 1]**. The Statement has been prepared by way of a self-assessment questionnaire and supporting evidence **[Annex 2]**. The Statement is to be signed by the most senior Member and officer of the Council following its consideration and approval by this Committee.

1.2 Legal Implications

- 1.2.1 The preparation and approval of the Annual Governance Statement is a statutory requirement.

1.3 Financial and Value for Money Considerations

- 1.3.1 None.

1.4 Risk Assessment

- 1.4.1 The preparation and approval of the Annual Governance Statement is a statutory requirement and, therefore, failure to prepare and approve the Statement could adversely affect the Council.

1.5 Equality Impact Assessment

- 1.5.1 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.

1.6 Recommendations

- 1.6.1 Members are asked to consider and subject to any amendments recommended, approve the Annual Governance Statement for the year ended 31 March 2015.

Background papers:

contact: Paul Worden

Nil

Sharon Shelton
Director of Finance and Transformation

ANNUAL GOVERNANCE STATEMENT

Purpose of this 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.

Scope of responsibility

Tonbridge & Malling Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards covering local authority activities, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are carried out, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Council has approved and adopted a code of corporate governance which has been developed in consideration of the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the authority's code is on our website or can be obtained from the Finance team. This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Tonbridge & Malling Borough Council for the year ended 31 March 2015 and up to the date of approval of this statement.

The governance framework

The Council's Local Code of Corporate Governance sets out the arrangements in place to govern the Council's activities in five key areas.

Community Focus

The Council's vision is to provide excellent public services, good value for money and effective community leadership. This vision is set out and communicated to the residents of the Borough, the Council's partners and Members and Officers in the Council's Corporate Performance Plan 2012/15. The plan spans a three year period and details the Council's Key Priorities and action it will take alongside its partners to deliver the vision. The plan is reviewed and updated every year to ensure the priorities and actions detailed remain current and to provide an overview of performance and achievements in the previous year. The Plan is considered and approved by Members prior to publication in July each year, the last copy being July 2014. Over the coming months the Council will need to develop a new Corporate Performance Plan taking into account the actions identified following the 2014 Peer Review and recent issues and challenges.

The Council has established arrangements to communicate and consult with Members of the public on the Council's work and key policy changes and this consultation allows the development of strategic priorities and the Corporate Performance Plan.

Service Delivery Arrangements

Delivering excellent quality services while providing good value for money is fundamental to the Council's vision and this is demonstrated in the focus within the Corporate Performance Plan on redesigning services and further improving efficiency across all services. The delivery of the Corporate Performance Plan is supported by detailed operational plans prepared by individual services, which in turn are fed down to team and individual objectives through performance management arrangements.

Performance of the Council and its partners in achieving its objectives is measured against the Key Indicators documented within the Corporate Performance Plan. Performance is monitored by the Corporate Management Team and the Cabinet on a quarterly basis giving details of the progress to date and what management action is being taken to correct any adverse performance. This is supplemented by operational performance monitoring and measurement for which individual services are accountable to the Corporate Management Team.

The decision-making framework of the Council is set out in the Constitution including statutory functions and the scheme of delegation of responsibilities. The Constitution is kept under review by the Monitoring Officer and Management Team with any proposed changes presented to the Council for adoption. The Cabinet are responsible for taking most operational decisions. Key decisions are published in advance via the Forward Plan, which is published at monthly intervals. All Member meetings held by the Council are open to the public, unless the items being discussed are considered to be private under the Local Government Act 1972; these will include staffing and legal matters and those of a contractual nature.

The Overview and Scrutiny Committee is responsible for reviewing and scrutinising the decisions made by and performance of the Cabinet and/or Committees and Council Officers. Decisions made by Cabinet, Committee or a Cabinet Member at an Advisory Board can be subjected to scrutiny via a call-in procedure allowing challenge within five working days of the decision being taken.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

Structures & Processes

The Council's Constitution details the roles and responsibilities that are delegated to Members and Officers and specifies which decisions may be made by individuals and which are reserved for either Committee, Cabinet or Council. The Constitution includes the Council's Financial and Contracts Procedure Rules setting out the Council's standing orders and financial regulations. The specific roles and responsibilities of Officers are set out through the scheme of delegation including the specific responsibilities of the Chief Executive (as Head of Paid Service), the Section 151 Officer and the Monitoring Officer, ensuring effective arrangements are in place for the discharge of these functions.

Effective communication between Officers and Members is ensured through the Protocol on Member/Officer Relations documented within the Constitution. Arrangements are in place ensuring both Members and Officers declare any interests that may impact on the Council's decision making process. Such interests are recorded on a register which is maintained and monitored by the Monitoring Officer and is available on the Council's website.

Risk Management & Internal Control

The core functions of an audit committee as defined by *CIPFA's Audit Committees: Practical Guidance for Local Authorities* are fulfilled by the Council's Audit Committee though some aspects are shared with the General Purposes Committee. The Council's Constitution sets out the responsibility of the Audit Committee to provide independent assurance of the adequacy of the risk management framework and associated control environment. To do so, the Audit Committee has adopted a Risk Management Strategy that sets out the roles of Officers and Members in the identification and minimisation of risk.

Risk management practices are embedded within the organisation through the annual service and strategic planning processes, which is used to develop the Council's vision and objectives. This ensures that risks to the achievement of the Council's objectives are identified and managed appropriately. Risks identified are scored on the basis of their likelihood and impact and existing controls and required actions to further mitigate risks are captured in risk registers. The framework sets out the responsibility of Officers leading on areas with partnership arrangements to ensure that the partner has an adequate risk management strategy and sufficient insurance cover to protect the interests of the Council.

The Council's standard report template requires Officers and Members to carry out a risk assessment of the action recommended in the report ensuring risk is considered in all decision-making of the

authority. This assessment also covers legal, financial and value for money considerations and equality issues where relevant.

The Council has an effective Internal Audit function which operates in line with proper practices; for 2014/15 this is governed by the Public Sector Internal Audit Standards and the CIPFA application not to the standards. The Review of Effectiveness of the System of Internal Audit for the year 2014/15 concluded that a good system of internal audit is in place within the Council. The Chief Internal Auditor role as delivered in the Council meets the requirements as set out in the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations. The Audit Committee are responsible for the Council's anti-fraud and corruption arrangements including whistle-blowing. The Chief Internal Auditor is responsible for the maintenance of the Council's Anti-Fraud & Corruption Strategy and Confidential Reporting Code (Whistleblowing) and has arrangements and resources in place to investigate any allegations made under either document.

Standards of Conduct

Standards of conduct among Officers and Members are governed through the Council's Officer Code of Conduct and Members' Code of Conduct.

The Members' Code of Conduct is based around ethical behaviour and requires objective and impartial decision making. The Code is communicated to all new Members on induction. Upholding standards of Member conduct is the responsibility of the Council's Standards Committee. The Committee are also responsible for ensuring Members receive suitable induction and ongoing training and support.

All staff are required to read and understand the Officer Code of Conduct available through the Council's intranet and are bound by it as detailed in employee contracts. The Council has an appraisal scheme in place for all staff that seeks to ensure staff achieve agreed levels of performance and the monitoring and management of Officer performance is the responsibility of line managers. In addition the Council's statutory Officers are subject to Continuing Professional Development (CPD) through their respective Professional Organisations.

The Council's duty to ensure that all activities undertaken are in accordance with the law is discharged in part by the Council's Constitution including its Financial Procedure Rules and Contracts Procedure Rules and supported by strategies/policies relevant to council activities that are made available to staff and the public via the Council's intranet and internet sites respectively. All strategies/policies are allocated to a lead Officer who is responsible for their periodic review and updating.

Review of effectiveness

Tonbridge & Malling Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's Annual Report, and also by comments made by the external auditors and other review agencies and inspectorates.

The effectiveness of the Council's governance arrangements has been evaluated through a self assessment against the detailed principles and arrangements suggested in CIPFA's *Delivering Good Governance in Local Government, Guidance Note for English Authorities*, 2012 Edition.

It should be noted that no significant governance issues were identified in the Annual Governance Review and no other areas were identified for further enhancement.

Signed

Signed

J. E. Beilby Bsc (Hons) MBA
Chief Executive

Councillor N. J. Heslop
Leader of the Council

Dated

Dated

This page is intentionally left blank

Tonbridge & Malling Borough Council – Review of Governance Framework 2014-15

 Based on: *Delivering Good Governance in Local Government – guidance note for English authorities*, CIPFA/Solace, 2012 edition

Principle One: Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

Principle / Supporting Principle	Arrangements in Plan & Evidence
Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcomes for citizens and service users.	
Develop and promote the authority's purpose and vision.	<p>The Council's vision is to provide excellent public services, good value for money and effective community leadership.</p> <p>The Council's Key Priorities are detailed in its Corporate Performance Plan 2012/15 and include both local and national/statutory priorities.</p> <p>http://www.tmbc.gov.uk/_data/assets/pdf_file/0006/69927/PPP-2014-15-Final100714WithBookmarks.pdf</p>
Review on a regular basis the authority's vision for the local area and its implications for the authority's governance arrangements.	<p>While the Council's Corporate Performance Plan spans a three year period from 2012-15, it is subject to annual review. The annual review incorporates an update on performance against the priorities for the year and includes performance data. The review considers and may result in a revision of the priorities themselves, ongoing activities and levels of service. Following each annual review, the Corporate Performance Plan is republished; with each annual review being a standalone document, without the need to refer back to earlier versions.</p>
Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all parties.	<p>The Council undertakes several partnerships for the benefit of residents:</p> <ul style="list-style-type: none"> • Local Strategic Partnership • Community Safety Partnership • Voluntary and Community Sector • West Kent Partners <p>http://www.tmbc.gov.uk/services/council-and-democracy/councillors,-democracy-and-elections/partnerships/local-strategic-partnership http://www.tmbc.gov.uk/services/council-and-democracy/councillors,-democracy-and-elections/partnerships/community-safety-partnership http://www.tmbc.gov.uk/services/council-and-democracy/councillors,-democracy-and-elections/partnerships/voluntary-and-community-sector http://www.tmbc.gov.uk/services/council-and-democracy/councillors,-democracy-and-elections/partnerships/west-kent-partnership</p> <p>The Council operates with other partners in Kent in order to provide localised service arrangement these include Kent Waste Partnership, KCC Youth Services, Russet Homes and the Tonbridge and Malling Safer Towns Partnership.</p>
Publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance.	<p>The Council's performance against its Key Priorities is reported on an annual basis through the Corporate Performance Plan document. The Corporate Performance Plan document incorporates an update on performance against the priorities for the year including achievement against targets, progress towards milestones and supporting performance data.</p> <p>The Corporate Performance Plan focuses on the Council's key priorities. It shows where the Council particularly aims to improve and contains a set of indicators and targets for each priority. These include satisfaction of service users. The Plan is a three-year plan, covering the financial years 2012/15. It was first published in July 2012 and republished in July 2013 to include outcomes and achievements during 2012/13. The final version will be published in July 2015, which will include outcomes and achievements during 2014/15.</p> <p>Financial performance is reported through the Annual Report within the Council's Financial Statements.</p> <p>http://www.tmbc.gov.uk/services/council-and-democracy/council-budgets-and-spending/annual-accounts</p>
Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning.	
Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available.	<p>The Council's Corporate Performance Plan sets out the Key Priorities and progress in achieving them based on underlying progress against a range of improvement themes and projects as well as performance against a series of measures, Key Indicators, for each priority.</p> <p>Performance against the Council's agreed performance measures is monitored and reported to the Council's Cabinet on a quarterly basis. This includes both Key Indicators and other indicators of performance. Service Management Teams review performance and are responsible for taking any action required to improve performance.</p> <p>https://democracy.tmbc.gov.uk/documents/s7574/Report%20of%20Director%20of%20Central%20Services.pdf https://democracy.tmbc.gov.uk/documents/s7575/Annex.pdf</p>
Put in place effective arrangements to identify and deal with failure in service delivery.	<p>Performance against the Council's agreed performance measures is monitored and reported to the Council's Cabinet on a quarterly basis. These reports include any actions required to address under-performance, which is measured in three ways: the trend over the past five years, against the current year's target and to identify any unusually positive or negative performance during the latest quarter. They are available to the public via the Council - minutes, agendas and reports page of the Council's website.</p> <p>Performance information is included in the annual updates of the Council's Corporate Performance Plan, which is available to the public via the Performance page of the Council's website.</p> <p>The Council has a complaints procedure in place that is publicised on the website and through service specific communications to residents.</p> <p>http://www.tmbc.gov.uk/services/council-and-democracy/complaints/complaints-procedure</p>
Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money.	
<p>Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively.</p> <p>Measure the environmental impact of policies, plans and decisions.</p>	<p>The Corporate Performance Plan summarises the Council's current focus on redesigning services and further improving efficiency across all services.</p> <p>The Council has a Corporate Procurement Strategy that is supported by a suite of guidance documents for staff engaging in procurement activity that focus on the achievement of value for money.</p> <p>http://www.tmbc.gov.uk/_data/assets/pdf_file/0003/77331/StrategicProcurement_final.pdf</p> <p>As part of the Council's report template includes the requirement to consider both Policy Considerations and Equalities impact assessment.</p>

Principle Two: Members and officers working together to achieve a common purpose with clearly defined functions and roles.

Principle / Supporting Principle	Arrangements in Plan & Evidence
Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function	
Set out a clear statement of the respective roles and responsibilities of the executive and of the executive member's individually and the authority's approach towards putting this into practice.	<p>The Council's Constitution includes a Protocol on Member/Officer Relations which has been in place since April 2004. http://www.tmbc.gov.uk/data/assets/pdf_file/0020/172262/Part-5-Codes.-2015.pdf</p> <p>The roles and responsibilities of officers and Members are set out in the Council's Constitution. http://www.tmbc.gov.uk/data/assets/pdf_file/0007/172258/Part-2-Articles.2015.pdf http://www.tmbc.gov.uk/data/assets/pdf_file/0007/181483/150409-Part-3-responsibilities.2015.pdf</p> <p>There is a Job Description in place for the role of the Council's Chief Executive.</p>
Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and senior officers	<p>The roles and responsibilities of officers and Members are set out in the Council's Constitution. http://www.tmbc.gov.uk/data/assets/pdf_file/0007/172258/Part-2-Articles.2015.pdf http://www.tmbc.gov.uk/data/assets/pdf_file/0007/181483/150409-Part-3-responsibilities.2015.pdf</p>
Ensuring that a constructive working relationship exists between authority elected members and officers and that the responsibilities of authority members and officers are carried out to a high standard	
Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority, taking account of relevant legislation, and ensure that it is monitored and updated when required.	<p>The Council's Constitution records the powers delegated to Members and Officers and specifies which decisions may be made by individuals and which are reserved for the collective. The Council's Constitution includes the council's Financial and Contract Procedure Rules setting out the council's standing orders and financial regulations.</p> <p>The Constitution is reviewed by the council's Monitoring Officer at least annually to ensure it remains reflective of current legal practice and organisational changes. http://www.tmbc.gov.uk/data/assets/pdf_file/0007/181483/150409-Part-3-responsibilities.2015.pdf</p>
Make a chief executive or equivalent responsible and accountable to the authority for all aspects of operational management.	<p>The Council's Chief Executive and Head of Paid Service has, along with the Directors making up the Management Team, overall responsibility for co-ordinating the operational management of the Council's functions. http://www.tmbc.gov.uk/data/assets/pdf_file/0004/172264/Part-7-Management-Structure-2015.pdf</p> <p>Specific responsibilities of the Chief Executive are defined in the Constitution, there is a detailed and up to date Job Description in place for the post and conditions of employment detailed in the contract of employment and the Council's policy framework. The Council has an appraisal scheme in place for all staff that seeks to ensure staff achieve agreed levels of performance through a link to pay progression. There are arrangements in place for appraisals of the performance of the Council's Chief Executive to be conducted by the Leader of the Council.</p>
Develop protocols to ensure that the Leader and Chief Executive (or equivalent) negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained.	<p>The Council's Constitution includes a Protocol on Member/Officer Relations which has been in place since April 2004. http://www.tmbc.gov.uk/data/assets/pdf_file/0020/172262/Part-5-Codes.-2015.pdf</p> <p>The Council had benefitted from a longstanding and effective working relationship between the Leader and the Chief Executive. In 2012/13 changes in personnel in both posts mean that the current Chief Executive and Leader relationship is relatively new however regular liaison arrangements and very close working on a number of highly profile projects has helped to cement a shared understanding of roles and objectives in the relationship.</p> <p>There is a Job Description in place for the role of the Council's Chief Executive.</p>
Make a senior officer (the S151 Officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.	<p>The Council's Constitution sets out that the Director of Finance & Transformation has <i>responsibility for the Council's financial affairs for the purpose of Section 151 of the Local Government Act 1972 and Section 114 of the Local Government Finance Act 1988 and under the Constitution Article 12 sections 12.01 and 12.04. It includes any officer he/she has designated to act on his/her behalf.</i> The Constitution also sets out a number of specific responsibilities / delegated functions of the Director of Finance & Transformation.</p> <p>The post of Director of Finance & Transformation has a current Job Description.</p> <p>The Director of Finance & Transformation has completed a self assessment against the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. In addition the Director of Finance & Transformation has completed a specific Assurance Statement based around the guidance for this year's Annual Governance Review process.</p> <p>The Chief Internal Auditor has completed a self assessment against the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations. In addition the Chief Internal Auditor has completed a specific Assurance Statement based around the guidance for this year's Annual Governance Review process. http://www.tmbc.gov.uk/data/assets/pdf_file/0007/175822/Part-4-Rules-150226.pdf http://www.tmbc.gov.uk/data/assets/pdf_file/0007/172258/Part-2-Articles.2015.pdf</p>
Make a senior officer (usually the Monitoring Officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.	<p>The Council's Constitution sets out that the Monitoring Officer is the Director of Central Services) as set out in the Constitution Article 12 sections 12.01 and 12.03 and includes any officer acting on his/her behalf.</p> <p>The Constitution details the statutory provisions for the Monitoring Officer Role in the Proper & Designated Officers section.</p> <p>There is a current Job Description in place for the Director of Central Services post. http://www.tmbc.gov.uk/data/assets/pdf_file/0007/175822/Part-4-Rules-150226.pdf http://www.tmbc.gov.uk/data/assets/pdf_file/0007/172258/Part-2-Articles.2015.pdf</p>
Ensuring relationships between the authority, its partners and the public are clear so that each knows what to expect of the other.	

Principle / Supporting Principle	Arrangements in Plan & Evidence
Develop protocols to ensure effective communication between members and officers in their respective roles.	The Council's Constitution includes a Protocol on Member/Officer Relations which has been in place since April 2004. http://www.tmbc.gov.uk/_data/assets/pdf_file/0020/172262/Part-5-Codes.-2015.pdf
Set out the terms and conditions for remuneration of Members and officers and an effective structure for managing the process, including an effective remuneration panel.	<p>The Council has a Scheme of Members Allowances that is subject to regular review by a Joint Independent Remuneration Panel on a cyclical process. The next review is due to be reported to Members in early 2013/14. http://www.tmbc.gov.uk/_data/assets/pdf_file/0004/183316/Part-6-Members-Allowances-Scheme-April-2015_1.pdf</p> <p>The Council's pay and conditions for officers are set out in individual Contracts of Employment, Job Descriptions and the Employee Code of Conduct. Officer pay is determined by the grade and scale point assigned to the post in line with the Salary Scales Policy. http://personnel.tmbc.gov.uk/assets/salary_scales_policy_2009.pdf http://personnel.tmbc.gov.uk/assets/TMBC_01.04.2015_plain.pdf</p> <p>The Council has documented the arrangements for determining remuneration levels in a published Pay Policy Statement. http://personnel.tmbc.gov.uk/assets/Pay_Policy_Statement2015.2016.pdf</p> <p>The Council has an established process in place for officers to appeal their grading in the event that job roles change over time. http://personnel.tmbc.gov.uk/assets/GRADING_REVIEW_AND_APPEAL_PROCEDURE_0612.pdf</p>
Ensure that effective mechanisms exist to monitor service delivery.	<p>Performance against the Key Priorities is monitored via the Key Indicators on a quarterly basis by the Council's Corporate Management Team and Cabinet and annually via the comprehensive updating and reporting of the Corporate Performance Plan.</p> <p>Service level plans include additional measures against which performance is monitored and reported through Service Management Teams to ensure any under-performance is addressed.</p> <p>See also arrangements/evidence detailed at Principle one.</p>
Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated.	<p>The Council's Vision and Key Priorities are developed and updated via a formal annual process that is informed by the results of previous consultation activity. Along with associated: activities, service levels, improvement themes/projects and measures, they are set out in the Council's Corporate Performance Plan. This is communicated via public reports to Overview & Scrutiny Committee, Cabinet and Council and accessible to residents via the Council's website. Paper copies of the Plan are provided to all Councillors and managers across the Council.</p> <p>The Plan is disseminated directly to all staff via email and the Council's intranet. This is accompanied and reinforced by a Staff Guide to Priorities, which complements the Corporate Performance Plan by looking ahead in more detail and focussing on specific improvement projects. It is organised by Service, enabling staff to see how their section, and their own work, contributes towards achieving our priorities. The Staff Guide is sent to all Councillors as well as all staff. Communication with staff is further reinforced by managers including relevant priorities, improvement themes/projects, Key Indicators and targets in their own service plans and discussing these via staff briefings, appraisals and team/1:1 meetings.</p> <p>See also arrangements/evidence detailed at Principle one.</p>
<p>When working in partnership ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority.</p> <p>Ensure that there is clarity about the legal status of the partnership.</p> <p>Ensure that representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions.</p>	Each of the partnerships that the Council operates are subject to individual terms of reference.

Principle Three: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

Principle / Supporting Principle	Arrangements in Plan & Evidence
Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.	
Ensure the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect.	<p>The Council's Officers' Code of Conduct is available to all staff on the Council's intranet. The Code has been adopted by the Council following consultation with employee representatives.</p> <p>http://personnel.tmbc.gov.uk/assets/CODE_OF_CONDUCT.pdf</p> <p>Managers are asked to confirm that their staff are aware of the Code of Conduct and that they are monitoring and encouraging compliance through their activities in their Assurance Statements as part of the Annual Governance Statement process.</p> <p>The Council's Chief Executive sets the tone of openness in the organisation by communicating directly via email with all staff. Responsibility for a range of council functions such as Procurement and IT Developments are delegated to panels of Officers through formal working groups.</p> <p>Member conduct is governed through the Members Code of Conduct, adopted by the Council. This includes specific obligations relating to the conduct of meetings, though this is also covered by the Council's Constitution.</p> <p>http://www.tmbc.gov.uk/_data/assets/pdf_file/0020/172262/Part-5-Codes.-2015.pdf</p>
Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols.	<p>Monitoring of employees to ensure compliance with the Officers' Code of Conduct is the responsibility of line managers. Performance against relevant codes i.e. professional bodies where appropriate is monitored through regular supervision of outputs, one to one and appraisal meetings.</p> <p>There are consistent documented induction procedures in place to ensure new staff are made aware of the standards expected of them.</p> <p>The Council has adopted an Anti-Fraud and Corruption Policy and a Whistleblowing Policy to ensure that staff, Members and the public are able to report any concerns and can be confident that the Council will investigate them appropriately.</p> <p>The Council has a complaints procedure in place that is publicised on the website and through service specific communications to residents.</p> <p>http://www.tmbc.gov.uk/services/council-and-democracy/complaints/complaints-procedure</p> <p>Partnerships agreements are subject to provide reports on expected and actual performance where appropriate.</p> <p>Member conduct is governed through the Members Code of Conduct, adopted by the Council. The Council's Standards Committee is responsible for promoting the highest standards of conduct, ensuring Members receive suitable induction and ongoing training and support, and for investigating and determining necessary action following any complaints or allegations that Member behaviour may have breached the Council's Code.</p> <p>http://www.tmbc.gov.uk/_data/assets/pdf_file/0020/172262/Part-5-Codes.-2015.pdf</p>
Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias, or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice.	<p>The Code of Conduct for Members is based around ethical behaviour as dictated in the seven principles of public life. Both Codes set out the requirements for objective and impartial decision making and detail the arrangements for declaring any interests that may prejudice or bias their conduct. Both also detail the requirements to declare any offers of and gifts and hospitality received.</p> <p>Members are required upon election to sign a register of interest and have a duty to update this with any new interests that may arise during their term. If a conflict or potential conflict is identified and declared, Members are required to ensure they do not participate in any decision on which their impartiality could be compromised and a failure to do so would be a matter for referral to the Standards Committee. http://www.tmbc.gov.uk/services/council-and-democracy/councillors,-democracy-and-elections/councillors-declaration-of-interest</p> <p>Officers are required to complete a Disclosure of Interest Form detailing any interest that may impact or be perceived to impact their work and managers are required to ensure that they do not do any work in an area in which they have an interest. In some sections such as Benefits and Audit/Fraud, officers are required to make a declaration of interest or 'no interest' due to the sensitive nature of their work.</p> <p>http://www.tmbc.gov.uk/_data/assets/pdf_file/0020/172262/Part-5-Codes.-2015.pdf</p> <p>Officers are required by the Code of Conduct not to accept significant personal gifts and to decline offers of hospitality, but to record the offer in the corporate register. Members are required to declare any gifts or hospitality with a value in excess of £100.</p>
Ensuring that organisational values are put into practice and are effective.	
Develop and maintain shared values including leadership values for both the organisation and staff reflecting public expectations and communicate these with members, staff, the community and partners.	<p>The Council's Corporate Performance Plan sets out that it aims to provide excellent public services, good value for money and effective community leadership and is available on the Council's website.</p> <p>The Council's Ethical values are set out in the Code of Conduct for Members and is publically available documents on the Council's website.</p> <p>The Code of Conduct for Officers sets out the standards officers are expected to meet.</p> <p>The Council has adopted a Confidential Reporting Code (whistleblowing) to ensure that staff, Members and the public are able to report any concerns and can be confident that the Council will investigate them appropriately. There are arrangements in place for independent and impartial officers to investigate concerns raised including the Chief Internal Auditor who can report directly to the council's Management Team and Members in his own name should it be necessary.</p>
Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice.	<p>The Council's Codes of Conduct for Members and Officers set out the standards that are expected and there are arrangements in place to ensure that the council meets these standards in delivering its services. The Standards Committee is specifically responsible for Member Conduct while officer conduct is controlled by management through inductions, one to one and appraisal meetings.</p> <p>The Council has adopted a Confidential Reporting Code (whistleblowing) to ensure that staff, Members and the public are able to report any concerns and can be confident that the Council will investigate them appropriately.</p> <p>The Council has a complaints procedure in place to enable people to raise any concerns; this is publicised on the website and through service specific communications to residents.</p> <p>http://www.tmbc.gov.uk/services/council-and-democracy/complaints/complaints-procedure</p> <p>In addition the Council has an Internal Audit Team that operate in compliance with proper practice; the team review the council's arrangements to deliver services and this includes ensuring systems are designed in line with the council's ethical standards.</p>

Principle / Supporting Principle	Arrangements in Plan & Evidence
Develop and maintain an effective standards committee.	<p>The Council has established a Standards Committee and has adopted arrangements under which allegations that a councillor may have breached their authority's code may be investigated and determined. These arrangements apply not only to the Borough Council, but also to all Parish & Town Councils within the Borough.</p> <p>The Terms of Reference of the Standards Committee are set out in the Constitution.</p> <p>http://www.tmbc.gov.uk/_data/assets/pdf_file/0007/181483/150409-Part-3-responsibilities.2015.pdf</p>
Use the organisation's shared values to act as a basis for developing positive and trusting relationships within the authority.	<p>The Council's decision making practices are governed by the Constitution with any decision making delegated to officer level controlled through service/function specific policies to ensure consistency of practice.</p> <p>Responsibility for a range of council functions such as Procurement and IT Developments are delegated to panels of Officers through formal cross-departmental working groups.</p> <p>The Code of Practice for Members is based around the seven principles of public life and is supported by a Protocol on Member/Officer Relations which has been in place since April 2004. http://www.tmbc.gov.uk/_data/assets/pdf_file/0020/172262/Part-5-Codes.-2015.pdf</p>
In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively.	<p>When established terms and conditions giving the objectives of the partnership are set out, outcomes are then reported back to the partnership boards.</p>

Principle Four: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

Principle / Supporting Principle	Arrangements in Plan & Evidence
Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny	
Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall and that of any organisation for which it is responsible.	<p>The Council has established an Overview & Scrutiny Committee with Terms of Reference documented in the Constitution. http://www.tmbc.gov.uk/_data/assets/pdf_file/0007/181483/150409-Part-3-responsibilities.2015.pdf</p> <p>Agendas and Minutes of the Committee are published on the council's website. https://democracy.tmbc.gov.uk/ieDocHome.aspx?Categories=</p> <p>Reports of scrutiny reviews conducted by the Committee are published on a dedicated page on the Council's website. http://www.tmbc.gov.uk/services/council-and-democracy/elected-representatives/scrutiny</p> <p>The Council's Internal Audit Team operates in line with proper practice as defined by the Public Sector Internal Audit Standards and the CIPFA application note to the standard. The Review of the Effectiveness of the system of Internal Audit conducted in June 2014 was presented to Management Team and the Audit Committee; both concluded that the effectiveness of the Internal Audit function in place was Good.</p>
Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and consideration on which decisions are based.	<p>The Council's decision making structure is documented within the Constitution which sets out delegated decision making powers. Any decisions delegated from Members to Officers are controlled by documented policies and feed back to the appropriate board/committee/cabinet. Each decision flows from reports to the relevant committee, cabinet or Council and follow a standard template in order to assist members in decision making. All decisions made by either Cabinet or Cabinet Member are subject to a 5 day call in period.</p> <p>All reports to committees, Cabinet and the Council are published (unless they are considered under Part 2/Private) on the council's website, with decision notices being published for all key decisions made.</p> <p>Professional advice given by officers to Members to assist with decision making is documented in the minutes of meetings. Where this advice is given outside of the formal meeting structure, it is governed by the Protocol on Member/Officer Relations. http://www.tmbc.gov.uk/_data/assets/pdf_file/0007/181483/150409-Part-3-responsibilities.2015.pdf</p>
Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice.	<p>Members are required by the Code of Conduct upon election to sign a register of interest and have a duty to update this with any new interests that may arise during their term. If a conflict or potential conflict is identified and declared, Members are required to ensure they do not participate in any decision on which their impartiality could be compromised and a failure to do so would be a matter for referral to the Standards Committee. This includes a requirement to declare any relevant interest at the commencement of a council meeting which is captured in the Minutes. If it is viewed that their interest may have a prejudicial effect on the proceedings they can be requested to leave the meeting. http://www.tmbc.gov.uk/services/council-and-democracy/councillors,-democracy-and-elections/councillors-declaration-of-interest</p> <p>Officers are required by the Code of Conduct to complete a Disclosure of Interest Form detailing any interest that may impact or be perceived to impact their work and managers are required to ensure that they do not do any work in an area in which they have an interest. In some sections such as Benefits and Audit/Fraud, officers are required to make a declaration of interest or 'no interest' due to the sensitive nature of their work. http://www.tmbc.gov.uk/_data/assets/pdf_file/0020/172262/Part-5-Codes.-2015.pdf</p>
Develop and maintain an effective audit committee (or equivalent) which is independent of the scrutiny function or make other appropriate arrangements for the discharge of the functions of such a committee.	<p>The Council has an established Audit Committee that seeks to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process. The Terms of Reference of the Committee are documented within the Council's Constitution. http://www.tmbc.gov.uk/_data/assets/pdf_file/0007/181483/150409-Part-3-responsibilities.2015.pdf</p> <p>Details of Committee Membership are provided on the Council's website. https://democracy.tmbc.gov.uk/mgCommitteeDetails.aspx?ID=150</p> <p>Training for Members is the responsibility of the Standards Committee, however specific training has been delivered to Members prior to Audit Committee meetings on key topics such as Treasury Management.</p>
Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints.	<p>The Council has a complaints procedure in place that is publicised on the website and through service specific communications to residents. http://www.tmbc.gov.uk/services/council-and-democracy/complaints/complaints-procedure</p>
Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs.	
Ensure that those making decisions whether for the authority or the partnership are provided with information that is fit for purpose – relevant, timely and gives clear explanations of technical issues and their implications.	<p>The Council works to a calendar of meetings that includes the deadlines for officers submitting reports and for publication and distribution to Members; this is controlled and monitored by the Committee Section and through the oversight of Directors/Management Team.</p> <p>All reports to Members are distributed to the Management Team members as draft reports to ensure the adequacy, accuracy and timeliness of information provided for decision making.</p> <p>The Council's financial reporting arrangements ensure Members receive regular updates on the budget situation.</p> <p>All committee reports include an appendix which sets out the 'implications' of the decisions being recommended through the report and cover legal, financial, risks, equalities, corporate business plan and crime and disorder implications.</p>
Ensure that proper professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and is used appropriately.	<p>The Council has demonstrated its compliance with the CIPFA statement on the Role of the Chief Financial Officer in Local Government through a specific Assurance Statement completed by the Section 151 Officer for the Annual Governance Statement.</p> <p>All reports to Council Committees are recorded on the council's website (with the exception of confidential items considered in private) along with the minutes and decision notices following the meeting. Minutes reflect the content of the report and any advice given during the meeting.</p>

Principle / Supporting Principle	Arrangements in Plan & Evidence
Ensuring that an effective risk management system is in place.	
Ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their jobs.	<p>The Council's Risk Management Strategy was formally approved by the Council in July 2013.</p> <p>In line with the Strategy the Council has assessed the strategic and operational risks it faces and these are documented on a Corporate Risk Register and individual Service Risk Registers; there are arrangements in place for both to be reviewed and updated on an at least annual basis.</p> <p>Details of all risks assessed as being 'high' are reported to Members along with details of actions in place and to be taken in future to manage the risk identified.</p> <p>https://democracy.tmbc.gov.uk/documents/s9327/Report%20of%20Director%20of%20Finance%20and%20Transformation.pdf</p> <p>Arrangements are in place to ensure that financial reporting is in line with financial standards and regulations; this is demonstrated through the external audit opinion on the council's financial statements and through reviews of compliance with CIPFA guidance.</p> <p>The Council's Anti-Fraud & Corruption Strategy was approved by the Council in February 2014. Resources from the Internal Audit and Benefit Investigation Teams are working directly with a number of services on key initiatives to prevent and detect fraud within the Council with outcomes reported to Members via update reports.</p>
Ensure that effective arrangements are in place for whistle-blowing to which officers, staff and all those contracting with the authority have access.	<p>The Council's Confidential obligations are delivered through a Confidential Reporting Code that is reviewed on an annual basis. The current document was approved by the Audit Committee in April 2015 and is available on the council's website via the Committee Minutes and available to staff via the Personnel Reference Manual on the intranet.</p>
Using their legal powers to the full benefit of the citizens and communities in their area.	
Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine but also strive to utilise powers to the full benefit of their communities.	<p>The Council's Constitution makes reference to the legislative framework in which the Council operates, and individual policies refer to specific legislation/regulations for the relevant service/function.</p> <p>The Constitution details the Statutory Provisions for key roles including the Section 151 Officer and the Monitoring Officer.</p> <p>The role of the Monitoring Officer is delivered by the Director for Central Services (formerly the Chief Solicitor) and this role is supported by a Job Description.</p> <p>There are specific provisions within the Constitution relating to the Monitoring Officer role including Data Protection.</p>
Recognise the limit of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law.	<p>The council's activities are covered by statute, the constitution and provisions for statutory officers.</p> <p>The Council's Officer Code of Conduct requires officers to work within the law.</p> <p>Council reports contain both legal and financial advice, policy and equalities impact assessments in order to aid the Members on the legality issues. The Council's standard report template for Committees includes an annex that details the implications of the report in specified areas, including legal issues.</p>
Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice – into their procedures and decision making processes.	<p>There are arrangements in place for senior officers to keep abreast of legislative and policy developments that may impact on the Council's activities, including professional qualification CPD, attendance at conferences/training and subscriptions to relevant profession publications.</p> <p>The Member Code of Conduct is based around the seven principles of public life, requiring Members to act fairly when making decisions. The Officer Code of Conduct requires officers to follow <i>every lawful expressed policy of the council</i>.</p> <p>Job descriptions include requirements to observe relevant legislation.</p> <p>In addition the council's Internal Audit function review compliance with legislation, regulations and Council policies and consider fair decision making in their work.</p>

Principle Five: Developing the capacity and capability of members and officers to be effective

Principle / Supporting Principle	Arrangements in Plan & Evidence
Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles.	
Provide induction programmes tailored to individuals' needs and opportunities for members and officers to update their knowledge on a regular basis.	The Council has established a Standards Committee whose Terms of Reference are set out in the Constitution. http://www.tmbc.gov.uk/data/assets/pdf_file/0007/181483/150409-Part-3-responsibilities.2015.pdf Induction program is held for Members following Council Elections held every four years. Specific training and briefings are provided for Members of each committee as relevant, from briefing reports through to specific training sessions. For example the Members of the Audit Committee receive regular updates via email on key topics and have received specific training on topics prior to meetings where reports on those topics are discussed, for instance Treasury Management training in advance of receiving the financial statements.
Ensure that statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority.	Statutory officers are either subject to Continuing Professional Development (CPD) through their respective Professional Organisations or are subject to peer review as part of council's performance management system including appraisals. Abridged job descriptions are shown on the Council's website along with details of the council's senior management structure. http://www.tmbc.gov.uk/services/council-and-democracy/councillors,-democracy-and-elections/transparency-senior-salaries
Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group.	
Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively.	Within the Council, those charged with governance are the Management Team (including the Monitoring Officer and Chief Financial Officer), the Audit Committee and the General Purposes Committee. The Leader of the Council and the Chief Executive are required to ensure the effective management of the council's operations, including the effectiveness of the management team and its members. Monitoring the performance of individual officers is the responsibility of the council's managerial staff. The Council has a management development policy within the Council's personnel handbook. The Council has a training and development policy for both employees and members. Budget provision for training expenditure is set on the basis of salary expenditure.
Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.	The Council's Standards Committee is responsible for advising, training or arranging training Members on matters relating to the Code of Conduct. The Terms of Reference of the committee are set out in the Constitution. http://www.tmbc.gov.uk/data/assets/pdf_file/0007/181483/150409-Part-3-responsibilities.2015.pdf It is the responsibility of the Chair of each committee to assess its effectiveness and to identify and refer any training requirements to the Standards Committee.
Ensure that arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan which might, for example, aim to address any training or developmental needs.	Decisions made by the cabinet are subject to call in through the scrutiny process within the Council's Constitution. The Council's appraisal system identifies training needs for staff; these are agreed with staff by line management and chief officer then forwarded to Personnel and Training to identify relevant course options. In addition professionally qualified staff are encouraged to participate in continued professional development for their own professional body.
Encouraging new talent for membership of the authority so that best use can be made in individuals' skills and resources in balancing continuity and renewal	
Ensure that effective arrangements have been designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority.	The Council has arrangements in place to ensure that services consult with key stakeholders, particularly residents and service users. Examples of current and recent consultation and engagement exercises have been used to inform the design and development of services include: <ul style="list-style-type: none"> • Establishing user panels for the Leisure Facilities where management meet with customer representatives and work to resolve service user issues. • Surveys of users of the summer Play schemes and Activate scheme. • Council Tax consultation on the Council Tax Reduction Scheme where the views of claimants, residents and 2nd home owners were used to validate the scheme being put into place. • A survey of statutory registered housing providers on the new Housing Allocations Scheme. • A first survey of the Council's Online Residents' Panel aimed at improving online services to residents. • A second survey of the Panel to measure satisfaction with services and provide results for a range of Key Indicators in the Council's Corporate Performance Plan. • An exhibition and associated consultation with residents and local groups concerning major improvements to retail and community/leisure facilities in Tonbridge. In addition Members are elected to represent the residents in their Wards and regularly bring items forward to the service areas relevant to their residents for resolution.
Ensure that career structures are in place for officers to encourage participation and development.	The council has a very low staff turnover, when and if retirements are identified succession planning is undertaken in order to maintain service delivery. The Council's Human Resources Strategy contains both workforce and management development plans which enable the provision of structured career development over the next 10 years.

Principle Six: Engaging with local people and other stakeholders to ensure robust public accountability.

Principle / Supporting Principle	Arrangements in Plan & Evidence
Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive and accountability relationships	
Make clear to themselves, all staff and the community to whom they are accountable and for what.	<p>The Tonbridge & Malling Local Strategic Partnership was formed in October 2008 and brings together a wide range of groups and organisations that operate across the borough, covering the public, private, faith, voluntary and community sectors. Details of the actions being taken are reported to the Communities Advisory Board.</p> <p>The Local Strategic Partnership is responsible for the Sustainable Community Strategy, a three year plan to address issues related to the local quality of life. The Local Strategic Partnership acts as the strategic decision making body to ensure that actions within the Sustainable Community Strategy are delivered.</p> <p>http://www.tmbc.gov.uk/services/council-and-democracy/councillors,-democracy-and-elections/partnerships/local-strategic-partnership</p>
Consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required.	The Council has arrangements in place to ensure that services consult with stakeholders recently this was used in the planning of the consultation activity relating to the Council Tax Reduction Scheme and the Housing Allocations Scheme.
Produce an annual report on the activity of the scrutiny function.	<p>The Council's Overview & Scrutiny Committee with Terms of Reference documented in the Constitution.</p> <p>http://www.tmbc.gov.uk/_data/assets/pdf_file/0007/181483/150409-Part-3-responsibilities.2015.pdf</p> <p>The Committee does not currently produce an annual report; this is identified as a recommended enhancement to the Council's governance arrangements in the Annual Governance Statement 2012-13.</p>
Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning.	
Ensure clear channels of communication are in place with all sections of the community and other stakeholders, including monitoring arrangements, and ensure that they operate effectively.	<p>The Council provides a full range of channels by which the public and other stakeholders can access services. While encouraging a shift towards customer self service using the Council's website, all traditional access channels continue to be resourced. For example, to meet the needs of those customers that need the confidence and support that comes with face to face service, the Council provides fully staff receptions at the main offices, with partner agencies in Tonbridge (Gateway) and, at other locations, via a number of surgeries and shared facilities with partners. A language translation service is also provided where customers are unable to communicate in English.</p> <p>With regard to monitoring:</p> <ul style="list-style-type: none"> • The Council's approach to customer service has been subjected to an equality impact assessment. • Trends in customer contacts are monitored across the full range of access channels. • Customer comments and complaints are monitored. <p>Outgoing communications are guided by the Council's Corporate Communication Guidelines. These have explicit regard to plain English, diversity and equality.</p> <p>The council's communications arrangements are evidenced through:</p> <ul style="list-style-type: none"> • Customer services equalities impact assessment. • Customer Contact Statistics reports to the Council's corporate Management Team and the Innovation and Improvement Advisory Board. These reports cover the full range of access channels, including: website visitors and visits, web forms, online payments and bookings, emails to generic addresses, telephone calls, letters and face to face visits by residents and other customers. • Corporate Communications Guidelines. • Corporate complaints system.
Ensure that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands.	<p>The Council has operated residents' panels, with 1,000+ members for over a decade.</p> <p>Surveys of residents, customers and other stakeholders are analysed in depth using a range of statistical techniques to identify significant (real) differences between groups. This identifies different needs and priorities between groups that can be individually addressed; invaluable in times where finance and other resources are in particularly short supply. Large scale surveys of residents are complemented by small user panels, providing qualitative feedback, and other customer research via kiosks, e.g. at the leisure centres. The Council's principal public open spaces are covered by an annual programme of face to face market research.</p> <p>Consultation and engagement activity is reported to the Council's Corporate Management Team, Cabinet, Committees and Advisory Boards.</p> <p>The Council was awarded the Certificate of Best Practice from The Consultation Institute in January 2013 for the Council Tax Benefit Localisation scheme consultation.</p>
Establish a clear policy on the types of issues on which they will meaningfully consult on or engage with the public and service users about including a feedback mechanism for those consultees to demonstrate what has changed as a result.	<p>The Council has a strong track record of consultation covering the full range from strategic (e.g. identification of priorities) to operational (e.g. satisfaction with services) matters.</p> <p>The Council's policy is to consult only on matters where the public or other stakeholders can genuinely influence the choice of options or the Council's actions and future performance. Matters already decided are outside the scope of consultations. This distinction is explicit in scoping documents for the more challenging consultations. Similarly, for the more complex consultations, a thorough analysis of stakeholders is undertaken. More comprehensively, the Council's best practice approach to consultation is guided by the corporate Consultation Project Guide, supported by the corporate Guide to Questionnaire Design and Sampling. Feedback to consultees, covering both the consultation results and further outcomes/actions, is an integral part of the Council's approach, explicit in the Consultation Project Guide and evidenced through newsletters to the residents' panels.</p>
Publish an annual performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period.	<p>The Council's Key Priorities are detailed in its Corporate Performance Plan 2012/15 and include both local and national/statutory priorities.</p> <p>http://www.tmbc.gov.uk/_data/assets/pdf_file/0006/69927/Corporate-Performance-Plan-2012-15.pdf</p> <p>It is a three-year plan, covering the financial years 2012/15 showing where the Council particularly aims to improve, it includes a range of improvement themes and a set of Key Indicators for each priority.</p> <p>A number of the Key Indicators relate to customer satisfaction with the Council's Services. During 2013 a survey of the Council's new Online Residents' Panel measured residents' satisfaction with a range of services and thereby provided results for associated Key Indicators. Targets were achieved for five out of</p>

Principle / Supporting Principle	Arrangements in Plan & Evidence
	<p>seven indicators and the results were only just below target for the other two indicators. These results will be reported fully in the next version of the Plan. Financial performance is reported through the Annual Report within the Council's Financial Statements. http://www.tmbc.gov.uk/services/council-and-democracy/council-budgets-and-spending/annual-accounts The Council has a strong track record in resolving complaints and this is evidenced by the very low level of complaints made about the Council to the Local Government Ombudsman. Assurance can be given on the effectiveness of the Council's complaints handling process by the fact that the council has made no local settlements in the year and the Ombudsman has not overturned any council decisions.</p>
<p>Ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.</p>	<p>The Council is committed to openness and accountability. This is demonstrated by:</p> <ul style="list-style-type: none"> • External publication of financial information. • Internal publication of policies to encourage whistle-blowing and prevent bullying or harassment. <p>The Council explicitly addresses the three aims of the Equality Duty through its decision making processes:</p> <ul style="list-style-type: none"> • Eliminate unlawful discrimination, harassment and victimisation • Advance equality of opportunity between different groups • Foster good relations between different groups <p>This extends to services provided in partnership. Council tax charges that the Council and the public sector partners levy are published on the Council's website. Annual bills make it clear that paper copies are available to residents on request. Information is published on the Council's website in line with the Government's transparency requirements including the number of employees, senior staff salaries and gross expenditure. The Corporate Debt Recovery Policy formalises the Council's approach to debt recovery. The equality impacts of Council decisions are considered and published within committee reports. A summary of consultations for equality impact assessments is available at http://www.tmbc.gov.uk/services/jobs-and-careers/equality-and-diversity/equalities-assessment-and-consultation</p>
<p>Making best use of human resources by taking an active and planned approach to meet responsibility to staff</p>	
<p>Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making.</p>	<p>The authority operates a Joint Employee Consultative Committee (JECC) which comprises officers from services, Management Team and Councillors. The Objectives of the committee are:</p> <ul style="list-style-type: none"> • To promote the closest understanding and cooperation between the Council and its employees, through their representatives. • To provide a systematic means of communication between the Council and its employees, through their representatives. • To give employees, through their representatives, the opportunity to discuss and express views about Council decisions which affect them. • To provide an opportunity for employees, through their representatives, to identify and consider health & safety issues <p>The terms & conditions of employment with the council are based on the National Joint Council terms & conditions (the Green Book). The council's Personnel Management are professional members of the Chartered Institute of Personnel Development and ensure the recruitment process is in line with current best practice.</p>

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

22 June 2015

Report of the Director of Finance and Transformation

Part 1- Public

Delegated

1 STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT

This report presents an unaudited set of Accounts for 2014/15 in the format specified by the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 for consideration and approval. The Accounts include the proposals recommended to the Cabinet meeting on 24 June. The Annual Governance Statement for the year ended 31 March 2015 can be found elsewhere on this agenda. The Statement accompanies the 2014/15 Statement of Accounts.

1.1 Introduction

1.1.1 An audited set of Accounts for 2014/15 must be approved by the Council or a Committee of the Council by 30 September 2015. Under the Council's constitutional arrangements responsibility for the approval of the Statement of Accounts is now delegated to this Committee. The Committee has a meeting scheduled for the 7 September to approve an audited set of Accounts.

1.1.2 This report presents an unaudited set of Accounts for 2014/15 for consideration and approval.

1.2 Statement of Accounts

1.2.1 The Accounts are to be prepared in accordance with International Financial Reporting Standards. The Code of Practice on Local Authority Accounting in the United Kingdom is issued by the Chartered Institute of Public Finance and Accountancy and is reviewed and as appropriate updated at least annually.

1.2.2 An unaudited set of Accounts for 2014/15 is enclosed with this agenda. It consists of the following individual financial statements and associated notes.

- 1) Movement in Reserves Statement – this Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (those that can be applied to fund expenditure and or reduce local taxation) and other reserves (those that the Council is not able to use to provide services, for example, the revaluation reserve).

- 2) Comprehensive Income and Expenditure Statement – this Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The taxation position is shown in the Movement in Reserves Statement.
 - 3) Balance Sheet – sets out the financial position of the Council at 31 March 2015. It shows the value of the Council’s assets and liabilities, and its balances and reserves.
 - 4) Cash Flow Statement – this summarises the inflows and outflows of cash and cash equivalents for both revenue and capital purposes.
 - 5) Notes to the financial statements.
 - 6) Collection Fund and Associated Notes – shows the total local taxation transactions in relation to business rates and council tax.
- 1.2.3 At **[Annex 1]** is a more detailed overview of the Statement of Accounts and at **[Annex 2]** a checklist certified by the Director of Finance and Transformation in support of the assertions made in the Statement of Responsibilities for the Statement of Accounts.
- 1.2.4 Members will note in accordance with the Accounts and Audit Regulations and in my role as the Council’s responsible financial officer, I have certified that the Statement of Accounts present a “true and fair view” of the financial position of the local authority at the end of the year and its income and expenditure for the year.
- 1.2.5 The Statement of Accounts is subject to external audit and our external auditors commenced the audit of the Accounts on 8 June.

1.3 Accounts and Audit Regulations

- 1.3.1 The Accounts and Audit Regulations require:
- The Council’s responsible financial officer to certify an unaudited set of accounts for issue that present a “true and fair view” of the financial position of the Council as at 31 March 2015 and its income and expenditure for the year ended 31 March 2015 by no later than 30 June.
 - The responsible financial officer and Members to certify / approve an audited set of accounts for publication by no later than 30 September, and that following approval both the responsible financial officer and Chairman of the receiving Committee sign and date the Statement of Accounts.
 - Authorities to have in place a sound system of corporate governance and that an Annual Governance Statement is to accompany, but is not part of the Accounts.

1.4 Statement of Auditing Standards

1.4.1 Our External Auditor (Grant Thornton) is required to issue a report to those charged with governance covering, amongst other things, the outcome of the audit of the Accounts. Under the Council's constitutional arrangements it is the Audit Committee that will receive this report. The report is expected to be presented to the Audit Committee meeting on 7 September 2015.

1.5 Revenue and Capital Outturn 2014/15

1.5.1 At the time of writing this report, Cabinet, at its meeting on 24 June, is due to receive a report on the Revenue and Capital Outturn for the year 2014/15. That report and the associated Outturn Booklet contain details of variations between the 2014/15 revised estimates and outturn.

1.5.2 Members are to be advised at this meeting that overall, and after setting aside circa £155,000 to meet next year's shortfall on the Business Rates Retention scheme, the revenue outturn is slightly over budget to the sum of £85,687 with a contribution from the General Revenue Reserve of £1,242,687 compared with the Revised Estimate figure of £1,157,000.

1.5.3 Factors that contributed to the adverse variance include the outcome of the personal search fee litigation, pressure on the housing benefits budget as a result of government initiatives and setting aside funds to meet next year's shortfall under the Business Rates Retention scheme offset by management savings on the salary bill and our major income streams better than budgeted performance despite Aylesford Newsprint going into administration in February 2015 and the resultant adverse impact on the Council's income.

1.5.4 Members are to also be advised that we had as part of the closedown process undertaken a review of the specific earmarked reserves held by the Council and invite Cabinet to endorse that:

- A Transformation reserve is established in the sum of £28,000 to fund initiatives that deliver operational efficiencies.

1.5.5 The above proposals have been reflected within the outturn position shown.

1.5.6 **[Annex 3]** provides details of movements on the special projects reserve, other earmarked reserves and minor revenue adjustments agreed by the Director of Finance and Transformation during the closedown process or to be agreed by Members.

1.6 Annual Governance Statement

1.6.1 The Annual Governance Statement can be found elsewhere on this agenda. The Statement accompanies the Statement of Accounts, but is not part of the Accounts. The purpose of the Annual Governance Statement is to assess and

demonstrate that there is a sound system of corporate governance throughout the organisation. Governing is about how local government bodies ensure they are doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner.

- 1.6.2 The Statement is prepared by way of a self-assessment questionnaire and supporting evidence. The Statement is to be signed by both the most senior member and officer of the Council following its consideration and endorsement.

1.7 Legal Implications

- 1.7.1 Compliance with the Accounts and Audit Regulations and the Code of Practice on Local Authority Accounting in the United Kingdom is a statutory requirement. There are a number of legislative requirements to consider in the preparation and publication of the Statement of Accounts which will be addressed as we move through the closedown process.

1.8 Financial and Value for Money Considerations

- 1.8.1 As set out above.

1.9 Risk Assessment

- 1.9.1 The Statement of Accounts is a statutory document and, therefore, failure to prepare and publish the Accounts in accordance with proper accounting practice and within the statutory timescales could adversely affect the Council.

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 To note and endorse the Statement provided by the Director of Finance and Transformation [**Annex 2**] in support of assertions made in the Statement of Responsibilities for the Statement of Accounts.
- 1.11.2 To note and endorse the recommendations detailed at paragraph 1.5.4 following a review of the specific earmarked reserves held by the Council.
- 1.11.3 To receive and approve the enclosed unaudited set of Accounts for 2014/15 and request that the Chairman sign the Accounts in the appropriate place.

Background papers:

Nil

contact: Neil Lawley
Paul Worden

Sharon Shelton
Director of Finance and Transformation

Overview of Statement of Accounts 2014/15

The Statement of Accounts 2014/15 consists of, amongst other things, the following financial statements and associated notes; the Movement in Reserves Statement; the Comprehensive Income and Expenditure Statement; the Balance Sheet; the Cash Flow Statement; and the Collection Fund.

1) Explanatory Foreword (Pages 1 to 11)

The foreword provides a brief explanation of the financial aspects of the Council's activities for the year ended 31 March 2015; highlights any major events or changes in presentation or accounting that impact on the Accounts; and a review of the year and possible issues for the future.

2) Statement of Responsibilities for the Statement of Accounts (Page 12)

This sets out the respective responsibilities of the Authority and the Council's responsible financial officer.

3) Movement in Reserves Statement (Page 13)

This Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus / (deficit) on provision of services shows the true economic cost of providing services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charges to the General Fund Balance for Council Tax setting. The net increase / (decrease) before transfers to or from earmarked reserves shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

4) Comprehensive Income and Expenditure Statement (Page 14)

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. The Statement is divided into five distinct sections.

The first section provides segmental accounting information on the costs of the Council's continuing operations, net of specific grants and income from fees and charges, to give the net cost of services.

The second section comprises items of income and expenditure relating to the Council as a whole and not to any individual service, e.g. parish council precepts.

The third section comprises items of income and expenditure arising from financing and investment activities, e.g. investment income.

The fourth section shows the income from local taxation, general government grants and all capital grants and contributions in the period, to give the net deficit or surplus on provision of services for the year.

The final section shows other items that have contributed to the movement in the net worth of the Council, e.g. increase / decrease in the value of its assets, to give a total comprehensive income and expenditure for the year.

The total comprehensive income and expenditure for the year is £8.8m compared to (£1.8m) for 2013/14. The movement of £10.6m is largely due to:

- Increase of £1.2m in cost of services which is largely due to the capitalised gain on the pension fund in respect of the Leisure Services Business Unit in 2013/14.
- No change in the fair value of investment properties that in accordance with the rolling programme were the subject of revaluation in 2013/14 resulting in an increase in value of £1.3m.
- Gains of £6.8m following the revaluation of the Council's land and buildings compared to a gain of £3.7m in 2013/14.
- Actuarial losses of £11.7m in respect of the Pension Fund due to the corporate bonds based method that is used to value the liabilities. Bond yields have fallen during the year leading to an increase in liabilities. This compares to actuarial losses of £0.3m in 2013/14.

5) Balance Sheet (Page 15)

This sets out the financial position of the Council as at 31 March 2015. The Balance Sheet is fundamental to the understanding of the Council's year-end financial position. It shows the Council's assets and liabilities, and its balances and reserves.

As at 31 March 2015 the total value of the Council's non-current assets was £72.3m (£67.2m at 31 March 2014). Movements in non-current assets reflect the Council's capital programme and revaluation, depreciation, impairment and disposal of assets.

In accordance with the rolling programme public conveniences were the subject of revaluation. In addition to public conveniences the Council's larger car parks, council offices and major leisure premises were also the subject of revaluation. The revaluation resulted in a net gain of £6.7m, of which £6.8m is recognised in the revaluation reserve and £0.08m charged to cost of services.

The downward movement in debtors is largely due to the reduction in the amount owed by central government under the Business Rates Retention Scheme including the safety net payment due under the Scheme and our share of sums owed by business ratepayers offset by an increase in the amount owed in respect of housing benefit overpayments.

The downward movement in creditors is largely due to the reduction in the amount owed to central government under the Business Rates Retention Scheme and our share of sums owed to business ratepayers offset by an increase in other creditors largely as a result of the payment of housing benefit in respect of 2014/15 in the first week of 2015/16.

The upward movement in Provisions is largely due to the increase in the provision to meet our share of the cost arising from successful appeals by business ratepayers.

The Pensions Liability as at 31 March 2015 was £61.9m and as at 31 March 2014 £48.8m. The increase in pension deficit during the year has arisen due to the corporate bonds based method that is used to value the liabilities. Bond yields have fallen during the year leading to an increase in liabilities.

The Council's Reserves stand at £16.1m at 31 March 2015 comprising:

Revenue Reserve for Capital Schemes	£6.8m
Building Repairs Reserve	£0.1m
Other Specific Earmarked Reserves	£4.5m
General Revenue Reserve	£4.7m

Included in Other Specific Earmarked Reserves is a Business Rates Retention Scheme reserve in the sum of £2.3m established, in the main, to take account of accounting arrangements, e.g. safety net payment accounted for in year and the deficit that triggered the safety net payment in the following year.

6) Cash Flow Statement (Page 16)

This summarises the inflows and outflows of cash and cash equivalents for both revenue and capital purposes. The statement shows that there was a net cash inflow of £4.8m.

7) Notes to the Accounts (Pages 17 to 61)

These are the notes to the four core financial statements detailed above.

8) Collection Fund and Associated Notes (Pages 62 to 65)

This reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, showing the transactions in relation to business rates and council tax and illustrates how the demands on the Fund from Kent County Council, Police and Crime Commissioner for Kent, Kent & Medway Fire and Rescue Authority and the Borough Council General Fund in respect of council tax and Central Government, Kent County Council, Kent & Medway Fire and Rescue Authority and the Borough Council General Fund in respect of business rates have been satisfied. The Collection Fund is consolidated with the other accounts of the billing authority within the Balance Sheet.

9) Annual Governance Statement (Pages 66 to 68)

This Statement accompanies the Statement of Accounts, but is not part of the Accounts. The purpose of the Annual Governance Statement is to assess and demonstrate that there is a sound system of corporate governance throughout the organisation. Governance is about how local government bodies ensure they are doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner.

10) Independent Auditor's Report (Pages 69 to 70)

The Council's external auditors provide an independent opinion on whether the financial statements present a "true and fair view" of the financial position of the Council as at 31 March 2015 and its income and expenditure for the year ended 31 March 2015, and review the Annual Governance Statement.

11) Glossary (pages 71 to 74)

A glossary of terms used in the Statement of Accounts.

**DECLARATION IN SUPPORT OF ASSERTIONS MADE IN THE
STATEMENT OF RESPONSIBILITIES FOR THE
STATEMENT OF ACCOUNTS**

This statement is given in respect of the Statement of Accounts 2014/15.

I acknowledge my responsibility for preparation of the Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15; and that the Accounts present a “true and fair view” of the financial position of the Council and of its income and expenditure for the year ended 31 March 2015.

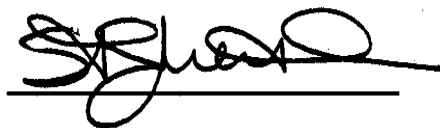
In doing so, the following have been done:

- A detailed closedown timetable (final accounts working paper 35) was prepared and approved by the Corporate Management Team, and communicated to all Services.
- Detailed Year-End Service Guidance Notes (final accounts working paper 37) were prepared and issued to all Services.
- Recommendations made by our external auditors following the audit of the 2013/14 Statement of Accounts have been reviewed and actioned where appropriate.
- Reconciliations have been carried out between the Council’s financial ledger (Integra) and the Revenues & Benefits system (iWorld).
- The trial balance (final accounts working paper 33) has been balanced.
- The total for each accountant as per the trial balance (final accounts working paper 33) has been agreed to the net total as per the ledger control sheets.
- The Total Service Expenditure as per the General Fund (final accounts working paper 21) has been agreed to the movement in the General Fund on the Integra General Ledger (final accounts working paper 22).
- The non-current assets entries in the Balance Sheet are in line with valuations and other known transactions.
- The entries within the Collection Fund have been agreed with other financial statements in the Statement of Accounts and the Council Tax set by the Council on 18 February 2014 and other major precepting authorities.
- The total comprehensive income and expenditure for the year as shown in the Comprehensive Income and Expenditure Statement (final

accounts working paper 17) has been agreed to the Total Reserves movement reflected in the Balance Sheet (final accounts working paper 11).

- The movement in cash and cash equivalents as per the Cash Flow Statement has been agreed with the movement in the cash and cash equivalents balances as per the Balance Sheet (final accounts working paper 11).
- An Analytical Review with explanatory notes of significant variations between 2013/14 and 2014/15 has been prepared.
- The Local authority financial reporting issues from 2013/14 produced by Grant Thornton will be completed when available.
- The Statutory Audit: Arrangement letter 2014/15 produced by Grant Thornton will be completed when available.

Signed:

A handwritten signature in black ink, appearing to read 'S.J. Shelton', written over a horizontal line.

Dated: 22 June 2015

S.J. Shelton, CPFA
Director of Finance and Transformation

TABLE 1

Special Projects Reserve	2014/15		
	Revised £	Outturn £	Variance £
Contribution to/(from) in Year			
River Wall at Wouldham	700,000	700,000	0
Borough Signage	(1,200)	(5,402)	(4,202)
Crime and Disorder Initiatives	-	(18,950)	(18,950)
Environmental Health Initiatives	(5,000)	(13,457)	(8,457)
Local Strategic Partnership	(4,500)	(4,518)	(18)
Social Housing Fraud Initiative	(1,900)	(1,875)	25
Repossessions Prevention Fund	(4,000)	(563)	3,437
Tonbridge Environmental Schemes	(100,000)	(100,000)	0
Movement in Year	583,400	555,235	(28,165)

TABLE 2

Other Earmarked Reserves	2014/15		
	Revised £	Outturn £	Variance £
Contribution to/(from) in Year			
Election Expenses	22,800	58,295	35,495
Housing Assistance	-	26,354	26,354
Local Development Framework	10,000	5,330	(4,670)
Public Health	-	4,014	4,014
Business Rates Retention Scheme	(400,000)	755,132	1,155,132
Business Support Scheme	(222,000)	(227,000)	(5,000)
Community Enhancement Fund	(230,000)	(153,026)	76,974
Democratic Representation	(5,000)	(5,032)	(32)
Flood Recovery and Defence	(65,550)	(76,000)	(10,450)
High Street Innovation Fund	(27,350)	(37,401)	(10,051)
Housing and Welfare Reform	(9,450)	(7,825)	1,625
Invest to Save	(1,900)	(1,900)	0
Planning Inquiries	(35,000)	(8,105)	26,895
Road Closures	-	(2,638)	(2,638)
Supporting People	-	(1,100)	(1,100)
Tonbridge and Malling Leisure Trust	-	(18,530)	(18,530)
Tonbridge Town Centre	(22,850)	(22,568)	282
Training and IIP Accreditation	-	(7,187)	(7,187)
Approved by Management Team			
Community Enhancement / Development Fund	-	107,950	107,950
Community Enhancement Fund	-	(107,950)	(107,950)
Economic Development	-	85,599	85,599
Business Support Scheme	-	(23,000)	(23,000)
High Street Innovation Fund	-	(62,599)	(62,599)
For Approval			
Transformation	-	28,000	28,000
Movement in Year	(986,300)	308,813	1,295,113

TABLE 3

Revenue Adjustments	2014/15		
	Revised £	Outturn £	Variance £
Expenditure / (Receipts) in Year			
Rechargeable Works Overheads	-	1,198	1,198
Tonbridge and Malling Leisure Trust	-	514	514
Miscellaneous Cash	-	(86)	(86)
Movement in Year	-	1,626	1,626

This page is intentionally left blank

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

22 June 2015

Report of the Chief Internal Auditor

Part 1- Public

Delegated

1 REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT 2014-15

This report informs Members of the findings of the annual review of the effectiveness of the Internal Audit function and to seek Members endorsement of the effectiveness of the function for the year 2014-15.

1.1 Background

- 1.1.1 It is considered best practice for local authorities to conduct an annual review of the effectiveness of the system of internal audit. The Chief Internal Auditor has conducted the review of effectiveness for 2014-15 and a summary of the findings of this review can be found at **[Annex 1]** to this report.
- 1.1.2 It is important to note that the review is about effectiveness, not process. The focus of the review should be on the delivery of internal audit to the standard required by the Council in order for the Council to be able to place reliance on its outputs.
- 1.1.3 The findings of the review of effectiveness were circulated to Management Team on 28th May 2015. Management Team review the findings from the review and then agree an opinion as to whether the findings of this review demonstrate that the internal audit function in place during 2014-15 was effective, using the opinion definitions set out below.

Opinion	Definition
Good	The arrangements put in place by the Council provide substantial assurance of the adequacy of the control environment as a contribution to the achievement of its objectives.
Satisfactory	The arrangements put in place by the Council provide reasonable assurance of the adequacy of the control environment as a contribution to the achievement of its objectives.
Adequate	The arrangements put in place by the Council provide limited assurance of the adequacy of the control environment as a contribution to the achievement of its objectives.
Unsatisfactory	The arrangements put in place by the Council provide no assurance of the adequacy of the control environment as a contribution to the achievement of its objectives.

It was concluded by Management Team that the opinion on the effectiveness of the Internal Audit function in place during 2014-15 was Good.

1.2 Legal Implications

- 1.2.1 The Accounts and Audit Regulations place a statutory requirement on authorities 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. Proper practice relative to the 2014-15 financial year is defined as that contained within the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note to the PSIAS, published by CIPFA.
- 1.2.2 The Regulations also require the Council to conduct, at least once a year, a review of the effectiveness of its internal audit. The review conducted gives due consideration to proper practice.

1.3 Financial and Value for Money Considerations

- 1.3.1 There are no direct financial implications from this report.

1.4 Risk Assessment

- 1.4.1 The review of effectiveness provides assurance of the proper operation of the Internal Audit function of the Council. The findings of the review should therefore be properly considered as part of the Council's overall governance arrangements.

1.5 Equality Impact Assessment

- 1.5.1 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.

1.6 Recommendations

- 1.6.1 Members consider the findings of the 2014-15 review of the effectiveness of Internal Audit and endorse the opinion that the effectiveness of Internal Audit during 2014-15 was Good.

Background papers:

contact: Samantha Buckland

Nil

David Buckley
Chief Internal Auditor

This page is intentionally left blank

Summary of Measures to demonstrate the effectiveness of Internal Audit – 2014-15 Review

Measure	Finding
Review of the Internal Audit team against proper practice, as defined as the <i>Public Sector Internal Audit Standards and the CIPFA Local Government Application Note to the Public Sector Internal Audit Standards</i> .	The Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note to the Public Sector Internal Audit Standards were introduced as proper Practice from 1 April 2013. A self-assessment was conducted in May 2015 which confirmed that the team are considered to be working in compliance with the PSIAS overall with some minor areas for development. One key action remains; Internal Audit teams are required to be externally assessed against the PSIAS once in a five-year period. Consideration is currently being given to scheduling an assessment in the 2016-17 financial year.
The internal audit planning process, demonstrating that audit planning is risk-based and reflects the business objectives of the council.	The annual audit planning exercise for the coming financial year uses a risk-based methodology to ensure the most effective use of Internal Audit resource. This exercise reflects the business objectives of the Council.
Customer Satisfaction survey results.	The bi-annual client satisfaction survey conducted in April 2013 assessed the Internal Audit Team as providing a good internal audit service. The service was rated at 3.86 against a maximum rating of 4.0. Customer satisfaction surveys are sent to all client managers on publication of a final internal audit report. The results of surveys returned during 2014-15 gave an overall satisfaction measure of 100% against a target of 80%.
Key performance indicator outturns.	A set of seven performance measures have been developed to assess the effectiveness of the Internal Audit team in achieving a quality Internal Audit Service. As reported in the Annual Internal Audit Report 2014-15, during the year the team met six of the seven performance measures, despite the significant staffing changes experienced in the period.
The extent to which reliance can be placed on the work of internal audit by the external auditor.	In the Audit Plan for TMBC for the year ended 31 March 2015 Grant Thornton stated: <i>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.</i>

This page is intentionally left blank

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

22 June 2015

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Information

1 AUDIT FEE LETTER 2015/16

Report to inform Members of the receipt of the Audit Fee Letter for 2015/16.

1.1 Introduction

1.1.1 I have received from Grant Thornton the Audit Fee Letter for 2015/16 [**Annex 1**] which sets out details of the audit fee for the Council along with the scope and timing of audit work and the audit team.

1.1.2 The fee represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes. The audit fee for 2015/16 is £45,776, which compares to the audit fee of £60,135 for 2014/15. This reduction follows the procurement exercises run by the Commission in 2014. There is also a charge for certification work where the indicative fee is £18,084.

1.2 Legal Implications

1.2.1 None.

1.3 Financial and Value for Money Considerations

1.3.1 As set out above.

1.4 Risk Assessment

1.4.1 None.

Background papers:

contact: Neil Lawley

Nil

Sharon Shelton
Director of Finance and Transformation

This page is intentionally left blank

Sharon Shelton
Director of Finance and Transformation
Tonbridge & Malling Borough Council
Gibson Building
Gibson Drive
Kings Hill
West Malling
Kent
ME19 4LZ

Grant Thornton UK LLP
The Explorer Building
Fleming Way
Manor Royal
CRAWLEY
RH10 9GT
T +44 (0)1293 554130

www.grant-thornton.co.uk

21 April 2015

Dear Sharon

Planned audit fee for 2015/16

Before it closed on 31 March 2015, the Audit Commission was asked to set the scale fees for audits for 2015/16. The Commission published its work programme and scales of fees for 2015/16 at the end of March 2015. In this letter we set out details of the audit fee for the Council along with the scope and timing of our work and details of our team.

Scale fee

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

The Council's scale fee for 2015/16 has been set by the Audit Commission at £45776, which compares to the audit fee of £61,035 for 2014/15. The reduction in fees has been enabled by the procurement exercises run by the Commission across both the Local Government and Health sectors.

After the Commission's closure, the 2015/16 work programme and fees will be accessible from the archived Audit Commission website from the National Archives http://webarchive.nationalarchives.gov.uk/*/http://www.audit-commission.gov.uk/ and on the Public Sector Audit Appointments PSAA website psaa.co.uk

The audit planning process for 2015/16, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

Value for Money conclusion

Under the Audit Commission Act we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the VfM conclusion and provide feedback in our Audit Findings Report.

Certification of grant claims and returns

The Council's indicative grant certification fee has been set by the Audit Commission at £18,084.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2015	11,444
December 2015	11,444
March 2016	11,444
June 2016	11,444
Grant Certification	
December 2016	18,084
Total	63,860

Outline audit timetable

We will undertake our audit planning and interim audit procedures in November 2015 to February 2016. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit, work on the VfM conclusion and work on the whole of government accounts return will be completed in September 2016.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	November 2015- February 2016	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June to September 2016	Audit Findings Report	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	January to September 2016	Audit Findings Report	As above
Whole of government accounts	September 2016	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2016	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	April to November 2016	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2015/16 are:

	Name	Phone Number	E-mail
Engagement Lead	Darren Wells	01293 554120	Darren.J.Wells@uk.gt.com
Engagement Manager	Trevor Greenlee	01293 554071	Trevor.Greenlee@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Paul Dossett our Public Sector Assurance regional lead partner (paul.dossett@uk.gt.com).

Yours sincerely

A handwritten signature in black ink, appearing to read 'DWells', written in a cursive style.

Darren Wells
Engagement Lead

For Grant Thornton UK LLP

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

22 June 2015

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Information

1 ANNUAL FRAUD INVESTIGATION REPORT 2014-15

This report informs Members of the work carried out by the Fraud Investigation Team in the year 2014/15.

1.1 Introduction

1.1.1 In November 2014, the Audit Commission published its final annual report 'Protecting the Public Purse', which is based on a survey of investigation activity conducted by all local authorities. The report stated that £188 million of fraud was detected by local government during 2013-14. As with the earlier 2013 report, it highlighted the areas of non-benefit fraud that were affecting local authorities. Areas of risk relevant to the Borough Council include:

- Council tax discount fraud (estimated 4-6% of all discounts)
- Business rates (NNDR) fraud (percentage estimates unknown)
- Internal fraud (estimated 1% of all fraud cases within local authorities)

1.1.2 Tonbridge & Malling Borough Council is opposed to all forms of fraud and corruption and recognises that such acts can undermine the standards of public service, which it promotes, and have a detrimental effect on the ability of the Council to meet its own objectives. This, in turn, can impact on the service provided to the residents of Tonbridge & Malling.

1.1.3 This report is intended to provide details of the Council's activity in preventing and detecting fraud and corruption in the year 2014-15 and provides details of the performance of the Investigation team in relation to matters that have been investigated. It also provides information about plans for the future work of the Investigation Team to further tackle frauds being committed against the Council.

1.2 Prevention and Detection of Fraud and Corruption

1.2.1 A key element of the Council's arrangements to prevent fraud and corruption activity is the development and maintenance of an anti-fraud culture within the

Council. This culture is developed and nurtured through a number of activities, as set out below.

Corporate Internal Control Arrangements

- 1.2.2 The Council operates within a framework of policies and procedures intended to direct the activity of the Council and ensure transparency in decision making. Responsible officers are expected to ensure that effective internal control arrangements are incorporated into the design and development of systems and procedures.
- 1.2.3 Assurance on internal control arrangements is primarily provided through the work of internal audit and external audit and assurance statements completed by managers at the end of each financial year.
- 1.2.4 In addition to this, the fraud investigation team provide feedback on any procedural weaknesses identified through the course of any investigations with recommendations for 'fraud proofing' to try and prevent similar occurrences in the future.

Anti-Fraud & Corruption Policies

- 1.2.5 The Anti-Fraud & Corruption Policy is a public document setting out the Council's stance on fraud and corruption and providing an outline of its arrangements to prevent, detect and investigate fraud and corruption. The Policy underpins the Council's corporate anti-fraud arrangements and supports other corporate documents.
- 1.2.6 The Housing & Council Tax Benefit Anti-Fraud Policy and Council Tax Reduction, Discount and Exemption Anti-Fraud Policy are public documents that set out the Council's approach specifically in relation to those areas of fraud.
- 1.2.7 During 2014-15 the Investigations Manager carried out a review of all anti-fraud policies to ensure that they continue to reflect current legislation, recognise best practice and fully reference the Council's current arrangements in the prevention, detection and investigation of fraud and corruption.

Whistleblowing Policy

- 1.2.8 The Whistleblowing Policy is intended to be used by Council employees, Members and contractors, consultants or partners working with or for the Council to support the disclosure of concerns and suspicions which cannot be raised through the channels set out in the Council's Anti-Fraud & Corruption Policy.
- 1.2.9 The document was also reviewed during the year. The revised Policy was submitted to Audit Committee in April 2015 and now awaits final approval from the General Purposes Committee.

Induction

- 1.2.10 The Council has arrangements in place for inducting new members of staff. This includes providing information to employees on the Code of Conduct, the Council's anti-fraud & corruption arrangements and whistle blowing.

Website

- 1.2.11 The various anti-fraud policies are available on the Council's website, together with information on the types of fraud and how to report concerns.

Publicity of Successful Prosecutions

- 1.2.12 The Council is committed to publicising where it has been able to successfully pursue proven cases of fraud or corruption through to a successful prosecution. During the year the investigation team have issued press release information to the communications team in respect of 19 successful prosecutions. The publicity of such action provides public assurance that the Council does and will deal with such cases effectively, acting as both a deterrent to those contemplating fraudulent activity and encouraging those with information to come forward and report this to the Council.

National Fraud Initiative – Data Matching

- 1.2.13 The Council proactively takes part in the National Fraud Initiative (NFI). This is a nationwide data matching exercise, comparing computer records held by the Council against other computer records held by councils and other bodies, allowing potentially fraudulent claims and payments to be identified. Where a match is found it does not necessarily indicate fraud in all instances; it does however highlight an inconsistency in the information held which requires further investigation and could be attributed to either fraud or error.
- 1.2.14 The exercise runs bi-annually matching data relating to housing benefit, payroll, creditors, housing (including right-to-buy), insurance claims and taxi licencing information held by the Council. Data matching for council tax single persons discount occurs in alternate years.
- 1.2.15 The matches resulting from the 2013-14 Council Tax exercise were received in March 2014 and a total of 549 matches were received. The Investigation Team were responsible for checking the details received and establishing whether investigation was required.
- 1.2.16 At the end of the year 2014-15 all matches had been checked with 465 closed. Investigations relating to the remaining 84 are ongoing. The completed investigations have led to the removal of SPD's from 163 accounts, 57 of which were awarded a student discount of 25% based on the correct circumstances. These changes created additional liability of £49,579.41. 34 people have been issued with civil penalties of £70 as a result of the data match.

1.2.17 In October 2014 the Council submitted data for the 2014-15 NFI exercise that matches Council data from a number of sources. The results of this exercise were received by the Council in January 2015 and 1428 matches were received relating to benefits, payroll and finance. To date 943 have been checked, of which 914 have been closed with no action required and 30 cases are subject to further investigation. The Investigation Team is assessing the remaining matches to determine whether investigation is required.

1.3 Investigating Fraud

1.3.1 Whilst the Council has put in place a range of internal control arrangements within its systems and processes to detect fraud and corruption activity, the Council recognises that the detection of fraud and corruption is often as a result of the alertness of employees, Members, the general public and other stakeholders.

1.3.2 The Investigations Team is responsible for investigating all allegations of fraud and corruption, whether this is through internal fraud or external stakeholders or customers, as well as assisting with disciplinary investigations as and when required. The team consists of:

- An Investigations Manager (0.5 FTEs) and
- 2 Investigation Officers (1.6 FTEs).

1.3.3 The Investigations Team works closely with a number of external agencies including the Department for Work and Pensions, Border Agency, Kent Police and NHS Fraud to progress investigations.

1.3.4 Since 1 December 2008 the Council has been involved in a fraud management partnership with Gravesham Borough Council. This involves the Investigations Manager from Gravesham jointly managing the Investigation Teams of both Gravesham Borough Council and Tonbridge & Malling Borough Council. The current manager has been in post since August 2013. Although the Partnership arrangement was in place throughout 2014/15, the Council has recently served notice to terminate this arrangement with effect from 19 June 2015.

1.3.5 During 2014-15, the Investigation Team received a total of 720 referrals. Of these referrals, 425 were accepted for investigation. The remaining 295 referrals were either rejected on the basis of insufficient information or because the allegations received were more appropriate for investigation by other departments/agencies, such as the Department for Work and Pensions (DWP).

1.3.6 The following sections detail the work of the Investigation Team in relation to the specific areas of fraud and the results of investigations concluded in 2014-15.

Corporate Fraud & Irregularity

- 1.3.7 To ensure the on-going effective use of the skills and resources available to it, the Council has established a corporate approach to receive, evaluate and co-ordinate the investigation of allegations of fraud, corruption and misconduct where appropriate.
- 1.3.8 During 2014-15 the Investigation Team did not receive any allegations relating to suspected fraudulent activity but did receive two whistleblowing reports about suspected misconduct.
- 1.3.9 The first related to a part time employee who was allegedly arriving at work late but signing in at the time she should have started and had also repeatedly left the office early without authorisation, therefore failing to work her contracted hours. This referral was passed directly to line management for follow up. The subsequent disciplinary enquiry found no evidence of misconduct but procedures were updated as a result of the case.
- 1.3.10 A second whistle blow was reported to Internal Audit relating to a member of staff who had reportedly made inappropriate comments on social media and was passed directly to Personnel Services. It is understood that this matter was concluded with the employee being given a formal warning.

Housing Fraud

- 1.3.11 Housing Fraud has been an emerging area of fraud concern for a number of years. The strain on social housing stock has been well publicised in the media for some time and this has prompted greater public interest and an increase in the number of referrals received in relation to alleged fraud, particularly sub-letting. Historically this has been seen as a problem for London Boroughs and other large City councils but surveys show that it is a national problem affecting all councils.
- 1.3.12 Whilst Tonbridge & Malling does not have its own housing stock, it is responsible for maintaining the housing waiting list and providing temporary accommodation for the homeless. Suspected fraudulent applications are investigated to ensure that only those in genuine need make it onto the housing register and that they are given the correct level of priority.
- 1.3.13 The Investigation Team received eight referrals linked to housing fraud during 2014-15. Four of these cases have been concluded with no evidence of fraud but investigations remain ongoing in relation to the other four with one pending a court appearance for false statements.
- 1.3.14 The Investigation Team has also carried out pro-active work, visiting bed & breakfast accommodation to ensure that those claiming to be in need of temporary housing are genuinely residing in the accommodation provided and have not made false claims.

Council Tax Fraud

- 1.3.15 Council Tax is another area where the Council is exposed to loss. This is largely where residents obtain illegitimate discounts such as the single person discount (SPD) that provides council tax payers with a 25% reduction in their council tax liability. Estimates from the Audit Commission in their 2014 'Protecting the Public Purse' report suggested that 4%-6% of single person discounts are fraudulent.
- 1.3.16 The abolition of council tax benefit and introduction of localised Council Tax Reduction (CTR) Schemes now means that there is a new form of rebate that is subject to fraudulent applications.
- 1.3.17 During 2014-15 103 investigations concluded by the team were connected to CTR and 232 were connected to council tax discounts/exemptions. Evidence of CTR fraud or error was found in 30 cases where individuals had failed to declare changes in their circumstances that affected their entitlement to CTR and evidence of fraud or error was found in 124 cases where customers had failed to declare changes in their household that affected their entitlement to discounts/exemptions.
- 1.3.18 As a result of these investigations, CTR awards were reduced by £424.65 per week. An increase in the annual council tax liability of £22,081.80. The removal of discounts/exemptions increased the annual council tax liability by £36,161.54, giving a total increase of £58,234.34 in the annual council tax liability.
- 1.3.19 The investigations also identified excess CTR awards totalling £14,651.87 and additional council tax of £45,104.70 for historic periods where residents were found not to have been entitled to the discounts applied. In all cases these sums will be recovered as Council tax arrears.
- 1.3.20 Two people received cautions and one person received an administration penalty of £266.75 in relation to CTR offences. Twenty-five fixed penalties of £70 were also applied in cases where customers were found to have negligently failed to report a change affecting their entitlement to a discount. The total of £1,750 is fully retained by Tonbridge & Malling. One person was also convicted for an offence connected to a single person discount where she had failed to report her partner moved into the property. This was linked to a benefit offence.

Benefit Fraud

- 1.3.21 Allegations of benefit fraud are received from a number of sources. Referrals received via data matching are sifted to confirm that there is a discrepancy that requires investigation while allegations received from other sources, such as members of the public or benefit staff, are risk assessed to determine which cases should be accepted for investigation. The assessment takes into account the type of allegation received, the quantity and quality of the information associated with it and the likelihood of an investigation being successful.

1.3.22 The team undertake as many investigations as possible and 139 investigations relating to allegations of benefit fraud were concluded during 2014-15. The results of these cases are shown in the table below:

Closure category	Number of cases
No Fraud	71
Incorrect Benefit**	43
Fraud Proven	25

**The Department for Work and Pensions state that a benefit case may only be classified as fraud proven where a sanction is applied. Other cases where overpayments or other changes to benefits are identified but sanction action is not taken must be classified as customer error.

1.3.23 As a result of these cases, housing benefit entitlement has been reduced by £2,236.84 per week (£116,315.68 per year). They have also identified overpayments of housing and council tax benefit totalling £385,826.19.

1.3.24 Action was taken against a total of 32 people either through the courts or alternative sanction action. Seven people accepted cautions for their actions, 7 people accepted an administrative penalty totalling £4,845.04 and 18 people were successfully convicted.

1.4 Summary

1.4.1 Members were notified in April 2015 that the partnership arrangements with Gravesham Borough Council in relation to the post of Audit & Assurance Manager would end with effect from 15 May 2015. As a result Tonbridge & Malling has entered into a six month pilot arrangement with Kent County Council to provide Internal Audit management and also management of the Fraud Investigation Team. As a consequence, notice was served on Gravesham Borough Council to terminate the partnership arrangement for the Fraud Manager's post with effect from 19 June 2015.

1.4.2 Members have previously been advised of the pending changes surrounding benefit fraud and the implementation of the DWP Single Fraud Investigation Service (SFIS). The implementation has been running since October 2014 with local authority benefit fraud investigators transferring to the DWP and Tonbridge & Malling's date of transfer will be March 2016. As such, the Council retains responsibility for the investigation of alleged benefit fraud until March 2016.

1.4.3 Welfare reform and issues around social housing have caused a large amount of media attention in the last 2-3 years and there have been a number of TV programmes focused on the UK benefits system as a whole as well as those aimed at highlighting the counter fraud work undertaken by local authorities and the positive results coming from it. This media attention continues to fuel public

opinion and in doing so means that the volume of referrals being received continues to grow and not just in relation to benefit fraud.

- 1.4.4 The results detailed in this report clearly demonstrate that the Investigation Team has reacted positively to all allegations received, continuing to take its responsibility for the investigation of benefit fraud seriously while also responding to the other fraud risks affecting the Council. A table summarising the results of the work undertaken by the Investigation Team for 2014-15, together with results from 2013-14 for comparison is shown below.

Year	2013-14	2014-15
No. of Investigations Concluded	203	312
Weekly reduction in benefit entitlement (per year)	£3,775.44 (£196,322.88)	£2,236.84 (£116,315.68)
Total HB & CTB overpayments	£350,115.69	£385,826.19
Weekly reduction in CTR awards (per year)	£710.50 (£36,946.00)	£424.65 (£22,081.80)
Excess CTR	Included in benefit overpayment figures	£14,651.87
Value of historic SPD removals	£3,590.81	£45,104.70
Increase to CTAX base for future years for SPD removal	£36,946	£36,161.54
No. of Civil penalties (Total Value)	1 (£70)	25 (£1,750)
No. of Cautions	7	7
No. of Administration Penalties (Total Value)	5 (£5,137.58)	8 (£5,111.79)
No. of successful prosecutions	10	18
No. of people removed from the housing register	2	1

- 1.4.5 In the forthcoming years, the risk of the Council being subject to fraud and corruption activity is not likely to reduce. To ensure the Council maintains its currently strong counter fraud arrangements, there will need to be an assessment of the resources required to deal with the fraud risks that will remain post SFIS.
- 1.4.6 In November 2014, Kent County Council were successful with a bid for DCLG funding to create a county wide data warehouse to enable data matching between

the Kent authorities aimed at identifying fraud. The new 'Kent Intelligence Network' (KIN), is still in the early stages of its formation but it is hoped that this will be operational by the end of 2015.

1.5 Legal Implications

- 1.5.1 The Council has a legal duty under s151 of Local Government Act 1972 and the Accounts and Audit Regulations to ensure that there are appropriate systems in place to prevent and detect fraud.
- 1.5.2 The Local Government Act 1972 provides the Council with the ability to investigate and prosecute offences committed against them.

1.6 Financial and Value for Money Considerations

- 1.6.1 Fraud prevention and detection is an area subject to central government focus with initiatives such as Protecting the Public Purse, National Fraud Initiative and Fighting Fraud Locally maintaining a high profile. The message coming from these initiatives is that effective fraud prevention and detection releases resources and minimises losses to the Council through fraud.

1.7 Risk Assessment

- 1.7.1 Failing to have an efficient and effective counter fraud function could lead to an increased level of fraud. This report, summarising the work of the counter fraud function, provides a key source of assurance for the Council on the adequacy and effectiveness of its counter fraud arrangements.

Background papers:

contact: Samantha Buckland

Nil

Sharon Shelton
Director of Finance and Transformation

This page is intentionally left blank

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

22 June 2015

Report of the Chief Internal Auditor

Part 1- Public

Matters for Information

1 ANNUAL INTERNAL AUDIT REPORT 2014-15

This report informs Members of the opinion of the Chief Internal Auditor on the Council's internal control environment together with the Internal Audit work completed during 2014-15 to support that opinion.

1.1 Background to Internal Audit

1.1.1 The Accounts and Audit Regulations 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."

1.1.2 Proper practice is defined by the Public Sector Internal Audit Standards (PSIAS) and CIPFA's Local Government Application Note to the PSIAS. The PSIAS requires Internal Audit to report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. The PSIAS also require the Chief Audit Executive (Chief Internal Auditor) of Public Sector organisations to "deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement."

1.2 Opinion of the Chief Internal Auditor on the Internal Control Environment

Purpose of the system of internal control

1.2.1 The system of internal control is based on an on-going process to identify, evaluate and manage the risks to the Council in the achievement of its objectives. It is a management responsibility to establish, maintain and ensure compliance with the internal control system. Assurance of the effective operation of the system of internal control can be sought from Internal Audit, External Audit, other review bodies and Management.

1.2.2 The system of internal control should:

- Set out clear responsibility for policy and decision-making.

- Establish the Council's objectives.
- Identify, evaluate and manage the risks which may impact on the Council's ability to meet its objectives.
- Ensure compliance with law, regulations, policies and procedures.
- Ensure the economical, efficient and effective use of resources.
- Ensure the accuracy and reliability of financial statements and other published information.

Basis of the opinion on the internal control environment

1.2.3 The opinion on the internal control environment is based on the work of the Internal Audit service during 2014-15, full details of which are provided in this report.

1.2.4 The work of Internal Audit is subject to review by the Council's External Auditors, Grant Thornton. In the Audit Plan for TMBC for the year ended 31 March 2015 Grant Thornton stated:

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.

1.2.5 Opinion of the Chief Internal Auditor on the Internal Control Environment:

In my capacity as the Chief Audit Executive, with responsibility for the provision of Internal Audit services to the Council, it is my opinion that Tonbridge & Malling Borough Council's system of internal control adequately contributes to the proper, economic, efficient and effective use of resources in achieving the Council's objectives during 2014-15.

Whilst it has been identified that the authority has established adequate internal controls within the areas subject to Internal Audit review in 2014-15, there are areas where compliance with existing controls should be enhanced or strengthened, or where additional controls should be introduced. Where such findings have been made by Internal Audit, recommendations have been made to management to improve the controls within the systems and processes they operate. The results of all audit work completed are reported to the Audit Committee in accordance with the Internal Audit Charter.

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

1.3 Internal Audit Staff Establishment

- 1.3.1 The Internal Audit Team report to the Chief Internal Auditor and consists of the Audit Manager and two auditor posts. At the start of the financial year these posts were held by a 0.5FTE Senior Auditor and 1 FTE Audit Assistant. During the year both post-holders left the Council's employment for opportunities in Internal Audit with other organisations. The Council's Management Team approved the recruitment of two full time posts, graded as Trainee Internal Auditors with progression to Internal Auditors with experience. The two Trainee Internal Auditors were recruited and joined the Council in November 2014.
- 1.3.2 The Audit Manager post was shared with Gravesham Borough Council with the officer splitting her time equally between the two councils.

1.4 Net Staff Out-turn

- 1.4.1 Staff resources available for the year **[Annex 1]** amounted to 531 days before leave and training. The team has recorded 50 days of sickness absence in the year; primarily due to the long term absences of the Chief Internal Auditor.

1.5 Annual Audit Plan

- 1.5.1 The Internal Audit Plan for 2014-15 **[Annex 2]** was endorsed by Management Team in February 2014 and approved by the Audit Committee on 14 April 2014. The Plan set out the proposed work of the Internal Audit team for the year which can be summarised into two key work types:
- 1.5.2 *Assurance Work* – this relates to audit work which informs the opinion of the control environment given to the Committee by the Chief Internal Auditor. This work focuses on planned audit review of key financial systems, other financial systems, operational audits and control environment reviews and also picks up on the follow up of audit recommendations made.
- 1.5.3 *Consultancy Work* – this relates to Internal Audit team members involvement in corporate and other known projects, requests received by the team for consultancy or responsive work, advice or information and involvement in fraud investigation work.
- 1.5.4 The team completed 85% of the plan during the year against a target of 95% completion. Four audits were not completed in the year; at the request of Management these have been included in the Audit Plan for 2015-16.

1.6 Assurance Work

- 1.6.1 The Internal Audit team has primarily focused on assurance work. **[Annex 1]** reports that a total of 262 audit days have been spent on the completion of assurance work in 2014-15. This included days allocated to finalising audits commenced during the 2013-14 financial year. Further details of the planned

audit work completed during the year are shown in **[Annex 3]**. Where an assurance review has been given an audit opinion, definitions in use during 2014-15 are detailed at **[Annex 4]** of this report.

- 1.6.2 Where an audit review identifies opportunities to introduce additional controls or improve compliance with existing controls, recommendations are made and agreed with client management prior to finalising the report. Internal Audit follow-up on recommendations agreed and have an escalation process in place that ultimately results in reporting to Management Team and this Committee should a key control weakness remain.
- 1.6.3 Internal Audit has arrangements in place to follow up on all recommendations agreed with client management and to report to Management Team on a regular basis with the responses received. Ninety recommendations were due for implementation in 2014/15; we have completed the follow-up process for 78 to date and 100% of those have been implemented. Of the 12 outstanding recommendations we await some responses due to relevant officers being on leave and are therefore still in the process of confirming implementation with management.
- 1.6.4 Over 70 audit recommendations were made from assurance work undertaken in 2014-15 demonstrating that internal audit continues to make a significant number of recommendations for change within the organisation as a contribution to improving the internal control arrangements of the Council. It is also important to recognise that the number of recommendations made does not include all system and procedural enhancements implemented during the course of audits as a direct result of the audit process or recommendations coming from consultancy work undertaken by the team.
- 1.6.5 The assurance work of the team conducted during the year has contributed to the internal control environment of the Council being maintained and improved, Council resources being more effectively used and a reduction in waste from fraud or error.

1.7 Consultancy Work

- 1.7.1 The Internal Audit team spent a total of 55 days on consultancy work in 2014-15 allocated to the following areas of work:

Corporate projects and responsive work including advice & Information

- 1.7.2 The team offer support to corporate projects and provide ad hoc advice and information as and when requested by Council officers. During the 2014-15 year the team has provided support to four such projects, primarily through the extraction and analysis of data. Details of the specific items are provided at **[Annex 5]**. This is considered to be a fundamental service provided by the team, enabling officers to consult with Internal Audit and address control concerns and

issues as they arise, helping to maintain the internal control arrangements of the Council.

- 1.7.3 The team offer ad hoc advice and information as and when requested by Council officers and responded to 16 requests for such advice throughout the year. This again is considered to be a fundamental service provided by the team, enabling officers to consult with Internal Audit and address control concerns and issues as they arise, helping to maintain the internal control arrangements of the Council.

Anti-fraud activity

- 1.7.4 The Internal Audit team plays a key role in the Council's anti-fraud activity and have spent 30 days on this type of work in 2014-15.
- 1.7.5 The team have continued to play a key role in the Council's corporate approach to the prevention and investigation of allegations of fraud, corruption and misconduct where appropriate. In addition Internal Audit resources were spent carrying out a proactive fraud-proofing review of the Council's arrangements to apply discounts, exemptions and disregards to council tax accounts and details of this are provided within **[Annex 3]** of this report.

1.8 Other Audit Duties

- 1.8.1 The time spent on other audit duties was devoted to planning and controlling the work of the section, internal audit development, general administration and the provision of support to wider Council activities.

1.9 Training

- 1.9.1 A total of 13 days has been spent on training in 2014-15 which was primarily spent providing induction training for the new Trainee Internal Auditors, but also included attending the 2014 Kent Audit Group Conference.
- 1.9.2 In addition to formal training, the Chief Internal Auditor and the Audit & Assurance Manager continue to provide each team member with specific training during the course of each audit undertaken in response to each auditor's particular needs. It is considered that this approach has been effective in practice and has contributed to the continuation of the quality of audit reviews carried out by the team.

1.10 Performance Measures

- 1.10.1 The Internal Audit team is measured against a set of seven performance measures which are intended to assess the effectiveness and efficiency of the team in achieving a quality Internal Audit Service.
- 1.10.2 For 2014-15 the team has achieved the target set against six of the seven indicators measured. Actual performance of the team against these measures is provided at **[Annex 6]**.

1.10.3 It is good practice to review performance measures periodically to ensure the right things are measured and that targets remain achievable but appropriately challenging. With that in mind it is proposed that for 2015/16 the target for the performance measure in relation to percentage of productive time be increased from 65% to 80% in line with both historic performance and industry standards.

1.11 General Internal Audit Development

1.11.1 The Accounts and Audit Regulations require authorities to review the effectiveness of their internal audit arrangements. The Chief Internal Auditor has worked with Senior Management to meet the requirements of this review, the findings of which can be found elsewhere on this agenda.

1.12 Partnership Working

1.12.1 From 1 December 2010 the Council operated a partnership arrangement whereby operational management responsibility for the Internal Audit team at Tonbridge & Malling Borough Council was provided by the Audit & Assurance Manager employed by Gravesham Borough Council.

1.12.2 Although the Partnership arrangement between the Council and Gravesham Borough Council continued for 2014/15, Gravesham gave notice to terminate this arrangement on 20 March 2015 with effect from 15 May 2015. As a result, from 18 May 2015 a six month pilot arrangement to provide Internal Audit management has been entered into with Kent County Council.

1.13 Biannual Client Satisfaction Survey

1.13.1 The biannual survey of Internal Audit clients was carried out in March 2013 to provide an assessment of the current Internal Audit Service, establish current levels of client satisfaction and to identify areas for future service development and enhancement.

1.13.2 The survey was issued to 32 Directors, Service Managers and Senior Managers within the Council. Responses received provided extremely positive assurance that the Council is receiving an effective audit service, whilst also identifying opportunities to develop the service further.

1.14 Internal Audit Summary

1.14.1 The team has provided the Council with an effective internal audit service during the year and responded well to the evolving needs of the Council. The work of the team during the year has been appropriately managed to ensure that the limited resources of the team are used effectively and focused on the areas that will have most impact. The team have played a key role in maintaining the governance and internal control arrangements of the Council whilst maintaining professional and productive relationships with clients.

- 1.14.2 Partnership working arrangements with Gravesham Borough Council successfully continued for 2014/15. However, as noted at 1.12.2 above this arrangement ceased in May 2015.
- 1.14.3 Individual team members continue to be exposed to a variety of work requests and have responded enthusiastically and positively to this whilst ensuring that a high standard of audit work is completed by the team. This enabled the Chief Internal Auditor to deliver the opinion that Tonbridge & Malling Borough Council's system of internal control makes a positive contribution to the proper, economic, efficient and effective use of resources in achieving the Council's objectives.
- 1.14.4 During the forthcoming year the team will continue to develop internal working practices as necessary and remain flexible to respond to the needs of the Council.

1.15 Legal Implications

- 1.15.1 The Accounts and Audit Regulations place a statutory requirement on authorities 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. Proper practice is defined as that contained within the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note to the PSIAS, published by CIPFA.

1.16 Financial and Value for Money Considerations

- 1.16.1 There are no direct financial implications from this report.

1.17 Risk Assessment

- 1.17.1 This report, summarising the work of the Internal Audit function, provides a key source of assurance for the Council on the adequacy and effectiveness of its internal control arrangements.

Background papers:

contact: Samantha Buckland

Nil

David Buckley
Chief Internal Auditor

This page is intentionally left blank

Internal Audit Staff Resources - 1 April 2014 to 31 March 2015

Actual	<u>Days</u>	<u>Days</u>
Gross days available in period	442	
Less: Bank Holidays	(20)	
Plus: Partnership - Audit Manager days	109	
WORKDAYS AVAILABLE TO INTERNAL AUDIT		<u>531</u>
 <i><u>Less</u></i>		
Annual Leave	(43)	
Sick Leave	(50)	
Training	(13)	
		(106)
ACTUAL AVAILABLE AUDIT DAYS		<u><u>425</u></u>
 <i><u>Apportioned Available Days</u></i>		
<u>Assurance Work</u>		
<i>Financial systems reviews</i>	164	
<i>Control environment reviews</i>	83	
<i>Audit follow up work</i>	15	
		262
 <u>Consultancy Work</u>		
<i>Corporate and other known project work</i>	14	
<i>Responsive project work (including advice & information)</i>	11	
<i>Anti-fraud activity</i>	30	
		55
 <i>Other Audit Duties *</i>		 108
		 <u><u>425</u></u>

* Other audit duties include audit planning, supervision, administration and development and formal reporting to the Audit Committee.

This page is intentionally left blank

Internal Audit Plan 2014/15

No	Area of Audit Focus (In priority order)	Allocation of Audit Days	Proposed Scope
ASSURANCE WORK			
Financial Systems			
1	Debtors	10	Review of arrangements to administer and recover sums owed by the Council's sundry debtors.
2	Income Collection - Web & Telephone	10	Review of arrangements to collect and account for income received through the Council's website and over the telephone.
3	Income Collection - Payment Kiosks	10	Review of arrangements to collect and account for income received through the Council's payment kiosks.
4	Income Collection - Direct Debit & Standing Orders	10	Review of arrangements to collect and account for income received through Direct Debits and Standing Orders.
5	Housing Benefit Overpayments	15	Review of arrangements to identify, administer and recover overpaid Housing Benefit.
6	Council Tax Recovery	10	Review of arrangements to identify and recover unpaid Council Tax liabilities.
7	Fees & Charges	20	Review of arrangements to administer the Council's fees & charges.
8	NNDR Recovery	10	Review of arrangements to recover unpaid NNDR with a specific focus on preventing and detecting fraud.
9	Treasury Management	15	Review of arrangements in place to manage the Council's treasury management activities.
10	VAT	15	Review of arrangements in place to account for and pay the Council's VAT liabilities.
11	Write offs	10	Review of arrangements to identify and administer write offs.
12	Procurement	15	Review of arrangements of the Council's procurement activities.
		150	
Control Environment Reviews			
13	Standards of Officer Conduct (including anti-bribery and corruption arrangements)	10	Review of the Council's arrangements to engender high ethical standards among staff with a specific focus on prevention of bribery and corruption.
14	Section 106 Agreements	10	Review of arrangements to apply Section 106 agreements to development cases.
15	Housing Financial Assistance including Rent Deposit Bonds	15	Review of arrangements to administer the Council's Rent Deposit Scheme and other financial assistance.
16	Community Safety Partnership	10	Review of arrangements to deliver the Council's community safety objectives.
17	Licensing Functions (excluding Alcohol & Taxi Licensing)	15	
18	Cemeteries	10	
19	Housing Register & Allocations	10	Review of arrangements to administer the Common Housing Register and housing allocations.
20	Transparency	10	Review of the Council's compliance with Transparency requirements.
21	Grounds Maintenance	5	
22	Leisure Trust Contract	5	
		100	
23	Audit Follow Up Work: Recruitment Vetting Discretionary Housing Payments Mobile Phones	30	Follow-up of agreed recommendations and reviews where an opinion of Red is given.
CONSULTANCY WORK			
Known Project Work			
24	Flood Expenditure - Spot Checks	10	Allowance to conduct spot checks to provide assurance over the Council's distribution of funding to support those affected by flooding.
25	Personnel Software Implementation - Project Support	5	Allowance to support the implementation of the new Personnel Software system.
26	Individual Elector Registration - Project Support	5	Allowance to support the implementation Individual Elector Registration.
27	Planning Applications - Efficiency Review	5	Allowance to contribute to the efficiency review on Planning Applications.
		25	
Anti-Fraud Activity			
28	National Fraud Initiative	20	Allowance for the co-ordination and administration of the Council's participation in the National Fraud Initiative data matching exercises.
29	Council Tax Discounts & Exemptions	20	Fraud proofing review
		40	
30	Consultancy Services	10	Allowance for the provision of consultancy services unknown at the time of planning.
31	Responsive Work	5	Allowance for the provision of responsive support to the Council during the financial year.
32	Advice and Information	5	Allowance for the provision of control advice and information to the Council during the year.
		365	

This page is intentionally left blank

Audit reviews from 2013-14 finalised in 2014-15

Audit Review Title	Planned Quarter	Status	Audit Opinion	Scope of Audit and Findings
<i>Personal & Premises Licensing</i>	3	<i>Final Report Issued</i>	<i>Amber</i>	<p><i>The audit considered the Council's arrangements in respect of the following risk management objectives (RMOs):</i></p> <p><i>RMO1 – Effective policies and procedure notes exist to support the personal and premises licence function. Audit testing found appropriate policies and procedures in place. Opinion: Green</i></p> <p><i>RMO2 – Appropriate arrangements are in place for the proper administration of personal and premises licences. Audit testing found processes to be appropriately followed however weaknesses were identified included the inclusion of payment information on the Uniform system and the tracing of payments through to Integra. Opinion: Amber</i></p> <p><i>RMO3 – Appropriate enforcement arrangements exist for personal and premises licences. Audit testing found enforcement arrangements to be adequate however it was found that a formal Licensing Enforcement Policy is required for Member approval. Opinion: Amber</i></p>

Audit Review Title	Planned Quarter	Status	Audit Opinion	Scope of Audit and Findings
<i>Car Parking Permits</i>	4	<i>Final Report sued</i>	<i>Amber</i>	<p><i>The audit considered the Council's arrangements in respect of the following risk management objectives (RMOs):</i></p> <p><i>RMO1 – Adequate arrangements exist for the processing and monitoring of parking permit applications (including car park season tickets, residential and business permits). Audit testing found controls to be adequate however issues were found including being able to follow a full audit trail for payments received and the limited use of Council Tax information to prove residency. Opinion: Amber</i></p> <p><i>RMO2 – Adequate arrangements exist for the control of Visitor Permits and Dispensations. Testing found that visitor permits require review on a regular basis. Opinion: Amber</i></p> <p><i>RMO 3 – Appropriate arrangements exist to administer miscellaneous permits. Audit testing found a number of free permits being issued to various organisation and staff which had not been approved by Members historically. Opinion: Amber</i></p>
<i>Data Protection</i>	4	<i>Final Report Issued</i>	<i>Amber</i>	<p><i>This audit considered the Council's arrangements in respect of the following risk management objective (RMO):</i></p> <p><i>RMO1 – Adequate arrangements are in place for data protection policies and procedures to be in place. Audit testing highlighted some improvements to the procedures that would strengthen the internal controls. These involve a programme of DP training to be devised and delivered to officers, the DP Policy being reviewed and updated to include guidance regarding breaches and the roles of the DP Officer. In addition the policy needs to be published to a wider audience. The audit also drew attention to the need for the corporate retention of documents policy to be finalised in line with a review of all records that require disposal. Additionally a review of forms that collect personal data was recommended to ensure that the appropriate DP statement and declaration is included. Opinion: Amber</i></p>

Audit Review Title	Planned Quarter	Status	Audit Opinion	Scope of Audit and Findings
<i>Housing Benefits - Assessment, Interventions & Reviews.</i>	3	<i>Final Report Issued</i>	<i>Green</i>	<p><i>The audit considered the Council's arrangements in respect of the following risk management objectives (RMOs):</i></p> <p><i>RMO1 – Housing Benefit applications are assessed accurately with workloads prioritised to make the best use of available resources. Audit testing found that effective arrangements are in place to ensure claims are accurately processed on a timely basis, with officers appropriately trained and prioritising workloads appropriately. Opinion: Green.</i></p> <p><i>RMO2 – Arrangements are in place for Housing Benefit Claims to be reviewed to identify and reduce errors and overpayments. Audit testing found that arrangements are in place to identify changes in entitlement through routine data matching through the Housing Benefit Matching Service and the processing of Real Time Information provided by the Department for Work & Pensions. Opinion: Green.</i></p>

2014-15 Audit Plan Assurance Work

Audit Review Title	Planned Quarter	Status	Audit Opinion	Scope of Audit and Findings (where finalised)
<i>Treasury Management</i>	1	<i>Final Report Issued</i>	Green	<p><i>The audit considered the Council's arrangements in respect of the following risk management objectives (RMOs):</i></p> <p><i>RMO1 – There are appropriate policies and strategies in place with the CIPFA Code of Practice which are reviewed, approved and monitored regularly. Audit testing found strong policies and procedures in place however minor adjustments were required to reflect current circumstances. Opinion: Green</i></p> <p><i>RMO2 – Appropriate procedures are followed in respect of the investment of treasury management funds. Testing found procedures to be followed with no recommendations raised. Opinion: Green</i></p> <p><i>RMO3 – Externally managed funds are effectively managed and controlled in line with Council policies. Audit testing found all funds to be well managed and controlled with no recommendation raised in relation to this area. Opinion: Green</i></p>
<i>Fees & Charges</i>	1	<i>Final Report Issued</i>	Green	<p><i>The audit considered the Council's arrangements in respect of the following risk management objective (RMO):</i></p> <p><i>RMO1 – Fees and Charges are adequately set, approved, communicated and applied. Audit sample testing found that Services do review their fees and charges annually and are aware of the requirement to report to committee; however the audit found some discrepancies with fees advertised on the website and applying new rates from the effective date therefore reminders are to be sent to Services. In addition it was highlighted that fees and charges should be reported to committee in line with Financial Procedure Rules whether or not they result in changes. Opinion: Green.</i></p>
<i>Income Collection – Payment Kiosks</i>	1	<i>Final Report Issued</i>	Green	<p><i>The audit considered the Council's arrangements in respect of the following risk management objectives (RMOs):</i></p> <p><i>RMO1 – Adequate arrangements exist for operating and cashing up of income received via the Council's payment kiosks. Audit testing found that adequate procedures were in place but the procedure notes required revising to reflect current processes.</i></p>

N.B. All items in italics have been reported to previous meetings of the Audit Committee

Audit Review Title	Planned Quarter	Status	Audit Opinion	Scope of Audit and Findings (where finalised)
				<p><i>Opinion: Green</i></p> <p><i>RMO2 – Adequate arrangements exist for the recording; coding and balancing of all income received via the Council’s payment kiosks. Testing found these arrangements to be adequate however system parameters need to be set for miscellaneous income to include a credit card surcharge. Opinion: Green</i></p> <p><i>RMO3 – Appropriate controls exist in respect of contingency planning and minimising the potential for fraud. Audit testing found controls exist however the Business Continuity Plan requires updating with the replacement system, Adelante. Opinion: Amber</i></p>
<i>Income Collection – Web & Telephone</i>	<i>1</i>	<i>Final Report Issued</i>	<i>Green</i>	<p><i>The audit considered the Council’s arrangements in respect of the following risk management objective (RMO):</i></p> <p><i>RMO1 – Adequate arrangements exist for the collection and accounting of income received via the Council’s website and over the telephone. Audit testing found arrangements were in place however some improvements were highlighted regarding provision of an online payment facility for Land Charges, approval of Council Tax invoice templates, transposition of the narrative from Adelante onto Integra and the Telephone Call Recording Policy requires updating regarding payment information not being recorded. Opinion: Green</i></p>
Flooding Expenditure	1	Final Report Issued	Green	<p>The audit considered the Council’s arrangements in respect of the following risk management objectives (RMOs):</p> <p>RMO1 – Arrangements are in place for the Business Support Scheme to be effectively delivered. Testing established that all necessary arrangements are in place. Opinion: Green</p> <p>RMO2 – Arrangements are in place for the Repair and Renew Grant Scheme to be effectively delivered. Testing established that an appropriate scheme is in place but due to its recent implementation only four applications had been received and therefore it is too early to give assurance on the scheme’s operation. Opinion: N/a</p> <p>RMO3 – Arrangements are in place for the Business Rates Flooding Relief to be effectively delivered. Testing established that</p>

Audit Review Title	Planned Quarter	Status	Audit Opinion	Scope of Audit and Findings (where finalised)
				<p>all necessary arrangements are in place and relief has been appropriately applied. Opinion: Green</p> <p>RMO4 – Arrangements are in place for the Council Tax Flooding Discount to be effectively delivered. Testing established that appropriate arrangements exist and the discount was appropriately applied. Opinion: Green</p>
Recruitment Vetting Procedures Follow Up	2	Final Report Issued	Amber	<p>The audit considered the Council's arrangements in respect of the following risk management objective (RMO):</p> <p>RMO1 – All weaknesses found as part of the Recruitment Vetting Procedures 13/14 Internal Audit have been addressed. Audit testing found that eight of eleven recommendations made had been implemented. The remaining three were rated medium; one related to a review of all posts for DBS requirements, a revised date has been agreed as vacant posts are currently being assessed individually prior to recruitment which manages the risk on new starters. The remaining two risks were outstanding and have been incorporated into one high risk recommendation which we are currently following up.</p>
Mobile Phones Follow Up	2	Final Report Issued	Amber	<p>The audit considered the Council's arrangements in respect of the following risk management objective (RMO):</p> <p>RMO1 – All weaknesses found as part of the Mobile Phones 13/14 Internal Audit have been addressed. Two of four recommendations made had been implemented; these relate to updating the mobile phone inventory and reviewing users to ensure they remain relevant. Of the two outstanding recommendations one related to a Policy on mobile phone use which has not yet been produced. The second recommendation related to reimbursement for personal use, this has been superseded by all- inclusive rates. An additional recommendation was raised to update records on current users as a result of testing undertaken. Opinion: Amber</p>
Housing Benefit Overpayments	2	Final Report Issued	Green	<p>The audit considered the Council's arrangements in respect of the following risk management objectives (RMOs):</p> <p>RMO1 – Appropriate and timely action is taken to recover all Housing Benefit Overpayments. Testing established that while</p>

Audit Review Title	Planned Quarter	Status	Audit Opinion	Scope of Audit and Findings (where finalised)
				actions taken are appropriate and timely in the main some improvements could be made through review of the HB Overpayments Policy to clarify some requirements. Opinion: Green RMO2 – There are effective performance monitoring arrangements in place in respect of overpayments. Testing established that an appropriate variety of performance information is reported, including level of debt and recovery rates. Opinion: Green
Debtors	2	Final Report Issued	Green	The audit considered the Council's arrangements in respect of the following risk management objectives (RMOs): RMO 1 – Effective key controls are in place to manage the Council's Debtors function. Key controls in relation to debtors were in place and operating, some improvements in the level of detail provided by services for inclusion in invoices would further enhance this. Opinion: Green RMO 2 - Effective processes exist in respect of Periodical Income. Testing established that processes are adequate and a new centralised record of all periodic income is in development. Some minor errors were identified however these did not have a significant impact. Opinion: Green
VAT	3	Final report issued	Green	The audit considered the Council's arrangements in respect of the following risk management objectives (RMOs): RMO1 – VAT is charged / paid at the correct rate and is accurately represented in accounting records. Overall testing showed that VAT was treated correctly although some areas for further development were identified, including review and update of internal guidance. Opinion: Green RMO2 – VAT returns are accurately prepared and provided to HMRC in a timely manner. Testing established that reliance could be placed on the accuracy of figures used for VAT returns and all of those tested had been submitted on time. Opinion: Green
Leisure Trust Contract	4	Final report issued	Amber	The audit considered the Council's arrangements in respect of the following risk management objectives (RMOs): RMO1 – The Council has adequate arrangements in place for the management, and monitoring, of the TMLT contract. Testing

Audit Review Title	Planned Quarter	Status	Audit Opinion	Scope of Audit and Findings (where finalised)
				established that the TMLT contract is managed and monitored, however improvements were required, predominantly in relation to the retention and adequacy of monitoring documentation. Recommendations were also made to enhance documentation to demonstrate all required site checks are completed. Opinion: Amber
Council Tax Recovery	3	Final report issued	Amber	The audit considered the Council's arrangements in respect of the following risk management objective (RMO): RMO1 – Effective recovery procedures are in place for the collection of Council Tax Debt. Audit testing found that arrangements are in place to identify unpaid liabilities and for automated recovery action to be taken, however recommendations were made to improve the prioritisation of workloads arising once court arrangements are granted and on the management of suppressions on accounts. Opinion: Amber.
NNDR Recovery	3	Final report issued	Green	The audit considered the Council's arrangements in respect of the following risk management objective (RMO): RMO1 – There are processes in place to identify and recover NNDR not paid. Audit testing confirmed that adequate controls are in place and effective to identify and recover unpaid NNDR liabilities. Opinion: Green.
Transparency	4	Final report issued	N/a	The audit review was completed on a consultancy basis and sought to assist the Council to comply with the requirements to publish data in line with the Local Government Transparency Code 2015.
Income Collection – Direct Debits & Standing Orders	2	Final report issued	Green	The audit considered the Council's arrangements in respect of the following risk management objectives (RMOs): RMO1 – Appropriate arrangements exist to promote Direct Debits and Standing Orders as a method of Payment to the Council. Testing established that these methods of payment are well published with good take up. A minor update on 'How to Pay' was required. Opinion: Green RMO2 – Adequate arrangements exist for the recording, coding and balancing of all income received via Direct Debit and Standing

N.B. All items in italics have been reported to previous meetings of the Audit Committee

Audit Review Title	Planned Quarter	Status	Audit Opinion	Scope of Audit and Findings (where finalised)
				<p>Order. Testing established that arrangements exist to ensure payments are recorded and coded appropriately, controls also exist to balance payments made with one recommendation made to ensure suspense balances older than six years are cleared timely. Opinion: Green</p> <p>RMO3 – Arrangements exist regarding appropriate compliance with key Direct Debit regulations. Testing established that adequate arrangements exist and no recommendations were required. Opinion: Green</p>
Grounds Maintenance Contract	4	Final report issued	Green	<p>The audit considered the Council's arrangements in respect of the following risk management objectives (RMOs):</p> <p>RMO1 – Appropriate controls exist to ensure that the Grounds Maintenance contracts are monitored and managed effectively to ensure that the council's obligations are delivered. Contracts are managed and monitored with clear responsibilities and regular monitoring meetings held. A number of recommendations were made to further improve current arrangements, including increased frequency of site visits and enhancement of recording and filing forms to demonstrate achievement of quality standards. Opinion: Green</p> <p>RMO2 – Appropriate controls exist to ensure that payments made in relation to the Grounds Maintenance contract are managed effectively. Testing established that appropriate controls exist and operate in relation to payments. One recommendation was made to address minor coding errors for payments made. Opinion: Green</p>
Procurement	3	Final report issued	Green	<p>The audit considered the Council's arrangements in respect of the following risk management objectives (RMOs):</p> <p>RMO1 – The Council has an adequate Procurement Strategy in place. There is an up to date Policy in place with a suite of supporting documents; some minor areas for development were identified including version control. Opinion: Green</p> <p>RMO2 – The Council has adequate and up to date contract and finance procedural rules and these are followed in practice. A series of thresholds are in place and subject to Council approval,</p>

Audit Review Title	Planned Quarter	Status	Audit Opinion	Scope of Audit and Findings (where finalised)
				some areas for development were required including review of rolling contracts and consideration of new Regulations. Opinion: Amber
Council Tax Discounts & Exemptions	2	Final report issued	Amber	<p>The audit considered the Council's arrangements in respect of the following risk management objectives (RMOs):</p> <p>RMO1 – Appropriate processes are in place to prevent fraudulent claims for Council Tax discounts & exemptions. Testing established that there are adequate controls in place overall, however some areas for development were identified. These included ensuring consistent information on timescales for change of circumstances, review of processes in line with minimum standards for potential funding, the annual issue of the Code of Conduct, provision of fraud training for staff and signed declarations for student discounts. Opinion: Amber</p> <p>RMO2 – Appropriate processes are in place to detect and investigate fraudulent claims for Council Tax discounts & exemptions. Testing established appropriate processes exist, no recommendations were made. Opinion: Green</p>
Write-offs	3	Final report issued	Green	<p>The audit considered the Council's arrangements in respect of the following risk management objectives (RMOs):</p> <p>RMO1 – All write offs are identified and processed in an appropriate manner. Testing established that write offs are identified and processed appropriately. A minor recommendation was made to improve documentation of review by management prior to authorisation. Opinion Green</p>
Housing Financial Assistance	4	Final report issued	Amber	<p>The audit considered the Council's arrangements in respect of the following risk management objectives (RMOs):</p> <p>RMO1 – Arrangements exist to distribute housing financial assistance. Testing established a number of areas for development including finalising the Housing specific Fraud Policy, promoting low risk finance options, improving declarations of interest, documenting exceptions and monitoring/streamlining processes. Opinion: Amber</p> <p>RMO2 – Arrangements exist to recover all housing loans provided.</p>

Audit Review Title	Planned Quarter	Status	Audit Opinion	Scope of Audit and Findings (where finalised)
				Testing established that recovery arrangements are adequate, one minor area for development was identified which related to Finance consulting with Housing prior to write-offs. Opinion: Green
Cemeteries	4	Draft report with client for consideration	---	The audit considers the Council's arrangements in respect of the following risk management objectives (RMOs): RMO1 – There are procedures in place to effectively and efficiently perform the statutory duties required as a local authority and as the owner of a burial ground RMO2 – There are procedures in place to effectively administer and perform the services provided by Tonbridge Cemetery RMO3 – There are procedures in place to correctly and effectively collect the Cemetery Service Charges
Standards of Officer Conduct	2	Draft report with client for consideration	---	The audit considers the Council's arrangements in respect of the following risk management objectives (RMOs): RMO1 – The Authority has appropriate policies in place relating to standards of Officer conduct. RMO2 – Arrangements are in place to uphold standards of officer conduct.
Discretionary Housing Payments	3	Draft report with client for consideration	–	The audit considers the Council's arrangements in respect of the following risk management objectives (RMOs): RMO1 – All weaknesses found as part of the 2013-14 Audit of Discretionary Housing Payments have been addressed
Section 106 Agreements	2	Deferred to 2015-16		
Community Safety Partnership	4	Deferred to 2015-16		
Licensing Functions	4	Deferred to 2015-16		
Housing Register & Allocations	4	Deferred to 2015-16		

This page is intentionally left blank

Definitions of Audit Opinions

Green – Risk management operates effectively and objectives are met

Overall audit opinion: Expected controls are in place and effective to ensure risks are well managed and the service objectives are being met. Any errors found are minor or the occurrence of errors is considered to be isolated. Recommendations made are considered to be opportunities to enhance existing arrangements.

Amber – Key risks being managed to enable the key objectives to be met

Overall audit opinion: Expected key or compensating controls are in place and generally complied with ensuring significant risks are adequately managed and the service area meets its key objectives. Instances of failure to comply with controls or errors / omissions have been identified. Improvements to the control process or compliance with controls have been identified and recommendations have been made to improve this.

Red – Risk management arrangements require improvement to ensure objectives can be met

Overall audit opinion: The overall control process is weak with one or more expected key control(s) or compensating control(s) absent or there is evidence of significant non-compliance. Risk management is not considered to be effective and the service risks failing to meet its objectives, significant loss/error, fraud/impropriety or damage to reputation. Recommendations have been made to introduce new controls, improve compliance with existing controls or improve the efficiency of operations.

Recommendations made will be categorised as High, Medium or Low.

This page is intentionally left blank

Corporate projects and other project & responsive work

Project / task	Summary of work undertaken
Data matching for Business Rate Flood Support scheme	Internal Audit carried out various data matches to identify Business Rate Flood Support details.
Data matching for a Benefit Freedom of Information Request	Internal Audit carried out various data matches to help identify details for the FOI request.
Data Matching for duplicate cases.	Duplicate tests of case reference monthly to assist in the monthly reconciliation for Environmental Health Waste and Street Scene.
Data Matching for the subsidy claim	Data match of spreadsheets to match data required for Grant Thornton for the subsidy audit.

This page is intentionally left blank

Internal Audit Performance Measures

Performance Measures	Actual Performance 2014-15	Opinion	Performance in 2013-14 for comparison
At least 65% of staff time (excluding holidays, sickness etc.) to be spent on productive audit activity providing client services. (Target of 65 per cent)	74.6% of available audit resources spent on productive audit activity during 2014-15.	Target achieved	84.4% Target achieved
Delivery of the Annual Audit Plan. (Target of 95 per cent)	85% of the 2014-15 annual audit plan completed.	Target not achieved	97.6% Target achieved
Effectiveness of Internal Audit gaining commitment (1) based on the number of recommendations made against the number of recommendations accepted by Management. (Target of 90 per cent)	100% of all recommendations made during 2014-15 were accepted by Management.	Target achieved	99.1% Target achieved
Effectiveness of Internal Audit gaining commitment (2) based on the number of recommendations revisited in the period where Management have confirmed implementation. (Target of 90 per cent)	Management assurance of implementation was obtained for 100% of recommendations revisited in the period.	Target achieved	99.3% Target achieved
Client Satisfaction with Internal Audit (1) based on results of biannual client satisfaction consultation. (Target of above 2.5)	Responses to the April 2013 client survey returned a rating of the Internal Audit Service of 3.86 against a maximum rating of 4.0	Target achieved	3.86 rating Target achieved
Client Satisfaction with Internal Audit (2) based on post audit client satisfaction surveys. (Target of 80 per cent)	Responses received to post audit client surveys returned a 100% satisfaction rating.	Target achieved	100% Target achieved
Positive statement by the External Auditor regarding satisfaction with the work of Internal Audit.	In the Audit Plan for TMBC for the year ended 31 March 2015 Grant Thornton stated: <i>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.</i>	Target achieved	Target achieved

This page is intentionally left blank

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.

This page is intentionally left blank

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**

This page is intentionally left blank

Agenda Item 15

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

This page is intentionally left blank