

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

25 August 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, 7th September, 2015 commencing at 7.30 pm

Yours faithfully

JULIE BEILBY

Chief Executive

A G E N D A

PART 1 - PUBLIC

- | | | |
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To confirm as a correct record the Minutes of the meeting of Audit Committee held on 22 June 2015

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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

9. Exclusion of Press and Public 91 - 92

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.

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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

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Apologies for absence

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Declarations of interest

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TONBRIDGE AND MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 22nd June, 2015

Present: 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 and Cllr Mrs S L Luck

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

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

An apology for absence was received from Councillor M Parry-Waller

PART 1 - PUBLIC

AU 15/28 DECLARATIONS OF INTEREST

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

AU 15/29 MINUTES

RESOLVED: That the Minutes of the meeting of the Audit Committee held on 7 April 2015 be approved as a correct record and signed by the Chairman.

AU 15/30 SHARED SERVICE UPDATE

Members were advised that, following the ending of partnership arrangements with Gravesham Borough Council in relation to the post of Audit and Assurance Manager, a six month pilot arrangement had been entered into with Kent County Council to provide management for both Internal Audit and Fraud Investigation. Samantha Buckland was accordingly welcomed by the Committee.

MATTERS FOR RECOMMENDATION TO THE CABINET

AU 15/31 RISK MANAGEMENT STRATEGY

The joint report of the Chief Executive and Director of Finance and Transformation reviewed the current Risk Management Strategy. No amendment was considered to be required other than some minor textual adjustments.

RECOMMENDED: That the Risk Management Strategy set out at Annex 1 to the report be adopted by the Council.

AU 15/32 LOCAL CODE OF CORPORATE GOVERNANCE

The joint report of the Chief Executive and Director of Finance and Transformation reviewed the Local Code of Corporate Governance. It was noted that no amendment was considered to be required other than some minor textual adjustments.

Members requested that reference to the Committee be included in section 2.2 of the Code in respect of the independent scrutiny role of the Audit Committee. It was also suggested that section 4.1 be expanded regarding the means of securing transparent decisions.

RECOMMENDED: That the Local Code of Corporate Governance set out at Annex 1 to the report be adopted by the Council subject to expansion of sections 2.2 and 4.1.

AU 15/33 TREASURY MANAGEMENT UPDATE AND ANNUAL REPORT FOR 2014/15

The report of the Director of Finance and Transformation provided details of treasury management activity undertaken during April and May of the current financial year within the context of the national economy. The treasury management outturn position for 2014/15, due to be reported to the Cabinet on 24 June 2015, was also presented.

The Committee was advised that the interest rate forecast provided by Capita anticipated that the Bank Rate would remain at the emergency level of 0.5% 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. However, core fund and cash flow balances were higher than anticipated and as a consequence the budgeted level of investment income for the 2015/16 year as a whole was expected to be achieved.

It was noted that the summary of investment performance for 2014/15 indicated that the combined performance of the Council's cash flow and core funds had bettered the revised estimate by £4,100.

Officers responded to a number of questions raised by Members including possible impacts of the current debt crisis in Greece, the range of the Council's investments and the cash flow forecast.

RECOMMENDED: That the following be commended to the Council:

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

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

AU 15/34 ANNUAL GOVERNANCE STATEMENT 2014/15

The report of the Director of Finance and Transformation presented the Annual Governance Statement for the year ended 31 March 2015 which was required to be certified by both the Leader of the Council and the Chief Executive and to accompany the Council's Statement of Accounts 2014/15.

The Annual Governance Statement had been prepared by way of a self-assessment questionnaire and supporting evidence and was intended to demonstrate that there was a sound system of corporate governance in place throughout the organisation. Members were advised that reference to the Forward Plan would be corrected to Notice of Forthcoming Key Decisions and the paragraph rephrased and that the production of an annual report of the Overview and Scrutiny Committee would be acknowledged in the supporting evidence.

RESOLVED: That the Annual Governance Statement for the year ended 31 March 2015, as set out at Annex 1 to the report as amended, be approved.

**AU 15/35 STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE
STATEMENT 2014/15**

The report of the Director of Finance and Transformation presented 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. It was noted that the Accounts included the proposals recommended to the Cabinet meeting on 24 June 2015. The Annual Governance Statement (referred to at Minute AU 15/34) accompanied the Statement of Accounts. Members were reminded that responsibility for approval of the Statement of Accounts was now delegated to the Audit Committee under the Council's constitutional arrangements.

An explanation was given of the factors leading to the adverse variance in the contribution from the General Revenue Reserve including pressure on the housing benefits budget and the shortfall to be met by the Council under the business rates retention scheme. Officers were thanked for their efforts in relation to producing the accounts.

RESOLVED: That

- (1) the Statement provided by the Director of Finance and Transformation in support of assertions made in the Statement of Responsibilities for the Statement of Accounts, as set out at Annex 2 to the report, be noted and endorsed;

- (2) the recommendations detailed at paragraph 1.5.4 of the report, following a review of the specific earmarked reserves held by the Council, be noted and endorsed; and
- (3) the unaudited set of Accounts for 2014/15 be received and approved and the Chairman be authorised to sign the Accounts in the appropriate place.

AU 15/36 REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT 2014/15

The report of the Chief Internal Auditor informed the Committee of the findings of the annual review of the effectiveness of the Internal Audit function. Members were advised that the Management Team had concluded that the opinion on the effectiveness of the Internal Audit function in place during 2014/15 was Good.

RESOLVED: That on the basis of the findings of the 2014/15 review, the opinion that the effectiveness of Internal Audit during 2014/15 was Good be endorsed.

MATTERS SUBMITTED FOR INFORMATION

AU 15/37 AUDIT FEE LETTER 2015/16

The Director of Finance and Transformation reported receipt of the Audit Fee Letter for 2015/16 from Grant Thornton which gave details of the Council's audit fee (£45,776 plus a composite indicative fee of £18,084 for certification work) together with the scope and timing of audit work and the audit team.

Mr Greenlee explained the background to the reduction in fee compared with that for 2014/15 following the second tranche of the procurement exercises run by the Audit Commission. He also answered Members' questions regarding composition of the audit team.

RESOLVED: That the report be received and noted.

AU 15/38 ANNUAL FRAUD INVESTIGATION REPORT 2014/15

The report of the Director of Finance and Transformation gave details of the work carried out by the Fraud Investigation Team in 2014/15 in preventing and detecting fraud and corruption, including performance in relation to matters investigated, and future plans for tackling fraud committed against the Council.

Reference was made to the pending changes surrounding benefit fraud and the implementation of the DWP Single Fraud Investigation Service. The transfer to the DWP of benefit fraud investigation in Tonbridge and Malling was planned for March 2016.

RESOLVED: That the report be received and noted.

AU 15/39 ANNUAL INTERNAL AUDIT REPORT 2014/15

The report informed the Committee 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. Reference was made to the way in which resources had been allocated and the outcome against performance measures. Members noted the opinion that the system of internal control adequately contributed to the proper, economic, efficient and effective use of resources in achieving the Council's objectives in 2014/15.

The Committee was advised that more than 100 claims had been received since the initial audit in respect of the Repair and Renew Grant scheme, one of the four government flood support schemes administered by local councils following the winter 2013 floods.

RESOLVED: That the report be received and noted.

MATTERS FOR CONSIDERATION IN PRIVATE

AU 15/40 EXCLUSION OF PRESS AND PUBLIC

There were no items considered in private.

The meeting ended at 8.17 pm

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TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

07 September 2015

Report of the Director of Finance & Transformation

Part 1- Public

Matters for Recommendation to Cabinet – Council Decision

1 TREASURY MANAGEMENT MID-YEAR REVIEW 2015/16

This report provides an update on treasury management activity undertaken during the period April to July of the current financial year. The report also includes a mid-year review of the current financial year's Annual Investment Strategy and reminds Members of the parameters that define the Council's risk appetite. Members are invited to endorse the action taken by officers in respect of treasury management activity to date and to retain the current risk parameters.

1.1 Introduction

1.1.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised November 2009) was adopted by this Council on 18 February 2010.

1.1.2 The primary requirements of the 2009 Code and its subsequent revisions are as follows:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
- Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
- Receipt by the full Council of an Annual Treasury Management Strategy Statement, including the Annual Investment Strategy, for the year ahead; a mid-year Review Report (this report) and an Annual Report (stewardship report) covering activities during the previous year.
- Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

- Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Audit Committee.

1.1.3 This mid-year report has been prepared in compliance with CIPFA's Code of Practice, and covers the following:

- An economic update and revised interest rate forecast.
- Investment performance for April to July of the 2015/16 financial year.
- Use of borrowing.
- Compliance with Treasury and Prudential Limits for 2015/16.
- A review of the risk parameters contained in the 2015/16 Annual Investment Strategy.

1.2 Economic Background

1.2.1 Thus far in 2015/16:

- The May Inflation Report saw the Bank of England reduce its forecast for annual growth in 2015 to 2.5% (from 2.9%) and in 2016 to 2.7% (also from 2.9%). Contributing factors to these downward revisions included a slowing of growth in Q1 2015 to 0.4% (2.9% y/y) and a more pessimistic view on the rate and timing of growth in labour productivity. Growth in Q2 rebounded returning 0.7% for the quarter (2.6% y/y).
- CPI inflation fell to -0.1% in April, rose to 0.1% in May and fell again to 0.0% in June. This dip in inflation is only expected to 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 the 2.0% target two years from now.
- In June the Greek government, led by an anti-austerity party Syriza, made a strong push to renegotiate the country's debt repayments. This was met with a robust rejection by the European Central Bank and European Union. Following the imposition of capital controls and temporary closure of Greek banks a third bailout package was agreed.
- In July, Governor Carney, commented that an interest rate rise would come 'into sharper relief around the turn of the year'. The misconception that this implied a rate rise in 2015 has since been dispelled. Since then, the August Monetary Policy Committee meeting saw one of the nine member committee vote in favour of an immediate rate rise.
- The American economy experienced disappointing growth in Q1 2015. GDP grew by 0.6% 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. GDP recovered strongly in Q2 rising 2.3% y/y and a

resumption to full recovery from the financial crisis. To counter inflationary pressures the Federal Reserve is expected to raise interest rates before the end of 2015 and be the first western economy 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 Q1 2015 (1.0% y/y) and 0.3% in Q2 (1.25% y/y). A period of deflation also ended when inflation returned to 0.0% in April.
- In an effort to maintain growth in the Chinese economy (7% target) the Yuan was devalued in August.

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 9 months before rising in the second quarter of 2016. This is six months later than anticipated in the 2015/16 Annual Investment Strategy.

Rate	Now %	Sep- 15 %	Dec- 15 %	Mar- 16 %	Jun- 16 %	Sep- 16 %	Dec- 16 %	Mar- 17 %	Jun- 17 %	Sep- 17 %
Bank Rate	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.50
3 mth LIBID	0.46	0.50	0.60	0.70	0.80	0.90	1.10	1.30	1.40	1.50
6 mth LIBID	0.63	0.70	0.80	0.90	1.00	1.10	1.30	1.50	1.60	1.70
12 mth LIBID	0.94	1.00	1.10	1.20	1.30	1.40	1.60	1.80	1.90	2.00
25yr PWLB	3.31	3.40	3.60	3.80	3.90	4.00	4.10	4.20	4.30	4.40

1.4 Investment Portfolio

- 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 July 2015 and our lending list in operation on that date are provided at **[Annexes 1 and 2]**.

1.4.4 As illustrated above, investment rates available in the market are at a historical low. The average level of cash flow funds available for investment purposes to the end of July 2015 was £12.7m. 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 £13.5m 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 daily cash balances.

1.4.5 At the end of July 2015 funds invested and interest earned is set out in the table below:

	Funds invested at 31 July 2015 £m	Average duration to maturity Days	Weighted average rate of return %	Interest earned to 31 July 2015 £	Gross annualised return %	LIBID benchmark %
Cash flow	12.25	87	0.69	26,300	0.62	0.36 (7 Day)
Core funds	13.45	177	0.83	36,200	0.80	0.46 (3 Month)
Total	25.70	134	0.76	62,500	0.71	0.41 (Average)

1.4.6 Interest earned of £62,500 is £6,500 better than budget for the same period and 30 basis points above benchmark. The additional income is wholly attributed to higher than expected cash flow and core fund balances. The pattern of income generation is expected to be maintained throughout the year such that Income for the financial year as a whole will be £15,000 to £20,000 better than budget.

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. In April £5m nine month fixed term investments were undertaken yielding circa 0.8%. More recently £4m six month fixed term investments have been placed yielding an average of 0.7%. Further, shorter duration, term deposits are likely to be placed in the autumn to take advantage of peak cash flow balances.

1.4.8 **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 (each month from December to April) is designed to ensure additional liquidity is available to the Council to support spending towards the end of the financial year and to take advantage of improved offers from banks as we approach a rise in Bank Rate.

1.5 Use of Borrowing

1.5.1 It is a statutory duty for the Council to determine and keep under review the 'Affordable Borrowing Limits' by way of the Prudential Indicators (affordability limits) set out in the approved 2015/16 Investment Strategy. The Authority is debt free and uses a combination of reserves and revenue contributions to finance the Capital Plan. Borrowing on a temporary basis using overdraft facilities may be required from time to time to meet liquidity needs. However, no borrowing was undertaken in the period April 2015 to July 2015.

1.6 Compliance with the Annual Investment Strategy

1.6.1 Throughout April to July 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.

1.6.2 In addition the Council has operated within the treasury limits and prudential indicators set out in the 2015/16 Annual Investment Strategy and in compliance with the Council's Treasury Management Practices. The Prudential and Treasury Indicators can be found at **[Annex 3]** to this report.

1.7 Review of Risk Parameters

1.7.1 Members will recall the detailed consideration that was given to the 2015/16 Annual Investment Strategy at the January 2015 meeting of the Audit Committee. The strategy includes the parameters that aim to limit the Council's exposure to investment risks by requiring investments to be placed with highly credit rated institutions and that those investments are diversified across a range of counterparties. More specifically the 2015/16 Annual Investment Strategy requires:

- Counterparties must be regulated by a Sovereign rated AA- or better as recognised by each of the three main rating agencies (Fitch, Moody's or Standard & Poor's).
- Whilst 100% of funds can be invested in the UK, exposure to non-UK banks is restricted to no more than 20% of funds per Sovereign.

- Exposure to individual counterparties / groups of related counterparty must not exceed 20% of funds (25% of funds for part state owned UK Banks).
- In selecting suitable counterparties the Council has adopted Capita's credit worthiness methodology. The methodology combines the output from all three credit rating agencies including credit watches / outlooks and credit default swap data to assign a durational band to a financial institution (100 days, 6 months, 12 months, 5 years, etc.). At the time of placing an investment the financial institution must be assigned a durational band of at least 100 days. This broadly equates to a minimum long term credit rating of Fitch A- (high) and a short term credit rating of Fitch F1 (strong).
- The duration of an investment in a foreign bank must not exceed Capita's recommendation. For UK financial institutions Capita's duration recommendation can be enhanced by up to three months subject to the combined duration (Capita recommendation plus the enhancement) not exceeding 12 months.
- Money Market funds should be rated Fitch AAmmf or equivalent and exposure limited to no more than 20% per fund.
- Enhanced Money Funds should be rated AAA and exposure limited to no more than 10% per fund and 20% to all such funds.

1.7.2 The 2015/16 Strategy also limits the type of instrument (e.g. term deposits, floating rate notes, etc.) that can be used and establishes a maximum investment duration (2 years other than Gilts). Given our overriding investment priorities of security of capital and liquidity the Council does not invest in equities.

1.7.3 In preparing this report the risk parameters have been reviewed and are considered appropriate to protect the Council's interests. The Council has access, both directly and via brokers, to a sufficient number of high credit rated financial institutions enabling it to maintain a diverse portfolio; with an appropriate level of liquidity; that makes a positive contribution to income generation. No changes to the risk parameters are proposed at the present time.

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.

1.8.2 This mid-year review report fulfils a requirement in The Chartered Institute of Public Finance & Accountancy's Code of Practice on Treasury Management 2009.

1.9 Financial and Value for Money Considerations

- 1.9.1 The Bank Rate has remained at a historic low of 0.5% for over 6 years. Capita, our treasury advisors, in common with other market forecasts, anticipate a rise in Bank Rate sometime during the second quarter of 2016.
- 1.9.2 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.
- 1.9.3 At the end of July Investment income is £6,500 better than expected. This pattern is expected to be repeated throughout 2015/16 resulting in income for the year as a whole being £15,000 to £20,000 above budget.
- 1.9.4 Investment performance is monitored against relevant benchmarks and compared to 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 the period April to July 2015.
- 2) Retain the existing parameters intended to limit the Council's exposure to investment risks.

Background papers:

contact: Mike Withey

Capita Interest Rate Forecast (August 2015)

Sharon Shelton
Director of Finance and Transformation

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Investment Summary as at 31 July 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%		Fixed deposit	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		1,000,000
Bank of Scotland Total								2,000,000		7.78%			
Barclays Bank	UK	A	F1	6 months	Specified	28/04/2015	28/01/2016	1,000,000	0.80%		Fixed deposit		1,000,000
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	UK	A	F1	6 months	Specified	22/07/2015	22/04/2016	1,250,000	0.86%		Fixed deposit	1,250,000	
Barclays Bank Total								3,500,000		13.62%			
BNP Paribas MMF	n/a	AAA	mmf (Eq)	5 years	Specified	31/07/2015	03/08/2015	1,717,000	0.48%		Call - MMF		1,717,000
BNP Paribas MMF Total								1,717,000		6.68%			
Handelsbanken	Sweden	AA-	F1+	1 year	Specified	31/07/2015	03/08/2015	1,000,000	0.45%		Call		1,000,000
Handelsbanken Bank Total								1,000,000		3.89%			
Insight Liquidity Plus EMF [1]	n/a	AAA	f/S1 (S&P)	5 years	Specified	18/02/2014	03/08/2015	1,050,000	0.33%		Call - EMF		1,050,000
Insight Liquidity Funds Total								1,050,000		4.09%			
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		1,000,000
Lloyds Bank	UK	A+	F1	6 months	Specified	24/07/2015	25/01/2016	500,000	0.80%		Fixed deposit	500,000	
Lloyds Bank Total								2,500,000		9.73%			
NatWest Bank Call Account	UK	BBB+	F2	1 year	Specified	31/07/2015	03/08/2015	10,000	0.25%		Call		10,000
National Westminster Bank Total								10,000		0.04%			
Nordea Bank AB	Sweden	AA-	F1+	1 year	Specified	23/07/2015	22/01/2016	500,000	0.64%		CD		500,000
Nordea Bank AB Total								500,000		1.95%			
Nationwide Building Society	UK	A	F1	6 months	Specified	16/03/2015	16/12/2015	1,250,000	0.79%		Fixed deposit	1,250,000	
Nationwide Building Society	UK	A	F1	6 months	Specified	29/04/2015	29/01/2016	1,000,000	0.80%		Fixed deposit		1,000,000
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		13.62%			
Santander UK Plc	UK	A	F1	6 months	Specified	31/07/2015	03/08/2015	4,924,000	0.80%		Call	2,451,000	2,473,000
Santander UK Plc Total								4,924,000		19.16%			
RBS	UK	BBB+	F2	1 year	Specified	23/03/2015	23/03/2016	1,000,000	0.90%		CD	1,000,000	
RBS Total								1,000,000		3.89%			
Standard Chartered Bank	UK	AA-	F1+	6 months	Specified	24/04/2015	25/01/2016	1,000,000	0.80%		CD		1,000,000
Standard Chartered Bank	UK	AA-	F1+	6 months	Specified	05/06/2015	04/03/2016	1,000,000	0.80%		CD	1,000,000	
Standard Chartered Bank	UK	AA-	F1+	6 months	Specified	10/06/2015	10/03/2016	1,500,000	0.81%		CD	1,500,000	
Standard Chartered Bank	UK	AA-	F1+	6 months	Specified	08/07/2015	08/01/2016	500,000	0.72%		CD		500,000
Standard Chartered Bank Total								4,000,000		15.56%			
Total invested								25,701,000		100.00%		13,451,000	12,250,000

Number of investments	23	Average investment value £	1,117,000
Number of counter parties	12	Average investment per counter party £	2,142,000
Group exposures:		Core £	Cash £
RBS + National Westminster (UK Nationalised 25% or £3.3m per fund)		1,000,000	10,000
Bank of Scotland + Lloyds (20% or £2.6m per fund)		2,500,000	2,000,000
		Combined £	%
		1,010,000	3.93
		4,500,000	17.51

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

[1] Return for previous month.

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Tonbridge and Malling Borough Council Internal Lending List

Checked against Capita Duration Matrix dated 31/07/15								
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	
ING Bank	Netherlands	AA+	A	F1	£2.6m	£2.6m	£5.2m	6 months
Nordea Bank AB	Sweden	AAA	AA-	F1+	£2.6m	£2.6m	£5.2m	12 months
Svenska Handelsbanken AB	Sweden	AAA	AA-	F1+	£2.6m	£2.6m	£5.2m	12 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
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
Lloyds Bank plc Group limit with BOS and Lloyds of £2.6m	UK	AA+	A+	F1	£2.6m	£2.6m	£5.2m	6 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	6 months
Nationwide Building Society	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 suggested duration (Capita duration + 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, AAmmf or AAAM.						
Fund Name	Moody	Fitch	S&P	Exposure Limit		
				Cash Flow	Core Fund	Combined
Blackrock	AAA-mf	-	AAAAM	£2.6m	£2.6m	£5.2m
BNP Paribas	-	-	AAAAM	£2.6m	£2.6m	£5.2m
Goldman Sachs	AAA-mf	AAmmf	AAAAM	£2.6m	£2.6m	£5.2m
Deutsche Fund	AAA-mf	-	AAAAM	£2.6m	£2.6m	£5.2m
Standard Life (Ignis)	-	AAmmf	AAAAM	£2.6m	£2.6m	£5.2m
Morgan Stanley	AAA-mf	AAmmf	AAAAM	£2.6m	£2.6m	£5.2m
Prime Rate	-	AAmmf	AAAAM	£2.6m	£2.6m	£5.2m
Insight	-	AAmmf	AAAAM	£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
3rd August 2015

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Prudential and Treasury Indicators

1 Prudential Indicators	2014/15 Actual £'000	2015/16 Estimate £'000	2016/17 Estimate £'000
Capital expenditure	2,341	2,942	2,411
Ratio of financing costs to net revenue stream	-1.36%	-1.48%	-2.18%
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	£0.30	£0.24	£0.18

2 Treasury Management Indicators	2014/15 Actual £'000	2015/16 Estimate £'000	2016/17 Estimate £'000
Authorised limit for external debt:			
Borrowing	nil	5,000	5,000
Other long term liabilities	nil	nil	nil
Total	nil	5,000	5,000
Operational boundary for external debt:			
Borrowing	nil	2,000	2,000
Other long term liabilities	nil	nil	nil
Total	nil	2,000	2,000
Actual external debt	nil	nil	nil
Upper limit for fixed rate exposure over one year at year end	nil	0 – 60%	0 – 60%
Upper limit for variable rate exposure under one year at the year end	11,466 (58.9%)	40 – 100%	40 – 100%
Upper limit for total principal sums invested for over 364 days	nil (0%)	60%	60%

3 Maturity structure of new fixed rate borrowing during 2015/16	Upper limit %	Lower limit %
Under 12 months	100	nil
Over 12 months	nil	nil

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TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

07 September 2015

Report of the Director of Finance and Transformation

Part 1- Public

Delegated

1 EXTERNAL AUDITORS REPORT ON THE OUTCOME OF THE AUDIT OF THE STATEMENT OF ACCOUNTS 2014/15

Members are invited to endorse and approve the Audit Findings Report on the outcome of the audit of the Statement of Accounts for 2014/15. This report is to be approved prior to the Engagement Lead signing off the Accounts. The Engagement Lead and or his representative will be at the meeting to present the report and to answer questions.

1.1 Introduction

1.1.1 Our external auditor (Grant Thornton UK LLP) is required to issue a report to those charged with governance covering, amongst other things, the outcome of the audit of the Accounts, and for this to be endorsed and approved before the Accounts are signed off. Under the Council's constitutional arrangements it is this Committee that is charged with governance for this purpose.

1.1.2 In accordance with this requirement, the Audit Findings Report on the outcome of the audit of the Statement of Accounts 2014/15 is attached at **[Annex 1]**. The Engagement Lead and or his representative will be at the meeting to present the report and to answer questions.

1.2 Conclusions and Recommendations

1.2.1 Members will note there are no material issues that need to be brought to the attention of the Committee and that the Engagement Lead anticipates being able to issue an unqualified audit opinion on the financial statements and value for money conclusion in the next few weeks.

1.2.2 For completeness and in accordance with best practice it is recommended that the Chairman countersign the Letter of Representation **[Annex 2]** that I have prepared. With that in mind it is requested that delegated authority be granted to the Chairman and I to sign the Letter when Grant Thornton are ready to issue their opinion. Accordingly, there is a statement at the end of the letter which reads:

"The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 7 September 2015, with delegated authority granted

to the Chairman to sign this letter, together with the Director of Finance and Transformation”.

1.3 Statement of Accounts 2014/15

1.3.1 As noted at paragraph 1.2.1, I am pleased to report there are no material issues that need to be brought to the attention of the Committee following the audit. At Appendix A of the Audit Findings Report there is an action plan which for ease of reference is also shown below.

<u>REC NO.</u>	Recommendation	Priority	Management response	Implementation date & responsibility
1	We identified a number of debtors for council tax arrears where no payment had been received for at least three and in one case seven, years. Officers should clarify if these cases are in respect of current or former council tax payers, and what recovery action has been taken to date, and consider the implications for the Council's processes used to identify accounts for write-off. Debtors where no payment has been received for a number of years and where no further recovery action is planned should be written off.	Low	The arrears relate to both current and former taxpayers. Over the forthcoming months cases will be reviewed and appropriate action will be taken where required. Further consideration will be given to the review process.	Implementation Date - 15/16 Financial Year Responsibility - Revenues and Benefits Manager.

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
2	The Council uses an external advisor to assess the provision required for business rate appeals. In future years when assessing the reliance to be placed on the work of the external advisor the Council should consider how the advisor's forecasts compare with the decisions taken by the Valuation Office, and whether further information could be provided by the advisor to support the Council's understanding of the calculations.	Medium	To discuss output received from external advisors to gain further information to justify appeals provision and challenge where necessary.	Implementation Date - 15/16 Financial Year Responsibility - Financial Services Manager.
3	As part of closedown procedures responsible managers should review the Council's asset register prior to completing annual certificates confirming the existence of fixed assets.	Low	We believe current procedure to be adequate and robust but will use action to remind Service Managers of the need to undertake detailed checks on the assets held on the register.	Implementation Date - 15/16 Financial Year Responsibility - Financial Services Manager and Principal Accountant.

1.3.2 Members will note on page ten of the Audit Findings Report reference to a recent ruling on business rates for purpose-built GP surgeries. As a result of this ruling a review of GP surgeries located in the Borough has been undertaken and a judgement made as to those that might be deemed purpose-built under this ruling. This, amongst other things, has led to an increase in the provision for appeals reflected in the Statement of Accounts reported to Members in June from £4,620,000 to £6,070,000.

1.3.3 The revised statement, in addition to the above, includes a small number of minor technical or textual changes. I do not propose circulating copies of the audited Accounts to all Members, but the Chairman will be asked to sign a copy of the

audited Accounts for 2014/15. If Members so wish, updated copies may be obtained by contacting my Chief Financial Services Officer, Neil Lawley or my Financial Services Manager, Paul Worden, who will be pleased to supply copies and answer any questions you may have.

- 1.3.4 With regard to value for money it was found that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015. Members will note the overall VFM conclusion within the report states:

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

1.4 Legal Implications

- 1.4.1 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.

1.5 Financial and Value for Money Considerations

- 1.5.1 The cost of the work carried out is as notified to us in the 2014/15 Audit Plan.

1.6 Risk Assessment

- 1.6.1 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.

1.7 Equality Impact Assessment

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

1.8 Recommendations

- 1.8.1 Members are **RECOMMENDED** to:

- 1) Approve the Audit Findings Report on the outcome of the audit of the Statement of Accounts for 2014/15 [**Annex 1**] together with the associated action plan set out at paragraph 1.3.1.
- 2) Endorse that the Chairman and I be granted delegated authority to countersign the Letter of Representation [**Annex 2**] when Grant Thornton are ready to issue their opinion.

- 3) Note and endorse the amendment to the Statement of Accounts 2014/15 to that reported to the June Committee following a recent ruling on business rates for purpose-built GP surgeries as set out at paragraph 1.3.2.
- 4) Request that the Chairman sign the Accounts in the appropriate place.

Background papers:

contact: Paul Worden

Nil

Sharon Shelton
Director of Finance and Transformation

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The Audit Findings for Tonbridge & Malling Borough Council

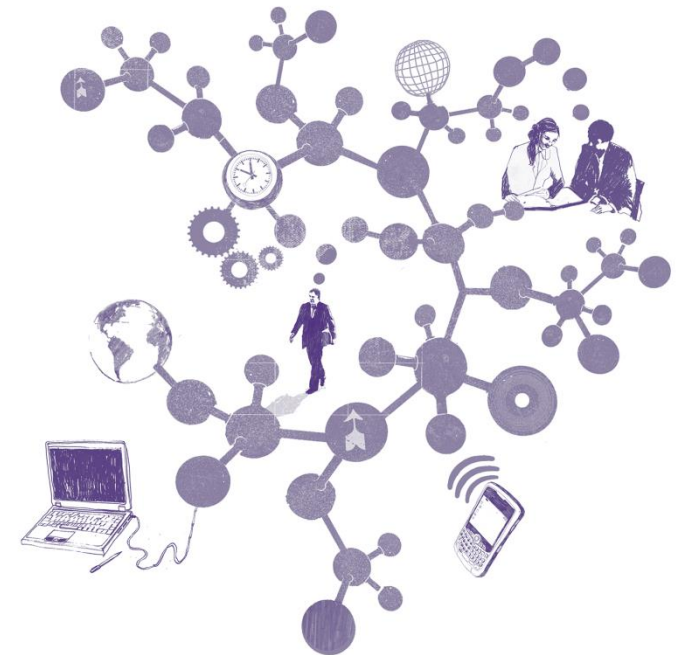
Year ended 31 March 2015

September 2015

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Darren Wells
Engagement Lead
T 01293 554120
E darren.j.wells@uk.gt.com

Trevor Greenlee
Manager
T 01293 554071
E trevor.greenlee@uk.gt.com



Tonbridge & Malling Borough Council
Gibson Drive
Kings Hill
Kent
ME19 4LZ

7 September 2015

Dear Vivian

Audit Findings for Tonbridge & Malling Borough Council for the year ending 31 March 2015

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

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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

Yours sincerely

Darren Wells
Engagement lead

Chartered Accountants

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Executive summary

Purpose of this report

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

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

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated March 2015.

Our audit is substantially complete although we are finalising our work in the following areas:

- obtaining and reviewing the final management letter of representation
- review of the final version of the financial statements and the Annual Governance Statement

- testing of the Council's 2014/15 Housing Benefit subsidy claim. Our audit approach requires testing under the certification framework agreed between the Audit Commission and the Department of Work and Pensions to be substantially complete prior to giving our opinion on the Council's accounts
- updating our post balance sheet events review to the date of signing our audit opinion
- work under the Whole of Government Accounts framework.

We received draft financial statements and accompanying working papers at the start of our audit in accordance with the timetable agreed with officers. As in previous years the financial statements have been produced to a high standard with only a small number of audit amendments required.

Key issues arising from our audit

Financial statements opinion

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

We agreed with officers that the provision for business rate appeals was understated in respect of cases relating to purpose-built GP surgeries and following updated information provided by the Valuation Office after year end. The provision was increased by £1,450,000, of which the share relating to the Council is £580,000.

We concluded that an adjustment was required to the provision for council tax bad debts. However, the amount was not material for our opinion. Officers have decided not to amend the accounts.

We did not identify any other issues above the level we are required to report which required an amendment to the primary financial statements

We agreed a number of changes to the amounts and narrative at disclosure notes with officers.

Further details of our work are set out in section two of this report.

Value for Money conclusion

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion.

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

Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

Controls

Roles and responsibilities

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

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Findings

We draw your attention to one control issue identified in relation to confirming the existence of the Council's non-current assets. Our work has not identified any other control weaknesses which we wish to highlight for your attention.

Further details are provided within section two of this report.

The way forward

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

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

Acknowledgment

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

Grant Thornton UK LLP
7 September 2015

Section 2: Audit findings

- 01. Executive summary
- 02. Audit findings**
- 03. Value for Money
- 04. Fees, non-audit services and independence
- 05. Communication of audit matters

Audit findings

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

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you in April 2015.

Audit opinion

Our proposed audit opinion is set out in Appendix B.

Audit findings against significant risks

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

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

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
Page 41	<p>1. Improper revenue recognition</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council we have determined that the risk of fraud arising from revenue recognition can be rebutted because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including those at the Council, mean that all forms of fraud are seen as unacceptable.
	<p>2. Management override of controls</p> <p>Under ISA (UK&I) 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management • testing of journal entries • review of unusual significant transactions. 	<p>Our audit work, including our review of journal controls and testing of journal entries, has not identified any evidence of management override of controls.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

Audit findings against other risks

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

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Operating expenses</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 42</p>	<p>Creditors understated or not recorded in the correct period</p>	<ul style="list-style-type: none"> • Documentation of our understanding of processes and key controls over the transaction cycle • Walkthrough of the key controls to assess whether those controls are designed effectively • Substantive testing of creditor balances to supporting documentation • Testing of new year payments to ensure expenditure had been posted to the correct accounting period 	<p>We gained sufficient assurance to conclude that creditors were not materially misstated.</p>
<p>Employee remuneration</p>	<p>Employee remuneration accrual understated</p>	<ul style="list-style-type: none"> • Documentation of our understanding of processes and key controls over the transaction cycle • Walkthrough of the key controls to assess whether those controls are designed effectively • Substantive testing of payroll information for a sample of employees to supporting documentation • Review of yearend reconciliations to ensure completeness of information in the accounts • Trend analysis to assess completeness of payroll information 	<p>We gained sufficient assurance to conclude that employee remuneration expenses were not materially misstated.</p>

Accounting policies, estimates & judgements

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

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> Revenue recognition policies are set out at Note 1 to the accounts 	<ul style="list-style-type: none"> Revenue recognition policies are adequately disclosed in the financial statements. In our audit we did not identify any areas of non compliance with the revenue recognition policy, nor did we identify any areas of significant judgement in the application of the policy. 	●
Estimates and judgements	<ul style="list-style-type: none"> Key estimates and judgements include <ul style="list-style-type: none"> useful life of capital equipment pension fund valuations PPE revaluations impairments provisions 	<ul style="list-style-type: none"> The Council sets out its policies on judgements and estimates in note 1 to the accounts. We reviewed these policies and concluded they were reasonable and consistent with the CIPFA Code of Practice on Local Authority Accounting. We did not identify any instances of non compliance with those policies. We considered the Council's process to estimate the carrying value of those assets not subject to external revaluation in 2014/15. We concluded that the Council's estimate was not materially misstated. <p>Provision for business rate appeals Under the accounting framework for business rates billing authorities are required to estimate a provision for business rate appeals. The value of this provision in the collection fund account at 31 March 2015 was £4,620,000, of which the Council's share was £1,848,000. The Council has used an external valuation expert to help estimate the provision at 31 March 2015.</p> <p>We reviewed the trails supporting the provision, including the information provided by the external valuer. The provision included in the accounts was based on a listing of appeal cases as at 31.3.15 provided by the Valuation Office. An updated position statement was provided by the Valuation Office at 30 June 2015. Based on this updated information the provision included in the accounts at 31.3.15 was understated by £315,000, of which the Council's share is £126,000, due largely to</p>	●


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Assessment

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

Accounting policies, estimates & judgements

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


Accounting area	Summary of policy	Comments	Assessment
<p>Page 44</p>		<p>an additional appeal which appears on the updated VO listing. The Council agreed to amend the accounts to reflect this updated information.</p> <p>The Council's provision was based on appeals from ratepayers received at 31 March 2015. Following a ruling in January 2015 on business rates for purpose-built GP surgeries it is now anticipated that there will be substantial reductions in rateable value for some health-related premises, even where appeals have not been received at 31 March 2015, and that these rating reductions will be backdated to earlier periods. On the basis of the most recent information it was agreed with officers that the Council's provision was understated in respect of these cases. The Council has therefore revised its assessment and increased the provision for business rate appeals by a further £1,135,000, of which the Council's share is £454,000.</p> <p>The Council has identified a number of medical and dental premises where further work is required to clarify if the property would be affected by the January 2015 ruling. No provision has been made in respect of these properties. However, following the adjustment by the Council we have concluded that the provision for business rate appeals is not materially misstated.</p> <p>The use of an external advisor gives the Council access to professional valuation advice and allows for a detailed review to inform the estimation process. In assessing whether to place reliance on the information provided by the external advisor the Council needs to satisfy itself that the assumptions and methodology used by the valuer are appropriate. Going forward it may help the Council to compare the outcomes forecast by the valuer with the decisions taken by the Valuation Office, and to consider whether further information could be provided by the valuer to support the Council's understanding of the calculations.</p>	

Assessment

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

Accounting policies, estimates & judgements


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

Accounting area	Summary of policy	Comments	Assessment
<p>Page 45</p>		<p>Provision for bad debts: Council tax</p> <p>In reviewing the bad debt provision for council tax arrears we noted that the total arrears used in the calculation had been overstated as balances for court costs had been incorrectly included. The impact was to overstate the provision in the collection fund account by £209,000, of which the amount relating to the Council was £31,000.</p> <p>Our sample testing also identified a number of debtors for council tax arrears where no payment had been received for at least three, and in one case seven, years. Further investigation by officers is required to clarify if these cases are in respect of current or former council tax payers, or what recovery action has been taken to date. We recommend that officers review these cases and consider the implications for current processes used to identify accounts for write-off. Debtors where no payment has been received for a number of years and where no further recovery action is planned should be written off.</p> <p>The Council has concluded that any misstatement arising out of these issues is not material and the accounts have not been amended. We considered the overstatement of the provision arising from the calculation error in relation to court costs. We also considered the potential understatement of the provision in respect of debtor accounts where no payment has been received for between three and seven years, and where the debts are already provided for at between 70% and 99%. We concluded that the provision for bad debts in respect of council tax arrears was not materially misstated.</p>	

Assessment

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

Accounting policies, estimates & judgements continued

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

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Assessment

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit Committee and have been made aware of investigations and prosecutions during the year. We have not been made aware of any other incidents in the period. No other issues have been identified during the course of our audit procedures.
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Council.
4.	Disclosures	<ul style="list-style-type: none"> Issues requiring changes to amounts above the level at which we are required to report are reported at "Misclassifications and disclosure changes". Other amendments to disclosure notes agreed with officers included; <ul style="list-style-type: none"> - amendments to the banding analysis for employees earning £50,000 or more (Note 13) - revised analysis for when land and building assets were last revalued (Note 6) - additional disclosure to explain the treatment of the provision for business rate appeals as a long-term liability. We also agreed a number of other minor changes to amounts and narrative at disclosure notes and in the Explanatory Foreword.
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed.

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Internal controls

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

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration and Operating Expenses as set out on page 8 above.

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

Page 48	Assessment	Issue and risk	Recommendations
1.	●	<p>We perform sample testing on the existence of the Council's non-current assets. One item tested was fencing which was recorded on the fixed asset register and included in accounts balances but which audit inspection showed had been removed.</p> <p>The asset had already been fully depreciated and therefore the net book value of the Council's assets was not misstated, although there were minor overstatements of gross cost and accumulated depreciation. We concluded that there was no material misstatement for our opinion purposes.</p> <p>In confirming the existence of fixed assets the Council places reliance on certificates signed by responsible managers. Given the size and nature of the authority manager confirmations should provide sufficient assurance over the existence of the Council's significant assets. However, for smaller assets it may help managers to review current fixed asset records before completing the annual certificates.</p>	<p>As part of closedown procedures responsible managers should review the Council's asset register prior to completing annual certificates confirming the existence of fixed assets.</p>

Assessment

- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement

The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Adjusted misstatements

We have reported at "Accounting policies, estimates and judgements" the adjustment to increase the provision for business rate appeals by £1,450,000, of which the Council's share is £580,000. The amendments in respect of this adjustment are analysed at Appendix C. There are no audit adjustments above the level we are required to report to those charged with governance, other than for the issues noted at "Misclassification and disclosure changes" later in this report.

Unadjusted misstatements

We have reported at "Accounting policies, estimates and judgements" our consideration of potential misstatements in respect of estimated figures. The Audit Committee is required to approve management's proposed treatment of these items.

Other than for the issues reported at "Accounting policies, estimates and judgements" we did not identify any misstatements during the audit above the level we are required to report which management has decided not to adjust.

Misclassifications & disclosure changes

The table below provides details of disclosure adjustments identified during the audit above the level we are required to report. We have also agreed a number of other minor changes and narrative amendments to improve the presentation in the accounts. Officers have agreed to amend disclosure in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Misclassification	507	Note 6: Non-current assets	An increase of £507,000 in respect of embedded lease vehicles was originally show as an addition to non-current assets. It was agreed this increase would be more appropriately disclosed as a revaluation.
2 Disclosure	182	Note 6: Non-current assets	The total for disposals at Note 6 was overstated by £182,000 as it included amounts in respect of two public conveniences. In the previous year the balances for these assets had been transferred from Non-current assets to Assets Held for Sale. The sale of these assets did not therefore require any entry at disposals for Non-current assets in 2014/15.
Disclosure	127	Note 18: Short-term creditors	Note 18 includes a disclosure on creditors meeting the definition of financial instruments under IFRS7. The total for local authority creditors in this analysis was overstated by £127,000.

Section 3: Value for Money

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01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Value for Money

Value for money conclusion

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

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

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

These criteria are:

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

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

Key findings

Securing financial resilience

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

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

Overall we concluded that the Council continues to have an effective framework of financial control and robust arrangements for financial governance. There is a structured approach to addressing financial pressures within a strong medium term planning framework.

Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the constraints within the current economic and funding environment.

We concluded that the Council has an effective framework to identify financial pressures and take action to address these, with a history of achieving planned savings. The Council recognises that going forward a wider approach to transformation will be required, and is preparing a revised corporate strategy to address this.

Our more detailed findings and Red/Amber/Green (RAG) ratings are at pages 20 and 21.

Overall VfM conclusion

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

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

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

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

Theme	Summary findings	RAG rating
Key indicators of performance	<p>The Council remains debt free. The value of usable (cash-backed) reserves at 31 March 2015 was £18,934,000.</p> <p>The working capital ratio represents the extent to which current assets cover immediate liabilities. A ratio of less than one indicates potential liquidity problems. The Council's working capital ratio at 31 March 2014 was 4.6. At 31 March 2015 this ratio had increased to 6.3.</p>	Green
Strategic financial planning	<p>The Council continues to have a strong financial planning framework. There is a clear understanding of the financial risks facing the Council and of the implications of current decisions over the medium term.</p> <p>The Council has a well-established Medium Term Financial Strategy (MTFS) covering a 10 year period. The MTFS is updated at least annually and was last updated in February 2015.</p> <p>Despite this strong planning framework the Council faces significant financial uncertainties going forward, including over the level of funding from government grant and the implications of any changes to the New Homes Bonus scheme. There are also likely to be pressures in respect of business rates, where the impact of a major ratepayer going into administration may make it difficult for the Council to achieve its expected baseline income for a number of years, leaving it liable for a share of the shortfall. Historically the Council has funded capital expenditure from revenue reserves, grants and developer contributions, but funding for new projects is likely to require borrowing from 2019/20.</p> <p>As at February 2015 the funding gap identified over the lifetime of the MTFS was £1,400,000, although recent additional pressures have been identified in respect of business rates, income and housing benefit expenditure. The Council continues to address the funding gap in a structured way, with planned "tranches" of savings to allow time for</p>	Green

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

Theme	Summary findings	RAG rating	
Page 55	effective project planning and implementation. Although the funding gap at February 2015 is a reduction on that identified in previous years the Council recognises that delivering successive tranches of savings is likely to become progressively more difficult over time, and to address this a wider review of the Council's corporate strategy is in progress.		
	Financial governance	The Council has a strong corporate focus on effective financial management. Financial reporting and monitoring processes are well-established with regular reporting on in-year performance. The overall level and frequency of the reports supports effective monitoring.	Green
	Financial control	The Council continues to have an effective framework of financial control. There are well-established processes for preparing and monitoring annual budgets.	Green
	Prioritising resources	The Council has a strong record of achieving efficiency savings. In 2014/15 it delivered savings of £475,000 against a target of £200,000. The Council has delivered savings in excess of plan in each of the last three years.	Green
	Improving efficiency & productivity	The Council continues to review the cost-effectiveness of services in the context of annual savings plans and the MTFS. The Council invited the LGA to undertake a Corporate Peer Challenge in April 2014. Following this review the Council has committed to bringing forward a corporate transformation strategy to address the issues raised. There is evidence of early action following this review with changes in 2014/15 to management structures supporting the corporate planning framework. However, the Council recognises that more wide-reaching changes and service redesign need to be considered given the financial challenges facing the Council. The Council is planning to have the new transformation strategy in place for 2016/17.	Green

Section 4: Fees, non-audit services and independence

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Fees, non-audit services and independence

We confirm below our final fees charged for the audit, subject to completion of our work on grant claim certification. We confirm there were no fees for the provision of non audit services.

Fees

	Per Audit plan £	Actual fees £
Council audit	61,035	61,035
Grant certification on behalf of Audit Commission	21,600	21,600
Total audit fees	82,635	82,635

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

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

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Fees for other services

Service	Fees £
Audit related services	Nil
Non audit related services	Nil

Section 5: Communication of audit matters

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Communication of audit matters to those charged with governance

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

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

Respective responsibilities

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

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

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

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

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

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Appendices

Appendix A: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	We identified a number of debtors for council tax arrears where no payment had been received for at least three, and in one case seven, years. Officers should clarify if these cases are in respect of current or former council tax payers, and what recovery action has been taken to date, and consider the implications for the Council's processes used to identify accounts for write-off. Debtors where no payment has been received for a number of years and where no further recovery action is planned should be written off.	Low	The arrears relate to both current and former taxpayers. Over the forthcoming months cases will be reviewed and appropriate action will be taken where required. Further consideration will be given to the review process.	Implementation Date - 15/16 Financial Year Responsibility - Revenues and Benefits Manager.
2	The Council uses an external advisor to assess the provision required for business rate appeals. In future years when assessing the reliance to be placed on the work of the external advisor the Council should consider how the advisor's forecasts compare with the decisions taken by the Valuation Office, and whether further information could be provided by the advisor to support the Council's understanding of the calculations.	Medium	To discuss output received from external advisors to gain further information to justify appeals provision and challenge where necessary.	Implementation Date - 15/16 Financial Year Responsibility - Financial Services Manager.
3	As part of closedown procedures responsible managers should review the Council's asset register prior to completing annual certificates confirming the existence of fixed assets.	Low	We believe current procedure to be adequate and robust but will use action to remind Service Managers of the need to undertake detailed checks on the assets held on the register.	Implementation Date - 15/16 Financial Year Responsibility - Financial Services Manager and Principal Accountant.

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Appendix B: Audit opinion

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TONBRIDGE & MALLING BOROUGH COUNCIL

We have audited the financial statements of Tonbridge & Malling Borough Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Tonbridge & Malling Borough Council as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and Transformation and auditor

As explained more fully in the Statement of the Director of Finance and Transformation's Responsibilities, the Director of Finance and Transformation is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the

reasonableness of significant accounting estimates made by the Director of Finance and Transformation; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matters

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

Matters on which we report by exception

We are required to report to you if:

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

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and

effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:
 securing financial resilience; and
 challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Tonbridge & Malling Borough

Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

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

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

The Explorer Building
 Fleming Way
 Manor Royal
 Crawley
 RH10 9GT

xx September 2015

Appendix C: Adjusted misstatements

All changes relate to the increase in the provision for business rate appeals.

		Original	Revised	Net change
Contributions to or From Specific Reserves	£000's	1,301.00	1,881.00	580.00
National Non-Domestic Rates	£000's	-1,758.00	-2,338.00	-580.00
MIRS - Council Tax / NNDR Deficit - General Fund	£000's	256.00	836.00	580.00
MIRS - Council Tax / NNDR Deficit - Unusable Reserves	£000's	-256.00	-836.00	-580.00
MIRS Earmarked Reserved - General Fund	£000's	-864.00	-1,444.00	-580.00
MIRS Earmarked Reserved - Reserves & Cont Unapplied	£000's	864.00	1,444.00	580.00
CHARGES - National Non-Domestic Rates - Expenditure	£000's	20,592.00	21,172.00	580.00
CHARGES - National Non-Domestic Rates - Income	£000's	21,530.00	22,110.00	580.00
Balance Sheet - Debtors	£000's	6,970.00	7,550.00	580.00
Balance Sheet - Provisions	£000's	-2,079.00	-2,659.00	-580.00
Balance Sheet - Reserves	£000's	16,143.00	16,723.00	580.00
Balance Sheet - Collection Fund Adj Account	£000's	-2,057.00	-2,637.00	-580.00
Note 11 - NNDR Safety Net	£000's	-325.00	-905.00	-580.00
Note 11 - NNDR Deficit	£000's	287.00	867.00	580.00
Note 11 - Collection Fund Adjustment Account NNDR	£000's	-287.00	-867.00	-580.00
Note 15 - Reserves - Business Rate Retention Scheme	£000's	755.00	1,335.00	580.00
Note 16 - Debtors - Central Government	£000's	1,539.00	2,119.00	580.00
Note 19 - Provisions - NNDR Appeals	£000's	-1,848.00	-2,428.00	-580.00
Collection Fund - Provision for Appeals	£000's	2,480.00	3,930.00	1,450.00
Note 5 - Collection Fund Surpluses and Deficits	£'s	5,484,345.00	6,934,345	1,450,000.00
Allocation of Arrears, Prepayment Etc - KCC Appeal	£000's	-416.00	-547.00	-131.00
Allocation of Arrears, Prepayment Etc - KCC Deficit	£000's	493.00	624.00	131.00
Allocation of Arrears, Prepayment Etc - KMFRA Appeal	£000's	-46.00	-60.00	-14.00
Allocation of Arrears, Prepayment Etc - KMFRA Deficit	£000's	55.00	69.00	14.00
Allocation of Arrears, Prepayment Etc - Gov't Appeal	£000's	-2,310.00	-3,035.00	-725.00
Allocation of Arrears, Prepayment Etc - Gov't Deficit	£000's	2,742.00	3,467.00	725.00
Allocation of Arrears, Prepayment Etc - TMBC Appeal	£000's	-1,848.00	-2,428.00	-580.00
Allocation of Arrears, Prepayment Etc - TMBC Deficit	£000's	2,194.00	2,774.00	580.00



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**Gibson Building, Gibson Drive
Kings Hill, West Malling
Kent ME19 4LZ**

Financial Services

Switchboard 01732 844522
DX 92865 West Malling
Minicom 01732 874958 (text only)
Web Site <http://www.tmbc.gov.uk>
Email financial.services@tmbc.gov.uk

Grant Thornton UK LLP
The Explorer Building
Fleming Way
Manor Royal
CRAWLEY
RH10 9GT

Contact Mrs S Shelton
Direct line 01732 876092
Email sharon.shelton@tmbc.gov.uk
Fax 01732 873530
Your ref
Our ref F/200/PR.77.1
Date September 2015

Dear Sirs

Tonbridge & Malling Borough Council Financial Statements for the year ended 31 March 2015

This representation letter is provided in connection with the audit of the financial statements of Tonbridge & Malling Borough Council for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ("the Code"); which give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.



- vi We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vii Except as disclosed in the financial statements:
- a there are no unrecorded liabilities, actual or contingent
 - b none of the assets of the Council has been assigned, pledged or mortgaged
 - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- x All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- xii We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xiii We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for the issues brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xiv We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xv We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xvi We have provided you with:
 - a access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b additional information that you have requested from us for the purpose of your audit; and
 - c unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

- xvii We have communicated to you all deficiencies in internal control of which management are aware.

- xviii All transactions have been recorded in the accounting records and are reflected in the financial statements.

- xix We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- xx We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Council involving:
 - d management;
 - e employees who have significant roles in internal control; or
 - f others where the fraud could have a material effect on the financial statements.

- xxi We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.

- xxii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

- xxiii We have disclosed to you the identity of all the Council's related parties and all the related party relationships and transactions of which we are aware.

- xxiv We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxv We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 7 September 2015, with delegated authority granted to the Chairman to sign this letter, together with the Director of Finance and Transformation.

Signed on behalf of the Council

Name.....
Position Chair of the Audit Committee
Date September 2015

Name.....
Position Director of Finance and Transformation
Date September 2015

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

07 September 2015

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Information

1 INTERNAL AUDIT AND FRAUD INVESTIGATION UPDATE

This report provides Members with an update on the work of both the Internal Audit function and the Counter Fraud function for the period April to July 2015.

Internal Audit Update

1.1 Introduction

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*. 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*.

1.2 Progress against the 2015/16 Internal Audit Plan

- 1.2.1 The Annual Internal Audit Plan (the Plan) for 2015/16 was approved by this Committee on the 7 April 2015. The purpose of this report is to provide Members with an update on the progress of the Internal Audit team in 2015/16 against the Plan and finalisation of any work brought forward from the 2014/15 Plan.
- 1.2.2 The Plan reflects all work to be undertaken by the team during the financial year, containing both assurance work and consultancy work. Of the 36 items on the Plan, 29 are audits that will result in an assurance opinion. The remainder of items on the plan relate to consultancy items, follow-up of recommendations due or allowances for the provision of control advice, etc.
- 1.2.3 Of the 29 audits, the team have issued final reports and agreed management action plans in respect of three. In addition, three audits were carried forward from the 2014/15 Plan of which two have now been finalised, the third requires additional follow-up work. (See **[Annex 1]** for definitions of audit opinions). Draft

reports have been issued for a further two audits with three audits currently underway. Planning is in progress for the remaining audits due in quarter two, with the remainder scheduled across the rest of the financial year. A summary of the current status of all audits on the 2015/16 Plan and the finalised 2014/15 work, including a summary of findings where finalised, is attached to this report at **[Annex 2]**.

- 1.2.4 In accordance with the PSIAS, and to provide assurance that issues identified in audits undertaken have been addressed through agreed actions, Internal Audit follow-up implementation of all recommendations made. Up to 31 July 2015 34 outstanding recommendations were due for implementation, of these 20 have been completed and 7 have revised dates agreed (one of which was high risk and any additional risk arising from further delay has been duly considered). The remaining 7 cannot be closed off at this time due to the need for further clarification, this includes instances of verbal confirmation where evidence is awaited or where the service has queried the original recommendation due to change of circumstance, etc. Detail is provided at **[Annex 3]**.

Fraud Update

1.3 Prevention and Detection of Fraud and Corruption

- 1.3.1 This section of the report provides details of the Council's activity in preventing and detecting fraud and corruption in the year 2015/16 to date. 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 computer records held by other councils and other bodies. 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.
- 1.3.2 In October 2014 the Council submitted data for the 2014/15 NFI exercise and the results of this exercise were received in January 2015 with 1,429 matches received relating to benefits, payroll, finance and licensing. To date 990 have been checked, of which 946 have been closed with no action required and 44 cases are subject to further investigation. We will continue to undertake periodic review of the potential matches with a target completion date for the remaining 439, all of which relate to Housing Benefits, of January 2016; i.e. 12 months from the date the matches were received. In addition, data in relation to a Council Tax Single Person Discount matching exercise was received in March 2014, a total of 549 matches were received; all matches have been checked with 485 closed and 14 pending closure. Further inquiries and/or investigations relating to the remaining 50 are ongoing.

1.4 Investigating Fraud

- 1.4.1 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 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.

- 1.4.2 In 2015/16 to 31 July, the Investigation Team have closed 136 cases and received a total of 153 referrals, there are 52 ongoing investigations. One prosecution in relation to Housing Benefits and Council Tax Reduction has been concluded which resulted in assets being seized under the Proceeds of Crime Act and where the Council will receive back the amount owed in full, totalling £18,875.64.
- 1.4.3 **[Annex 4]** summarises the results of investigations concluded in 2015/16 to date.

1.5 Legal Implications

- 1.5.1 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 CIPFA's Local Government Application Note to the PSIAS.
- 1.5.2 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.
- 1.5.3 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 An adequate and effective Internal Audit function provides the Council with assurance on the proper, economic, efficient and effective use of Council resources in delivery of services, as well as helping to identify fraud and error that could have an adverse effect on the finances of the Council.
- 1.6.2 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 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.

1.7.2 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

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.

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2015-16 Internal Audit Assurance Reviews

Audit Review Title	Planned Quarter	Current Status	Audit Opinion	Scope of Audit and Findings
Cemetery Memorials	1	Draft Report	TBC	
IT Software and network user access	1	In progress		
Payroll	1	Complete	Green	<p>The audit considers the Council's arrangements in respect of the following risk management objectives (RMOs):</p> <p>RMO1 – Adequate controls are in place to effectively process new starters on the Council's Payroll</p> <p>Opinion: Green. Testing established that set up of new employees is adequately controlled and all starters in the sample tested had been set up timely and accurately</p> <p>RMO2 – Adequate controls are in place to effectively remove leavers from the Council's Payroll</p> <p>Opinion: Green. Testing established that the removal of leavers is adequately controlled and all leavers in the sample tested had been removed timely with final payments accurate. Two areas were identified where processes could be enhanced in relation to removal of casual workers that have not worked for a cumulative six month period and timely invoicing of early termination fees for leased cars.</p>

Audit Review Title	Planned Quarter	Current Status	Audit Opinion	Scope of Audit and Findings
Car park income	1	Complete	Amber	<p>The audit considers the Council's arrangements in respect of the following risk management objectives (RMOs):</p> <p>RM01 - Adequate arrangements exist to ensure the regular collection of money from the Council's parking meters. Opinion: Amber. Testing did not identify any instances of missing income however audit tickets had been destroyed prior to 1st April so we are only able to give assurance on a limited time period. Cash limits on machines were exceeded in a number of instances and key security should be improved.</p> <p>RM02 - There are adequate arrangements in place to manage the Council's parking meters. Opinion: Amber. Testing established that meters were adequately managed overall; however current arrangements could be streamlined and aligned and further cashless options could be considered.</p> <p>RM03 - Income received in respect of parking is verified, recorded and banked efficiently Opinion: Amber. Testing established that income from meters is adequately controlled; however it is not currently possible to reconcile income received via the mobile payment provider.</p>
Parking Enforcement/PCNs	1	Draft Report	TBC	
Creditors	1	In progress		
Corporate Credit Cards	2	In progress		
Homelessness	2	Planning		
Insurances	2	Planning		
Expenses claims	2	Planning		

Audit Review Title	Planned Quarter	Current Status	Audit Opinion	Scope of Audit and Findings
Complaints handling	2	Complete	Amber	The audit considers the Council's arrangements in respect of the following risk management objectives (RMOs): RMO1 – There are adequate arrangements in place for complaints handling Opinion: Amber: Testing established that there are adequate arrangements for complaints to be made and those complaints tested had been responded to reasonably. No complaints escalated to the Ombudsman had been upheld. However there was a lack of consistency in recording and in the information provided in response to complaints on how to escalate if dissatisfied; we acknowledge that a new computerised system is currently being implemented which should address this issue as well as providing the opportunity to enhance monitoring.
Property management	2	Planning		
Housing register and allocations	2	Planning		
Refuse and Recycling contract monitoring	3			
Youth and Play Development	3			
Food Safety Inspections	3			
Tonbridge Castle Facilities Hire	3			
Contingency Planning & Disaster Recovery	3			
Building Control	3			
Members' Allowances	3			

Audit Review Title	Planned Quarter	Current Status	Audit Opinion	Scope of Audit and Findings
Sickness Absence Monitoring	4			
Housing Benefit Assessments	4			
Section 106 Arrangements	4			
Community Safety Partnership	4			
Licensing Functions (exc Alcohol and Taxis)	4			
Corporate Policy Maintenance	4			
Empty Properties	4			
IT Helpdesk	4			
Data Protection	4			

2014-15 Internal Audit Assurance Reviews completed in 2015/16

Audit Review Title	Planned Quarter	Current Status	Audit Opinion	Scope of Audit and Findings
Cemeteries	4	Complete	Amber	<p>The audit considers the Council's arrangements in respect of the following risk management objectives (RMOs):</p> <p>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 Opinion: Amber. Testing established that procedures are adequate and effective in the main, including in relation to Public Health funerals. However, confirmation is required to ensure current arrangements for recording burials electronically comply with all legislative requirements in relation to registers and public access to the same.</p> <p>RMO2 – There are procedures in place to effectively administer and perform the services provided by Tonbridge Cemetery Opinion: Green. Testing confirmed that there are appropriate processes in place for services provided and these are performed timely and appropriately with good practice recommendations made in relation to future planning and information on TMBC's website.</p> <p>RMO3 – There are procedures in place to correctly and effectively collect the Cemetery Service Charges Opinion: Green. Testing established that relevant charges are identified and collected. One area for consideration was raised in relation to review of charges for historic searches.</p>

Audit Review Title	Planned Quarter	Current Status	Audit Opinion	Scope of Audit and Findings
Standards of Officer Conduct	2	Complete	Amber	<p>The audit considers the Council's arrangements in respect of the following risk management objectives (RMOs):</p> <p>RMO1 – The Authority has appropriate policies in place relating to standards of Officer conduct.</p> <p>Opinion: Amber. Testing established that overall there is a comprehensive suite of policies and procedures however there is a need to review the same to ensure that the most recent versions are accessible and the code of conduct is up to date.</p> <p>RMO2 – Arrangements are in place to uphold standards of officer conduct.</p> <p>Opinion: Amber. There is a need to ensure that new staff are required to read key/core policies and that all staff periodically receive core/key policies as a reminder.</p>

Service	Audit Title	Recommendation	Priority	Date in final report	Audit opinion on client response	Revised Target Date
Finance	Income Collection - Web and Telephone	Exchequer Services should liaise with the Land Charges Manager in order to provide an online payment facility for the service	Low	31/07/2015	Implemented	
Finance	Direct Debit / Standing Order	Remove or replace the out of date How to Pay.pdf http://finance.tmbc.gov.uk/assets/SLS/HowtoPay_pmd_v2.pdf	Low	30/06/2015	Implemented	
Finance	Direct Debit / Standing Order	The Principal Revenues Officer should conduct a sweep of the suspense account to write on any unidentified payments older than six years (prior to 31st March 2009) and repeat annually to avoid funds remaining on the suspense account indefinitely.	Medium	30/06/2015	Awaiting clarification	
Finance	VAT	Introduce arrangements to monitor credit notes or refunds for lease vehicles returned as early termination.	Low	31/05/2015	Implemented	
Finance	VAT	Perform follow up checks to ensure that World Pay is not being entered as EU when they are supplying a GB VAT registration number	Low	31/05/2015	Implemented	
Finance	VAT	Obtain advice from the Council's VAT advisory service, LAVAT, on how to handle incorrect invoices received.	Low	31/07/2015		30/09/2015
Finance	VAT	Send a guidance note to relevant staff reminding them of the importance of being able to reclaim VAT and what is required for the Council to be able to do this, especially in the case of Credit Card transactions. At the same time include details of all information required to appear on Credit Notes.	Low	30/06/2015		30/09/2015
Finance	VAT	Amend mileage claim and VAT spreadsheets, using conditional formatting to highlight potential anomalies.	Low	30/06/2015	Implemented	
Central	Audit Follow Up - Mobile Phones	The TMBC Mobile Phones Policy should be drafted with mention being made to the Unified Communications System and the impact mobiles have on the Emergency Plan.	High	31/07/2015	Awaiting clarification	
Central	Audit Follow Up - Mobile Phones	The spreadsheet maintained by Central Services Administration to aide coding of mobile telephone bills should be updated to reflect current users.	Medium	31/07/2015		30/09/2015
Finance	Procurement	The contract with BPS Chartered Surveyors should be reviewed; if it is felt that they still offer best value for money for the Council then a waiver should be obtained from the Statutory Officers every 3 to 5 years by presenting an appropriate business case. If it is felt that they no longer offer best value, or are unsure of this, then three written quotes should be obtained as per the current Contract Procedure Rules.	Low	30/06/2015		15/09/2015
Finance	Procurement	Either amend/remove the wording of the Procurement Strategy (15.1/15.2) about performing a skills audit or perform an ongoing skills audit/review.	Low	30/06/2015	Implemented	
P, H & EH	Housing and Financial Assistance	Introduce arrangements for Finance to contact Housing when recovering / considering write-offs relating to Housing financial assistance to make best use of the relationship Housing have with their customers.	Medium	31/07/2015	Implemented	
P, H & EH	Housing and Financial Assistance	Amend the application form to state any relationship with, rather than just related to, a Council Member or Officer and instigate the requirement for case officers to declare non-interest as well as interest on each case they handle.	Low	30/06/2015	Implemented	
Central	Complaints Handling	Include reports, with an appropriate level of detail, on complaints and resolutions as a standing agenda item at service level team meetings, departmental team meetings and management team meetings to give an overview of complaints within the Council and as an early indicator of possible escalations.	Medium	31/07/2015	Implemented	
Street Scene	Grounds Maintenance	Ensure all payments for the 2015-2019 Grounds Maintenance Contract are made to the correct finance code for the Contractor.	High	31/05/2015	Implemented	

Service	Audit Title	Recommendation	Priority	Date in final report	Audit opinion on client response	Revised Target Date
Street Scene	Grounds Maintenance	Ensure that the Contractor is consistently referred to as Landscape Services.	Low	31/05/2015	Implemented	
Street Scene	Grounds Maintenance	Increase the number of ad-hoc Health and Safety inspections to one a month during the off-peak season to three or four during peak periods.	Medium	30/06/2015	Awaiting clarification	
Street Scene	Grounds Maintenance	Expand the scope of the inspection form to include comment on quality of work and other relevant areas. This could be as simple as a text box for other comments.	Low	30/06/2015	Implemented	
Street Scene	Grounds Maintenance	Ensure inspection forms are promptly filed; consider scanning forms if the handwritten version is legible (avoiding time required to type up forms) or seek to introduce mobile technology	Low	30/06/2015	Implemented	
Street Scene	Grounds Maintenance	Implement monitoring arrangements to keep a track of all health and safety inspections, Playground inspections and well any issues found in the course of routine work. It is suggested this could be through a simple spreadsheet showing date of inspection, name of inspector, inspection type, result, comments, follow up action, resolution.	Medium	30/06/2015	Awaiting clarification	
Central	Personal and Premises Licences	Review the report of all premises which appear not to have a premises licence on Uniform.	Medium	01/08/2014	Implemented	
Central	Personal and Premises Licences	Ensure that the appropriate licensing enforcement policy is agreed by members	High	30/09/2014		30/09/2015
Central	Personal and Premises Licences	Update the licensing enforcement policy to include reference to the different level of fees that can be charged by a Magistrates Court using the Standard Scale of Fines within the Criminal Justice Act 1982. This information should also be available on the website.	Medium	30/09/2014		30/09/2015
Central	Personal and Premises Licences	Investigations should be carried out to establish the rateable value of the Olive Stores to ensure the correct application fee has been levied.	Medium	01/10/2014	Implemented	
Central	Personal and Premises Licences	Ensure that a Disclosure of Convictions and Declaration Form is received and stored on file for all applications prior to a personal licence being awarded	Medium	01/11/2014	Implemented	
Central	Personal and Premises Licences	Ensure that the receipts screen on Uniform is appropriately updated when payments are received	High	01/11/2014	Implemented	
Central	Personal and Premises Licences	Ensure that when applications are received, the rateable value is checked against the Valuation Office Agency Website	Low	01/11/2014	Implemented	
Central	Personal and Premises Licences	Ensure that the case reference or surname is used as a narrative for all payments on Integra for ease of reference.	Medium	01/11/2014	Implemented	
Central	Personal and Premises Licences	Information should be provided on the councils website on how to contact the council regarding licence breaches	Low	01/11/2014		30/09/2015
Street Scene	Leisure Trust Contract	Create and use site visit forms which details what should be checked on each visit, using a risk based approach so that all required checks are performed at each premises throughout the year, plus room for comments and action points.	High	31/07/2015	Awaiting clarification	
Street Scene	Leisure Trust Contract	Create and use a matrix detailing what checks and meetings are required throughout the course of the year, so that any deficiencies in monitoring or receipt of reports, meetings or other functions can be identified and rectified or explained.	High	31/07/2015	Awaiting clarification	
Street Scene	Leisure Trust Contract	Conduct a review of the Management Agreement and other relevant agreements to identify all aspects which require monitoring and perform a risk based analysis to decide how often each aspect should be checked. This should form the basis of the Site Inspection Form, a monitoring matrix, identify whether any aspects are not being discussed at review or strategic meetings, and help ensure that all monitoring is relevant and proportionate to the Council's needs.	High	31/07/2015	Awaiting clarification	
Finance	Payroll	Personnel should instigate procedures to ensure that payments for early termination fees on lease cars are reclaimed promptly.	Medium	31/07/2015	Implemented	

Fraud type	Cases closed	No evidence of fraud	Customer Error or Incorrect benefit/ discount	Passed to DWP	Fraud proven*	Reduction in benefit	Total overpayments	Increase in liability
Housing	2	1			1	N/A	N/A	N/A
Council Tax Reduction only	1	1						
Housing Benefits only	4	1	1		2	£45.00	£4,776.24	N/A
Housing Benefits and Council Tax Reduction	89	63	4	17	5	£2,421.12	£32,861.39	£534.49
Council Tax Discounts and Exemptions only	40	20	20			N/A	£9,836.60	£9,094.47
	136	86	25	17	8	£2,466.12	£47,474.23	£9,628.96

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*For cases where fraud was proven sanctions were as follows

5 Cautions

1 Administrative penalty totalling £1,071.66

2 Criminal Prosecution, both of which resulted in successful convictions

In addition 11 Fixed Penalties were issued in relation to Council Tax Discounts or Exemptions totalling £770 (fully retained by TMBC)

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TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

07 September 2015

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Information

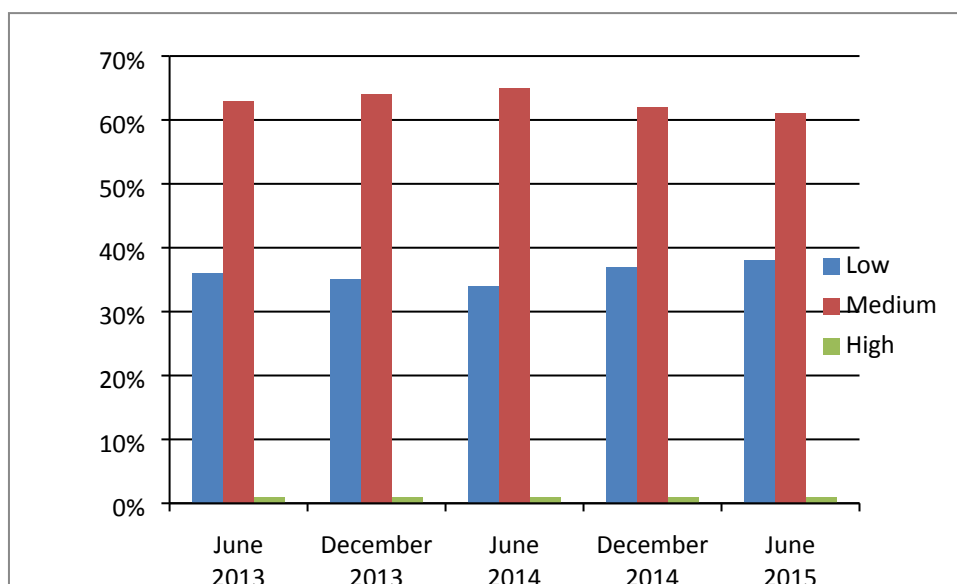
1 REVIEW OF OPERATIONAL RISK REGISTERS – JUNE 2015

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

1.1 Background

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

1.1.2 It can be seen from the graph shown below that there has been little movement in the spread of risk and no issues were identified that required bringing to the attention of Members. It remains the intention of officers to carry out a review of the review process in due course.



	Low	Medium	High
June 2013	36%	63%	1%
December 2013	35%	64%	1%
June 2014	34%	65%	1%
December 2014	37%	62%	1%
June 2015	38%	61%	1%

1.2 Legal Implications

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

1.3 Risk Assessment

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

1.4 Policy Considerations

- 1.4.1 Business Continuity / Resilience, Asset Management

Background papers:

contact: Brian Courtney

Nil

Sharon Shelton
Director of Finance and Transformation

Agenda Item 8

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

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Agenda Item 9

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

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

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of the Local Government Act 1972.

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of the Local Government Act 1972.

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Agenda Item 11

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

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