

TONBRIDGE & MALLING BOROUGH COUNCIL



EXECUTIVE SERVICES

Chief Executive

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

Contact: Committee Services
committee.services@tmbc.gov.uk

4 April 2014

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, 14th April, 2014 commencing at 7.30 pm

Yours faithfully

JULIE BEILBY

Chief Executive

A G E N D A

PART 1 - PUBLIC

1. Apologies for absence
2. Declarations of interest

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To confirm as a correct record the Minutes of the meeting of Audit Committee held on Monday, 27 January 2014

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Matters submitted for Information

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11. Review of Operational Risk Registers 101 - 110
12. Update on the Work of Internal Audit During 2013/14 111 - 130
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15. Urgent Items

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

16. Exclusion of Press and Public

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

PART 2 - PRIVATE

Matters submitted for Information

17. Insurance Claims History 2013/14 173 - 178

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

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

Cllr P J Homewood
Cllr S M King
Cllr Mrs A S Oakley

Cllr M Parry-Waller
Cllr T J Robins

TONBRIDGE AND MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 27th January, 2014

Present: Cllr Ms V M C Branson (Chairman), Cllr T Edmondston-Low (Vice-Chairman), Cllr Mrs A S Oakley and Cllr M Parry-Waller

Grant Thornton, External Auditors: Mr D Wells (Engagement Lead) and Mr T Greenlee (Audit Manager)

Councillors Mrs J A Anderson, N J Heslop, O C Baldock, P F Bolt, Mrs S Murray, M A Coffin, M R Rhodes, Miss J L Sergison and Ms S V Spence were also present pursuant to Council Procedure Rule No 15.12.

Apologies for absence were received from Councillors P J Homewood and S M King

PART 1 - PUBLIC

AU 14/1 DECLARATIONS OF INTEREST

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

AU 14/2 MINUTES

RESOLVED: That the Minutes of the meeting of the Audit Committee held on 7 October 2013 be approved as a correct record and signed by the Chairman.

MATTERS FOR RECOMMENDATION TO THE CABINET

AU 14/3 UPDATE OF ANTI FRAUD POLICIES

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

RECOMMENDED: That

(1) the Council approve the following draft policies:

Anti-Fraud and Corruption Policy as set out at Annex 1 to the report;

Housing and Council Tax Benefit Anti-Fraud Policy as set out at Annex 2 to the report;

Council Tax Reduction, Discount and Exemption Anti-Fraud Policy as set out at Annex 3 to the report; and

(2) the General Purposes Committee approve the Whistleblowing Charter (Confidential Reporting Policy) as set out at Annex 4 to the report.

AU 14/4 TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY FOR 2014-15

The report of the Director of Finance and Transformation provided details of investments undertaken and returns achieved in the first nine months of the current financial year. Members were invited to consider amending the current split of investment responsibilities for in-house and externally managed funds. The Committee was advised that the size of the core fund had diminished to the extent that its investment could now be managed with in-house resources.

The report concluded with a recommendation to adopt the Treasury Management Strategy Statement and Annual Investment Strategy for 2014/15.

RECOMMENDED: That

(1) the treasury management position as at 31 December 2013 be noted;

(2) the current minimum counterparty credit ratings and the current maximum sovereign/counterparty exposure limits be retained;

(3) all cash flow funds in 2014/15 be managed in-house with no requirement to transfer funds to the external fund manager;

(4) the transfer of responsibility for the Council's core fund investments from the external fund manager to in-house management during 2014/15 be approved;

(5) some flexibility over the duration of investments placed with UK financial institutions be allowed as outlined in paragraph 1.3.12 of the report; and

(6) the Treasury Management Strategy Statement and Annual Investment Strategy for 2014/15, as set out at Annex 3 to the report, be adopted.

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

AU 14/5 PROTECTING THE PUBLIC PURSE 2013

The report of the Director of Finance and Transformation informed Members of the findings of the Audit Commission annual survey and report on "Protecting the Public Purse". The report highlighted the actions proposed for tackling fraud in Tonbridge and Malling in 2014/15 and beyond based on the Audit Commission's recommendations and consideration was given to a governance checklist designed to identify the areas being addressed.

A copy of a letter to Council leaders from the Secretary of State for Communities and Local Government was annexed to the report confirming additional funding to tackle non-benefit fraud.

RESOLVED: That the checklist set out at Annex 1 to the report be completed by Members of the Audit Committee, in consultation with the Chief Internal Auditor, and reported back to the next meeting.

AU 14/6 CIPFA AUDIT COMMITTEE GUIDANCE

The report of the Chief Internal Auditor referred to the recent publication by CIPFA of updated guidance on the function and operation of Audit Committees in local authorities. It was noted that there were a number of areas within the guidance requiring consideration by Members, some relating to the terms of reference of the Committee, a self assessment of good practice and an evaluation of the effectiveness of the Audit Committee. It was suggested that the documents be completed in liaison with the Chief Internal Auditor and Audit Manager with the outcome reported to the next meeting.

RESOLVED: That Members of the Audit Committee complete the self assessment of good practice and evaluate the effectiveness of the Audit Committee following consideration of the Guidance.

AU 14/7 PROPOSED WORK PROGRAMME AND SCALE OF FEES 2014/15

The report of the Director of Finance and Transformation introduced the Audit Commission's Proposed Work Programme and Scales of Fees for 2014/15 from which it was noted that no changes were planned from those applicable in 2013/14.

RESOLVED: That the Audit Commission's proposed Work Programme and Scales of Fees for 2014/15 be noted and endorsed.

MATTERS SUBMITTED FOR INFORMATION**AU 14/8 INTERNAL AUDIT UPDATE REPORT**

The report of the Chief Internal Auditor provided an update on the progress of the Internal Audit Team against the agreed 2013/14 Annual Internal Audit Plan. A summary was given of the current status of all audits on the 2013/14 Plan and it was anticipated that the remainder of the assurance reviews would be completed within the available resources by the end of the financial year.

Members enquired about the "red" opinion given on one element of the audit of Asset Management and were advised that as the overall conclusion had been "amber", the recommendations would be implemented and monitored by managers.

RESOLVED: That the report be received and noted.

AU 14/9 ANNUAL AUDIT LETTER 2012/13

The report of the Director of Finance and Transformation advised the Committee of the receipt of the Annual Audit Letter summarising the main outcomes from the work carried out by the external auditors for the year ended 31 March 2013. The key messages from the letter were that financial statements had been produced to a high standard and the Council continued to have a strong focus on effective financial management including a robust medium term financial planning framework.

Members welcomed the Letter and the ongoing positive relationship with Grant Thornton and thanked all staff involved.

RESOLVED: That the report be received and noted.

AU 14/10 TOUGH TIMES AND TIPPING POINT

The report of the Director of Finance and Transformation introduced the Audit Commission's third and final report entitled "Tough Times 2013" which examined councils' financial resilience in response to reductions in funding from central government and a number of other financial challenges since 2010/11.

A similar report published by Grant Thornton assessed whether a sample of English local authorities had arrangements in place to ensure their sustainable financial future. It concluded that 79% expected some form of tipping point in 2015/16 or 2016/17. Mr Greenlee referred to the individual results included in the annual governance report in which the Council had scored "green" in each area. He indicated that the work would be repeated in the current year.

RESOLVED: That the report be received and noted.

AU 14/11 GRANT CERTIFICATION OF CLAIMS 2012/13

The report of the Director of Finance and Transformation summarised the findings from the certification by Grant Thornton of the 2012/13 housing and council tax benefit subsidy claim and the national non-domestic rates return. The Committee also received a copy of the external auditor's report.

RESOLVED: That the report be received and noted.

MATTERS FOR CONSIDERATION IN PRIVATE

AU 14/12 EXCLUSION OF PRESS AND PUBLIC

There were no items considered in private.

The meeting ended at 8.40 pm
having commenced at 8pm

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TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

14 April 2014

Report of the Chair of the Audit Committee

Part 1- Public

Matters for Recommendation to Council

1 AUDIT COMMITTEE ANNUAL REPORT

Summary

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

1.1 Introduction

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

1.1.4 The core functions of the Audit Committee are dealt with in the following paragraphs.

1.2 Assurance Statements

1.2.1 The Audit Committee is required to consider the contents of the Annual Governance Statement (AGS) which took place in April 2013 under the leadership of the previous Chair.

1.2.2 The Council has a Local Code of Corporate Governance that sets out how the Council will comply with the principles of the CIPFA/SOLACE (Society of Local Authority Chief Executives) "Framework for Delivering Good Governance in Local Government". This Local Code of Corporate Governance is reviewed regularly and presented to the Audit Committee for endorsement.

1.2.3 The AGS explains how the Council complies with the Local Code of Corporate Governance and the Accounts & Audit Regulations.

1.2.4 Part of the AGS gives updates on emerging issues and identifies impacts in the future of these issues as well as setting out action taken to enhance the overall corporate governance framework.

1.2.5 The AGS is supported by signed Assurance Statements produced by Chief Officers and supporting evidence. A copy of the self-assessment document was presented to the Audit Committee of April 2013 to give evidence of the approach adopted.

1.2.6 In the same Audit Committee meeting there was confirmation from both Management Team and Audit Committee that the Council had complied with International Standards on Auditing.

1.2.7 The Audit Committee considered the content of the AGS and supporting evidence before it was recommended to be approved by the General Purposes Committee to accompany the Statement of Accounts.

1.2.8 The Local Code of Corporate Governance was reviewed and revised in June 2013 prior to recommendation for adoption by Council. This will be used as the basis for the AGS relating to 2013/14.

1.3 Internal Audit Function

1.3.1 The Audit Committee has a role in relation to the authority's Internal Audit functions to: -

- Oversee its independence, objectivity, performance and professionalism
- Support the effectiveness of the internal audit process
- Promote the effective use of internal audit within the assurance framework

- 1.3.2 The Audit Committee received a number of reports to oversee the role of the Internal Audit function.
- 1.3.3 In April 2013, the Audit Committee was presented with an interim report from the Chief Internal Auditor as a summary of supporting evidence to the AGS. This report gave the Chief Internal Auditor's opinion that the Council had maintained an adequate and effective internal control environment.
- 1.3.4 The annual audit plan for 2013/14 was presented to the Audit Committee and they were able to consider the content prior to recommending approval.
- 1.3.5 The Audit Committee is required to consider the effectiveness of Internal Audit on an annual basis. This review was based upon evidence produced and the view of Management Team. Based upon this evidence and the reports of Internal Audit reported upon during the year it was concluded that effectiveness of Internal Audit for 2012/13 was good.
- 1.3.6 The Audit Committee was given a report in June 2013 on the work completed by Internal Audit in the previous year that detailed how resources had been used. The report also covered a number of performance measures to assist the Audit Committee to assess the performance and effectiveness of the function.
- 1.3.7 The Internal Audit Charter is a key document in the delivery of Internal Audit setting out the purpose, authority and responsibilities of the service. Following the issue of the Public Sector Internal Auditing Standards (PSIAS) by CIPFA an exercise was undertaken to assess the Internal Audit section against the new standards. This identified a number of areas requiring changes in order to comply. These changes were reported to Members in October 2013 and one outcome was the approval of a revised Internal Audit Charter.
- 1.3.8 The Internal Audit Charter gives the Chief Internal Auditor the right to raise issues directly with the Chair of the Audit Committee if considered necessary. This would only occur in exceptional circumstances where the Chief Internal Auditor considered that the Chair of the Audit Committee needed to be made aware of significant assurance concerns. There have not been any instances where this has been considered necessary.
- 1.3.9 Throughout the year the Audit Committee received a number of reports updating Members of the progress of work carried out by Internal Audit against the Audit Plan. These reports informed the Audit Committee of the auditor's opinion on the audit undertaken and gave additional information where a red opinion (evidence of significant non-compliance) was given.

1.4 Risk Management Arrangements and Control Environment

- 1.4.1 The Audit Committee is required to consider the effectiveness of the authority's risk management arrangements and the control environment. The Members are required to review the risk profile for the organisation and seek assurances that

action is being taken on risk-related issues, including partnerships with other organisations.

- 1.4.2 The risk profile for the Council is undertaken as part of the audit needs assessment to identify those areas where Internal Audit is most effective.
- 1.4.3 The Risk Management Strategy is the framework for setting out the responsibilities for ensuring that a sound risk management process is in place. The strategy is reviewed by the Audit Committee on an annual basis and this review took place in June 2013 when the current strategy was considered fit for purpose and it was recommended to Council that it would be adopted again.
- 1.4.4 The Risk Management Strategy requires managers to carry out a review of their operational registers every six months. The outcome of this process is reported to Members and this will include specific reference to any risks that are scored in the high risk area together with an explanation of steps taken to manage the risk.
- 1.4.5 The strategy states that all Members would receive risk management training during their four year term of office. The Committee considered that this should take place during the current cycle to accommodate new Members. This training was held on Monday 17 January 2013 with a total attendance of twenty Members of which three were Members of the Audit Committee.
- 1.4.6 The Insurance Officer maintains a record of all claims made against the Council which are reported to the Audit Committee on a regular basis. These reports also inform Members of the steps being taken to minimise similar claims being made against the Council.
- 1.4.7 All reports to Council require a risk assessment of the issues involved to be reported as part of the consideration of the report.

1.5 Assurance Framework and Planning

- 1.5.1 The assurance framework is the overall process that provides evidence to support the AGS. The Audit Committee has a responsibility to understand what assurance is available to support the AGS.
- 1.5.2 The AGS was presented to Members at the meeting of April 2013. The supporting evidence to the AGS consisted of a document setting out the areas of the assurance framework to be considered with an explanation of evidence that supported the conclusions of the AGS.

1.6 Value for Money and Best Value

- 1.6.1 One specific area for the Audit Committee should be consideration of the external auditor opinion on value for money as set out in the codes of audit practice. In addition the Audit Committee should consider what other assurances are available

in relation to identified value for money risks and highlight areas for improvement. (CIPFA Audit Committee Guidance).

- 1.6.2 The External Auditors, Grant Thornton, produced their Annual Audit Letter relating to the year ended 31 March 2013 which was presented to the Audit Committee at their meeting of January 2014.
- 1.6.3 The report concluded that the external auditor was satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.
- 1.6.4 As part of the embedded system for achieving value for money all Council reports contain a section where value for money is considered.

1.7 Countering Fraud and Corruption

- 1.7.1 The Audit Committee role is defined as having an oversight of the strategy to counter fraud and to assess whether or not it meets recommended practice and standards.
- 1.7.2 The Audit Committee is responsible for the review of the policies relating to countering fraud and corruption. In June 2013 it reviewed the "Whistleblowing Charter" and recommended that it was endorsed by the General Purposes Committee. A further review and minor amended version was considered in January 2014 which was also recommended for endorsement by the General Purposes Committee.
- 1.7.3 In the meeting of January 2014 the anti-fraud policies were reviewed including a separate policy for the Council Tax Reduction Scheme; these were recommended for approval by Council.
- 1.7.4 The Audit Committee also received an update on the progress of the National Fraud Initiative results in October 2013.
- 1.7.5 The Audit Commission issued the "Protecting the Public Purse" report in December 2013 which was reported to the Audit Committee in January 2014. The Audit Committee was given a copy of the checklist contained within the report for further consideration.
- 1.7.6 The "Whistleblowing Code" requires the Audit Committee to be informed of the outcome of any investigations arising from concerns raised under it. However, there were no issues raised during this period so there have not been any reports submitted.

1.8 External Audit

- 1.8.1 The Audit Committee should receive all reports from external auditors and monitor action to be taken that arises from them.
- 1.8.2 The Audit Committee has received copies of all external auditor reports during the year and has been able to consider the content. The external auditors provide a representative to all Audit Committee meetings where the Audit Committee is able to raise questions regarding the content of reports.

1.9 Financial Reporting

- 1.9.1 Local Authority accounts are produced in line with guidance set out by CIPFA. The role of the Audit Committee with regard to these financial statements is not one of detailed knowledge of this guidance but is more aligned to focus on financial reporting and financial governance rather than on the wider issues of spending and performance.
- 1.9.2 The CIPFA Guidance identifies areas that the Audit Committee should be concerned with as follows: -
- reviewing the explanatory foreword to ensure consistency with the statements and the financial challenges and risks facing the authority in the future
 - reviewing whether the foreword is readable and understandable by a lay person
 - identifying the key messages from each of the financial statements and evaluating what that means for the authority in future years
 - monitoring trends and reviewing for consistency with what is known about financial performance over the course of the year
 - reviewing the suitability of accounting policies and treatments
 - seeking explanations for changes in accounting policies and treatments
 - reviewing major judgemental areas, e.g. provisions
 - seeking assurances that preparations are in place to facilitate the external audit.
- 1.9.3 The Audit Committee received the Statement of Accounts at the meeting of 17 June 2013. This report gave the Audit Committee assurance that the accounts were presented in compliance with required legislation and best practice guidance. Following consideration of the accounts and a detailed report giving evidence of how compliance is achieved the Audit Committee agreed to endorse

the Statement of Accounts and supporting documents and a review of specific earmarked reserves.

1.10 Partnership Governance

- 1.10.1 The latest CIPFA Guidance identifies that the Audit Committee should review assurances over partnerships to ensure that arrangements are satisfactorily established and are operating effectively.
- 1.10.2 Although this is a new addition to previous Guidance the arrangements for significant partnerships such as the Refuse Contract have been covered as part of individual audits. The latest audit on refuse collection, recycling and street cleansing contracts was issued as a draft report in January 2014 when it was concluded that a green (expected controls are in place) level of assurance was in place when reviewing that appropriate controls exist to ensure that the refuse collection, recycling and street cleansing contracts are monitored and managed effectively to ensure that the Council's obligations are delivered.

1.11 Treasury Management

- 1.11.1 Although it is not included as a core objective of the Audit Committee the CIPFA Guidance recognises that Treasury Management scrutiny may be a function of some Audit Committees to meet the requirements of the CIPFA Treasury Management Code of Practice.
- 1.11.2 The Audit Committee considered the Treasury Management mid-year review and Annual Report for 2012/13 in their meeting of 17 June 2013.
- 1.11.3 The Committee also received regular updates on Treasury Management. At the meeting of 27 January 2014 Members of the Audit Committee approved the Treasury Management Strategy Statement and Investment Strategy for 2014/15.

1.12 Training

- 1.12.1 During the year the Chair and the Audit Committee has received training in order to assist with the understanding of the issues considered.
- 1.12.2 In September 2013 the Chair met with the Chief Internal Auditor and Audit Manager to discuss the new Public Sector Internal Audit Standards and to complete the self-assessment relating to compliance. The results of this exercise were reported to the Audit Committee in October 2013.
- 1.12.3 On 14 January 2014 all Members were invited to a Treasury Management training session.
- 1.12.4 In January 2014 the Chair of the Audit Committee attended a CIPFA Training Seminar on "Developing the Audit Committee".

1.12.5 On 27 January 2014 all Council Members were invited to attend Risk Management Training provide by Zurich Municipal who provide the Council with insurance cover.

1.12.6 On 18 March 2014 The Chair of the Audit Committee attended a Kent Audit Networking event hosted by Grant Thornton who are the Council's External Auditors.

1.13 Conclusion

1.13.1 The evidence in the preceding paragraphs explains how the Audit Committee has overseen the core functions of an Audit Committee as defined in the CIPFA Guidance.

1.13.2 The guidance identifies that the purpose of the Audit Committee is to provide those charged with governance, with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance arrangements.

1.13.3 This report provides that assurance to those charged with governance and provides evidence of how the Audit Committee has considered evidence to support that enables the Committee to provide the required assurance as set out in the CIPFA Audit Committee Guidance.

1.14 Legal Implications

1.14.1 The Audit Committee role is based upon the CIPFA Guidance and meets the requirements of the Accounts & Audit Regulations 2011.

1.15 Financial and Value for Money Considerations

1.15.1 The Audit Committee has a role considering the external opinion on value for money. This has been undertaken as outlined in section 1.6 of this report.

1.16 Risk Assessment

1.16.1 The Audit Committee consideration of risk assessment is covered in section 1.4 of this report.

1.17 Equality Impact Assessment

1.17.1 No issues were identified.

1.18 Recommendations

1.18.1 That Members of the Audit Committee consider this report and recommend that it is presented to Council to provide independent assurance to those charged with governance on the adequacy of the risk management framework, the internal

control environment and the integrity of the financial reporting and annual governance processes.

Background papers:

contact: Councillor V. Branson

CIPFA Audit Committee Guidance 2013

Councillor V. Branson
Chair of Audit Committee

Screening for equality impacts:		
Question	Answer	Explanation of impacts
a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community?	No	This report provides assurance to Council on internal frameworks.
b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?	No	This report provides assurance to Council on internal frameworks.
c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?		N/A

In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above.

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TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

14 April 2014

Report of the Director of Finance and Transformation

Part 1- Public

Delegated

1 ANNUAL GOVERNANCE STATEMENT 2013/14 AND ACCOUNTING POLICIES USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

This report presents the Annual Governance Statement for the year ended 31 March 2014 for Members' consideration and approval. The Annual Governance Statement once approved is to be signed by both the Leader of the Council and the Chief Executive and is to accompany the Statement of Accounts 2013/14. The report also presents the Accounting Polices to be used in the preparation of the Financial Statements for approval.

1.1 Introduction

- 1.1.1 Local authorities are required to prepare and adopt a Code of Corporate Governance. The current Code of Corporate Governance was adopted by the Council in July 2013 and it is this latest update that has been used for the purposes of the Annual Governance Statement.
- 1.1.2 The Statement will accompany the Statement of Accounts, but is not part of the Accounts. The purpose of the Annual Governance Statement is to assess and demonstrate that there is a sound system of corporate governance throughout the organisation. Governing is about how local government bodies ensure they are doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner.
- 1.1.3 The Annual Governance Statement for the year ended 31 March 2014 is attached at **[Annex 1]**. The Statement has been prepared by way of a self-assessment questionnaire and supporting evidence **[Annex 2]**. The Statement is to be signed by both the most senior Member and officer of the Council following its consideration and approval by this Committee.
- 1.1.4 The Accounting Policies to be used in the preparation of the Financial Statements are attached at **[Annex 3]** for Members' consideration and approval. The changes made from those used for the 2012/13 Financial Statements are detailed below.

- Council Tax and National Non-Domestic (Business) Rates

Change made to the above policy following the introduction of the Business Rates Retention scheme.

“Similarly, the Council acts as an agent for the Government, Kent County Council and Kent Fire and Rescue in respect of Business Rates and as such the Accounts show the amount owed by and to taxpayers in respect of our proportion of the Business Rates and the other bodies covered by the Business Rates Retention scheme as a net debtor or creditor.”

- Employee Benefits - Post Employment Benefits

Textual change made to the above policy following the formal valuation of the Pension Fund as at 31 March 2013.

“The next formal valuation is due on 31 March 2016. The outcome of the 2013 valuation is to take effect from 1 April 2014.”

- Property Plant and Equipment – Land and Buildings

The 2013 Code requires the types of assets to be shown under land and buildings to be shown under the classifications used for valuations purposes the following policy be adopted.

“The Note to the Core Financial Statements in respect of Non-Current Assets provides details of the asset class, Land and Buildings, rather than for each of the categories listed above that make up that asset class. This departure from the requirements of the Code has no financial impact and is not considered to detract from the message being given to the reader of the accounts.”

1.2 Legal Implications

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

1.3 Financial and Value for Money Considerations

1.3.1 None.

1.4 Risk Assessment

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

1.5 Equality Impact Assessment

1.5.1 See 'Screening for equality impacts' table at end of report

1.6 Recommendations

1.6.1 The Committee is requested to:

- 1) Consider the Annual Governance Statement 2013/14 and make such recommendations as it considers appropriate.
- 2) Recommend adoption of the approved Statement to the General Purposes Committee to accompany the Statement of Accounts 2013/14.
- 3) Consider and approve the Accounting Policies to be used in the preparation of the Financial Statements as set out at **[Annex 3]**.

Background papers:

Nil

contact: Paul Worden
Katey Durkin

Sharon Shelton
Director of Finance and Transformation

Screening for equality impacts:		
Question	Answer	Explanation of impacts
a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community?	No	See below.
b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?	Yes	The purpose of the Annual Governance Statement is to assess and demonstrate that there is a sound system of corporate governance throughout the organisation. Governing is about how local government bodies ensure they are doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner.
c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?		N / A

In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above.

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ANNUAL GOVERNANCE STATEMENT

Scope of responsibility

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

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

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

The purpose of the governance framework

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

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

The governance framework has been in place at Tonbridge & Malling Borough Council for the year ended 31 March 2014 and up to the date of approval of this statement.

The governance framework

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

Community Focus

The Council's vision is to provide excellent public services, good value for money and effective community leadership. This vision is set out and communicated to the residents of the Borough, the Council's partners and Members and Officers in the Council's Corporate Performance Plan 2012/15. The plan spans a three year period and details the Council's Key Priorities and action it will take alongside its partners to deliver the vision. The plan is reviewed and updated every year to ensure the priorities and actions detailed remain current and to provide an overview of performance and achievements in the previous year. The Plan is considered and approved by Members prior to publication in July each year, the last copy being July 2013.

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

Service Delivery Arrangements

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

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

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

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

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

Structures & Processes

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

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

Risk Management & Internal Control

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

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

the partner has an adequate risk management strategy and sufficient insurance cover to protect the interests of the Council.

The Council's standard report template requires Officers and Members to carry out a risk assessment of the action recommended in the report ensuring risk is considered in all decision-making of the authority. This assessment also covers legal, financial and value for money considerations and equality issues where relevant.

The Council has an effective Internal Audit function which operates in line with proper practices; for 2013-14 this is governed by the CIPFA Code of Practice for Internal Audit in Local Government, 2006. The Review of Effectiveness of the System of Internal Audit conducted in 2012 concluded that a good system of internal audit is in place within the Council. The Chief Internal Auditor role as delivered in the Council meets the requirements as set out in the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations. The Audit Committee are responsible for the Council's anti-fraud and corruption arrangements including whistle-blowing. The Chief Internal Auditor is responsible for the maintenance of the Council's Anti-Fraud & Corruption Strategy and Confidential Reporting Code and has arrangements and resources in place to investigate any allegations made under either document. All staff are required to read and accept the Strategy and Code through the Council's IT Solution and both are available on the Council's website for referrals from the public.

Standards of Conduct

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

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

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

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

Update on emerging issues identified in the 2012-13 Annual Governance Statement and further impacts for 2014/15 and beyond.

The Council's 2013-14 Annual Governance Review Process and the Annual Governance Statement did not identify any governance issues arising requiring action. In the context of new legislation including the Localism Act and significant changes in Government funding, a number of emerging issues were identified in the 2012-13 Annual Governance Statement as detailed below, some of which remain ongoing.

- Budget issues – The savings target identified for the 2013/14 financial year was achieved; however, the Council continues to face a significant financial challenge with further cuts expected to government grant funding.
- Government-led initiatives impacting on the Council's finances – The Council has successfully implemented a council tax support scheme and taken regard of the impact of this and the business rate retention scheme on the Council's finances.
- Icelandic bank investment – During 2013/14 the Council sold its claim against the insolvent estate of Landsbanki. The claim was sold through a competitive auction process, with a reserve price set. The sale means that Tonbridge and Malling Borough Council has recovered 95% of the £1 million that was deposited with Landsbanki in 2008.

- Localism Act 2011 – We continue to monitor the potential impact of the Localism Act 2011 on the Council's activities.
- Tonbridge and Malling Leisure Trust – The Council outsourced the management of its leisure facilities to a newly established Trust during 2013/14. The Trust formally took over operations on 1 November 2013 and moving to a Trust model has contributed towards the savings target for 2013/14 identified within the Medium Term Financial Strategy.
- Tonbridge Town Centre Redevelopment – Proposals for Tonbridge Town Centre regeneration are ongoing.
- Evaluation of the forthcoming Spending Review – The assessment of the Spending Review 2013 has been included within the Council's Medium Term Financial Strategy.

In addition to these issues identified above the impact of Welfare Reform continues to be monitored by the Council.

Review of effectiveness

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

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

Officers have advised the Audit Committee on the implications of the result of the **review of the effectiveness of the governance framework** and that the arrangements **continue to be regarded as fit for purpose in accordance with the governance framework**. The areas to be specifically addressed with new actions planned are outlined below.

Update on enhancements to the Governance Framework identified in the 2012-13 Review and further enhancements for 2013/14 and beyond

The 2012-13 review identified two areas of enhancement as set out below:

- Overview & Scrutiny Committee annual reporting – the Council is considered to have a robust and active scrutiny function, however it is considered that transparency could be further improved if this Committee published an annual report on its activities. This was reported to Members at the Overview & Scrutiny Committee in January 2014.
- Monitoring Officer Review – the Council is to consider the implementation of a Monitoring Officer Review similar to that carried out by the Chief Internal Auditor in order to demonstrate effective and adequate legal monitoring arrangements. The Monitoring Officer is preparing his report to be presented to Members in the first quarter of 2014/15.

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

Signed

Signed

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

Councillor N. J. Heslop
Leader of the Council

Dated

Dated

Tonbridge & Malling Borough Council – Review of Governance Framework 2013-14

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

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

Principle / Supporting Principle	Arrangements in Place & Evidence
Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcomes for citizens and service users.	
Develop and promote the authority's purpose and vision.	<p>The Council's vision is to provide excellent public services, good value for money and effective community leadership. The Council's Key Priorities are detailed in its Corporate Performance Plan 2012/15 and include both local and national/statutory priorities. http://www.tmbc.gov.uk/_data/assets/pdf_file/0006/69927/Corporate-Performance-Plan-2012-15.pdf</p> <p>Consultation with residents and other stakeholders has contributed to the identification and evolution of the key priorities documented in the Council's Corporate Performance Plan. A new online Residents' Panel, of over 400 local residents, was launched during the summer of 2013, and it is planned to recruit further residents in future. This is the Council's third residents' panel since 2000. Further recruitment is ongoing to increase its size and thereby provide greater insight into the views of different groups of residents.</p> <p>The Council's Corporate Performance Plan is published on the Performance page of the Council's website and also available through the Cabinet minutes.</p> <p>The Council has a Communications Strategy that has been approved by Members and a corporate communications team in place with responsibility for delivering the strategy. The team are working to review the strategy in place in the coming financial year.</p>
<p>Review on a regular basis the authority's vision for the local area and its implications for the authority's governance arrangements.</p> <p>Page 29</p>	<p>While the Council's Corporate Performance Plan spans a three year period from 2012-15, it is subject to annual review. The annual review incorporates an update on performance against the priorities for the year and includes performance data. The review considers and may result in a revision of the priorities themselves, ongoing activities and levels of service. Following each annual review, the Corporate Performance Plan is republished; with each annual review being a standalone document, without the need to refer back to earlier versions.</p>
Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all parties.	<p>The Council undertakes several partnerships for the benefit of residents:</p> <ul style="list-style-type: none"> • Local Strategic Partnership • Community Safety Partnership • Voluntary and Community Sector • West Kent Partners <p>http://www.tmbc.gov.uk/services/Council-and-democracy/Councillors,-democracy-and-elections/partnerships/local-strategic-partnership</p> <p>http://www.tmbc.gov.uk/services/Council-and-democracy/Councillors,-democracy-and-elections/partnerships/community-safety-partnership</p> <p>http://www.tmbc.gov.uk/services/Council-and-democracy/Councillors,-democracy-and-elections/partnerships/voluntary-and-community-sector</p> <p>http://www.tmbc.gov.uk/services/Council-and-democracy/Councillors,-democracy-and-elections/partnerships/west-kent-partnership</p> <p>The Council operates with other partners in Kent in order to provide localised service arrangement these include Kent Waste Partnership, KCC Youth Services, Russet Homes and the Tonbridge and Malling Safer Towns Partnership.</p>
Publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and	<p>The Council's performance against its Key Priorities is reported on an annual basis through the Corporate Performance Plan document. The Corporate Performance Plan document incorporates an update on performance against the priorities for the year including achievement against targets, progress towards milestones and supporting performance data.</p>

Tonbridge & Malling Borough Council – Review of Governance Framework 2013-14

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

Principle / Supporting Principle	Arrangements in Place & Evidence
performance.	<p>The Corporate Performance Plan focuses on the Council's key priorities. It shows where the Council particularly aims to improve and contains a set of indicators and targets for each priority. These include satisfaction of service users. The Plan is a three-year plan, covering the financial years 2012/15. It was first published in July 2012 and republished in July 2013 to include outcomes and achievements during 2012/13. The next version will be published in July 2014, which will include outcomes and achievements during 2013/14.</p> <p>Financial performance is reported through the Annual Report within the Council's Financial Statements.</p> <p>http://www.tmbc.gov.uk/services/Council-and-democracy/Council-budgets-and-spending/annual-accounts</p>
Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning.	
<p>Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available.</p>	<p>The Council's Corporate Performance Plan sets out the Key Priorities and progress in achieving them based on underlying progress against a range of improvement themes and projects as well as performance against a series of measures, Key Indicators, for each priority.</p> <p>Performance against the Council's agreed performance measures is monitored and reported to the Council's Cabinet on a quarterly basis. This includes both Key Indicators and other indicators of performance. Service Management Teams review performance and are responsible for taking any action required to improve performance.</p> <p>http://tmbc2kv10/documents/s1408/Report%20of%20Director%20of%20Central%20Services.pdf</p> <p>http://tmbc2kv10/documents/s1409/Annex.pdf</p> <p>Updates on performance (including against key indicators) is included in annual reviews of the Corporate Performance Plan. Following each annual review, the Corporate Performance Plan is republished; with each annual review/update being a standalone document, without the need to refer back to earlier version. The Council's Improvement & Development Unit cascades improvement themes (and associated projects) and indicators in the Corporate Performance Plan to Section Managers and, based on these, each service area is responsible for preparing plans setting out how they will deliver the Council's priorities.</p> <p>During 2014, there are plans to reinstate inter-authority comparisons in performance monitoring and reporting using the recently improved version of LGInform.</p>
<p>Put in place effective arrangements to identify and deal with failure in service delivery.</p>	<p>Performance against the Council's agreed performance measures is monitored and reported to the Council's Cabinet on a quarterly basis. These reports include any actions required to address under-performance, which is measured in three ways: the trend over the past five years, against the current year's target and to identify any unusually positive or negative performance during the latest quarter. They are available to the public via the Council - minutes, agendas and reports page of the Council's website.</p> <p>Performance information is included in the annual updates of the Council's Corporate Performance Plan, which is available to the public via the Performance page of the Council's website.</p> <p>The Council has a complaints procedure in place that is publicised on the website and through service specific communications to residents.</p> <p>http://www.tmbc.gov.uk/services/Council-and-democracy/complaints/complaints-procedure</p>
Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money.	
<p>Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance</p>	<p>The Corporate Performance Plan summarises the Council's current focus on redesigning services and further improving efficiency across all services.</p> <p>The Council has a Corporate Procurement Strategy that is supported by a suite of guidance documents for employees engaging in procurement activity that focus on the achievement of value for money.</p>

Tonbridge & Malling Borough Council – Review of Governance Framework 2013-14

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

Principle / Supporting Principle	Arrangements in Place & Evidence
effectively. Measure the environmental impact of policies, plans and decisions.	http://www.tmbc.gov.uk/_data/assets/pdf_file/0003/77331/StrategicProcurement_final.pdf In order to inform Members of the impact of Council decisions on the general public the Council's report template includes the requirement for Officers to consider both Policy Considerations and Equalities impact assessment.

Tonbridge & Malling Borough Council – Review of Governance Framework 2013-14

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

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

Principle / Supporting Principle	Arrangements in Place & Evidence
Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function	
Set out a clear statement of the respective roles and responsibilities of the executive and of the executive member's individually and the authority's approach towards putting this into practice.	<p>The Council's Constitution includes a Protocol on Member/Officer Relations which has been in place since April 2004. http://www.tmbc.gov.uk/_data/assets/pdf_file/0008/12032/Part-5-Codes.-2013.pdf</p> <p>The roles and responsibilities of officers and Members are set out in the Council's Constitution. http://www.tmbc.gov.uk/_data/assets/pdf_file/0010/12025/Part-2-Articles.2013.pdf</p> <p>http://www.tmbc.gov.uk/_data/assets/pdf_file/0007/12031/01_02_2013_-Janet-Chittenden-Contents-of-Part-3-Amend-Feb-2013_.pdf</p> <p>There is a Job Description in place for the role of the Council's Chief Executive.</p>
Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and senior officers	<p>The roles and responsibilities of officers and Members are set out in the Council's Constitution. http://www.tmbc.gov.uk/_data/assets/pdf_file/0010/12025/Part-2-Articles.2013.pdf</p> <p>http://www.tmbc.gov.uk/_data/assets/pdf_file/0007/12031/01_02_2013_-Janet-Chittenden-Contents-of-Part-3-Amend-Feb-2013_.pdf</p>
Ensuring that a constructive working relationship exists between authority elected members and officers and that the responsibilities of authority members and officers are carried out to a high standard	
Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority, taking account of relevant legislation, and ensure that it is monitored and updated when required.	<p>The Council's Constitution records the powers delegated to Members and Officers and specifies which decisions may be made by individuals and which are reserved for the collective. The Council's Constitution includes the Financial and Contract Procedure Rules setting out the authorities standing orders and financial regulations.</p> <p>The Constitution is reviewed by the Council's Monitoring Officer at least annually to ensure it remains reflective of current legal practice and organisational changes. http://www.tmbc.gov.uk/_data/assets/pdf_file/0007/12031/01_02_2013_-Janet-Chittenden-Contents-of-Part-3-Amend-Feb-2013_.pdf</p>
Make a chief executive or equivalent responsible and accountable to the authority for all aspects of operational management.	<p>The Council's Chief Executive and Head of Paid Service has, along with the Directors making up the Corporate Management Team, overall responsibility for co-ordinating the operational management of the Council's functions. http://www.tmbc.gov.uk/_data/assets/pdf_file/0007/12022/Part-7-Management-Structure.2013.pdf</p> <p>Specific responsibilities of the Chief Executive are defined in the Constitution, there is a detailed and up to date Job Description in place for the post and conditions of employment detailed in the contract of employment and the Council's policy framework. The Council has an appraisal scheme in place for all employees that seeks to ensure individuals achieve agreed levels of performance through a link to pay progression. There are arrangements in place for appraisals of the performance of the Council's Chief Executive to be conducted by the Leader of the Council.</p>
Develop protocols to ensure that the Leader and Chief Executive (or equivalent) negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained.	<p>The Council's Constitution includes a Protocol on Member/Officer Relations which has been in place since April 2004. http://www.tmbc.gov.uk/_data/assets/pdf_file/0008/12032/Part-5-Codes.-2013.pdf</p> <p>The Council had benefitted from a longstanding and close, effective working relationship between the Leader and the Chief Executive throughout part of the 2012-13 financial year. Changes in personnel in both posts mean that the current Chief Executive and Leader relationship is relatively new however there are regular liaison arrangements and very close working on a number of highly profile projects towards the end of the year are cementing the shared</p>

Tonbridge & Malling Borough Council – Review of Governance Framework 2013-14

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

Principle / Supporting Principle	Arrangements in Place & Evidence
	<p>understanding of roles and objectives in the relationship.</p> <p>There is a Job Description in place for the role of the Council's Chief Executive.</p>
<p>Make a senior officer (the S151 Officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.</p>	<p>The Council's Constitution sets out that the Director of Finance & Transformation has <i>responsibility for the Council's financial affairs for the purpose of Section 151 of the Local Government Act 1972 and Section 114 of the Local Government Finance Act 1988 and under the Constitution Article 12 sections 12.01 and 12.04. It includes any officer he/she has designated to act on his/her behalf.</i> The Constitution also sets out a number of specific responsibilities / delegated functions of the Director of Finance & Transformation.</p> <p>The post of Director of Finance & Transformation has a current Job Description.</p> <p>The Director of Finance & Transformation has completed a self assessment against the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. In addition the Director of Finance & Transformation has completed a specific Assurance Statement based around the guidance for this year's Annual Governance Review process.</p> <p>The Chief Internal Auditor has completed a self assessment against the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations. In addition the Chief Internal Auditor has completed a specific Assurance Statement based around the guidance for this year's Annual Governance Review process.</p> <p>http://www.tmbc.gov.uk/_data/assets/pdf_file/0009/12024/Part-4-Rules-2013.pdf</p> <p>http://www.tmbc.gov.uk/_data/assets/pdf_file/0010/12025/Part-2-Articles.2013.pdf</p>
<p>Make a senior officer (usually the Monitoring Officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.</p>	<p>The Council's Constitution sets out that the Monitoring Officer is the Director of Central Services as set out in the Constitution Article 12 sections 12.01 and 12.03 and includes any officer acting on his/her behalf.</p> <p>The Constitution details the statutory provisions for the Monitoring Officer Role in the Proper & Designated Officers section.</p> <p>There is a current Job Description in place for the Director of Central Services post.</p> <p>http://www.tmbc.gov.uk/_data/assets/pdf_file/0009/12024/Part-4-Rules-2013.pdf</p> <p>http://www.tmbc.gov.uk/_data/assets/pdf_file/0010/12025/Part-2-Articles.2013.pdf</p>
<p>Ensuring relationships between the authority, its partners and the public are clear so that each knows what to expect of the other.</p>	
<p>Develop protocols to ensure effective communication between members and officers in their respective roles.</p>	<p>The Council's Constitution includes a Protocol on Member/Officer Relations which has been in place since April 2004.</p> <p>http://www.tmbc.gov.uk/_data/assets/pdf_file/0008/12032/Part-5-Codes.-2013.pdf</p>
<p>Set out the terms and conditions for remuneration of Members and officers and an effective structure for managing the process, including an effective remuneration panel.</p>	<p>The Council has a Scheme of Members Allowances that is subject to regular review by a Joint Independent Remuneration Panel on a cyclical process. The next review is due to be reported to Members in early 2013/14.</p> <p>http://www.tmbc.gov.uk/_data/assets/pdf_file/0005/13478/Part-6-Members-Allowances-Scheme-amended-Jan-2013.pdf</p> <p>The Council's pay and conditions for officers are set out in individual Contracts of Employment, Job Descriptions and the Employee Code of Conduct.</p> <p>Officer pay is determined by the grade and scale point assigned to the post in line with the Salary Scales Policy.</p> <p>http://personnel.tmbc.gov.uk/assets/salary_scales_policy_2009.pdf</p> <p>http://personnel.tmbc.gov.uk/assets/tmbcscalesOct09.xls.pdf</p> <p>The Council has documented the arrangements for determining remuneration levels in a published Pay Policy Statement.</p>

Tonbridge & Malling Borough Council – Review of Governance Framework 2013-14

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

Principle / Supporting Principle	Arrangements in Place & Evidence
	<p>http://personnel.tmbc.gov.uk/assets/Pay_Policy_Statement_2012.v2doc.pdf</p> <p>The Council has an established process in place for officers to appeal their grading in the event that job roles change over time.</p> <p>http://personnel.tmbc.gov.uk/assets/GRADING_REVIEW_AND_APPEAL_PROCEDURE_0612.pdf</p>
<p>Ensure that effective mechanisms exist to monitor service delivery.</p>	<p>Performance against the Key Priorities is monitored via the Key Indicators on a quarterly basis by the Council's Corporate Management Team and Cabinet and annually via the comprehensive updating and reporting of the Corporate Performance Plan.</p> <p>Service level plans include additional measures against which performance is monitored and reported through Service Management Teams to ensure any under-performance is addressed.</p> <p>See also arrangements/evidence detailed at Principle one.</p>
<p>Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated.</p>	<p>The Council's Vision and Key Priorities are developed and updated via a formal annual process that is informed by the results of previous consultation activity. Along with associated: activities, service levels, improvement themes/projects and measures, they are set out in the Council's Corporate Performance Plan. This is communicated via public reports to Overview & Scrutiny Committee, Cabinet and Council and accessible to residents via the Council's website. Paper copies of the Plan are provided to all Councillors and managers across the Council.</p> <p>The Plan is disseminated directly to all employees via email and the Council's intranet. This is accompanied and reinforced by a Employees Guide to Priorities, which complements the Corporate Performance Plan by looking ahead in more detail and focussing on specific improvement projects. It is organised by Service, enabling employees to see how their section, and their own work, contributes towards achieving our priorities. The Employees Guide is sent to also Councillors. Communication with employees is further reinforced by managers including relevant priorities, improvement themes/projects, Key Indicators and targets in their own service plans and discussing these via employees briefings, appraisals and team/1:1 meetings.</p> <p>See also arrangements/evidence detailed at Principle one.</p>
<p>When working in partnership ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority.</p> <p>Ensure that there is clarity about the legal status of the partnership.</p> <p>Ensure that representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions.</p>	<p>Each of the partnerships that the Council operates are subject to individual terms of reference.</p>

Tonbridge & Malling Borough Council – Review of Governance Framework 2013-14

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

Principle / Supporting Principle	Arrangements in Place & Evidence
Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.	
Ensure the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect.	<p>The Council's Officers' Code of Conduct has been distributed to all employees with access to the Council's network via NETconsent and to all other employees via the induction process. The Code has been adopted by the Council following consultation with employee representatives.</p> <p>http://personnel.tmbc.gov.uk/assets/CODE_OF_CONDUCT.pdf</p> <p>Managers are asked to confirm that their employees are aware of the Code of Conduct and that they are monitoring and encouraging compliance through their activities in their Assurance Statements as part of the Annual Governance Statement process.</p> <p>The Council's Chief Executive sets the tone of openness in the organisation by communicating directly via email with all employees. Responsibility for a range of authority functions such as Procurement and IT Developments are delegated to panels of Officers through formal working groups.</p> <p>Member conduct is governed through the Members Code of Conduct, adopted by the Council. This includes specific obligations relating to the conduct of meetings, though this is also covered by the Council's Constitution.</p> <p>http://www.tmbc.gov.uk/_data/assets/pdf_file/0008/12032/Part-5-Codes.-2013.pdf</p>
Ensure that standards of conduct and personal behaviour expected of members and employees, of work between members and employees and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols.	<p>Monitoring of employees to ensure compliance with the Officers' Code of Conduct is the responsibility of line managers. Performance against relevant codes i.e. professional bodies where appropriate is monitored through regular supervision of outputs, one to one and appraisal meetings.</p> <p>There are consistent documented induction procedures in place to ensure new employees are made aware of the standards expected of them.</p> <p>The Council has adopted an Anti-Fraud and Corruption Policy and a Whistleblowing Policy to ensure that employees, Members and the public are able to report any concerns and can be confident that the Council will investigate them appropriately.</p> <p>In an anonymous survey (2008), employees were asked about the extent to which they agreed with a series of statements about whistle-blowing. More than two thirds of employees agreed strongly or tended to agree that any whistle-blowing concerns would be handled in accordance with the guidance.</p> <p>The Council has a complaints procedure in place that is publicised on the website and through service specific communications to residents.</p> <p>http://www.tmbc.gov.uk/services/Council-and-democracy/complaints/complaints-procedure</p> <p>Partnerships agreements are subject to provide reports on expected and actual performance where appropriate.</p> <p>Member conduct is governed through the Members Code of Conduct, adopted by the Council. The Council's Joint Standards Committee are responsible for promoting the highest standards of conduct, ensuring Members receive suitable induction and ongoing training and support, and for investigating and determining necessary action following any complaints or allegations that Member behaviour may have breached the Council's Code.</p> <p>http://www.tmbc.gov.uk/_data/assets/pdf_file/0008/12032/Part-5-Codes.-2013.pdf</p>
Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias, or conflicts	<p>The Code of Conduct for Members is based around ethical behaviour as dictated in the seven principles of public life. Both the Member and Officer Codes set out the requirements for objective and impartial decision making and detail the arrangements for declaring any interests that may prejudice or bias their conduct. Both also detail the requirements to</p>

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Principle / Supporting Principle	Arrangements in Place & Evidence
<p>of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice.</p>	<p>declare any offers of and gifts and hospitality received.</p> <p>Members are required upon election to sign a register of interest and have a duty to update this with any new interests that may arise during their term. If a conflict or potential conflict is identified and declared, Members are required to ensure they do not participate in any decision on which their impartiality could be compromised and a failure to do so would be a matter for referral to the Joint Standards Committee. http://www.tmbc.gov.uk/services/Council-and-democracy/Councillors,-democracy-and-elections/Councillors-declaration-of-interest</p> <p>Officers are required to complete a Disclosure of Interest Form detailing any interest that may impact or be perceived to impact their work and managers are required to ensure that they do not do any work in an area in which they have an interest. In some sections such as Benefits and Audit/Fraud, officers are required to make a declaration of interest or 'no interest' due to the sensitive nature of their work.</p> <p>http://www.tmbc.gov.uk/_data/assets/pdf_file/0008/12032/Part-5-Codes.-2013.pdf</p> <p>Officers are required by the Code of Conduct not to accept significant personal gifts and to decline offers of hospitality, but to record the offer in the corporate register. Members are required to declare any gifts or hospitality with a value in excess of £100.</p>
<p>Ensuring that organisational values are put into practice and are effective.</p>	
<p>Develop and maintain shared values including leadership values for both the organisation and employees reflecting public expectations and communicate these with members, employees, the community and partners.</p>	<p>The Council's Corporate Performance Plan sets out that it aims to provide excellent public services, good value for money and effective community leadership and is available on the Council's website.</p> <p>The Council's Ethical values are set out in the Code of Conduct for Members is based around the seven principles of public life and is publically available on the Council's website.</p> <p>The Code of Conduct for Officers sets out the standards officers are expected to meet.</p> <p>The Council has adopted a Whistleblowing Policy to ensure that employees, Members and the public are able to report any concerns and can be confident that the Council will investigate them appropriately. There are arrangements in place for independent and impartial officers to investigate concerns raised including the Chief Internal Auditor who can report directly to the Corporate Management Team and Members in his own name should it be necessary.</p>
<p>Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice.</p>	<p>The Council's Codes of Conduct for Members and Officers set out the standards that are expected and there are arrangements in place to ensure that the authority meets these standards in delivering its services. The Joint Standards Committee are specifically responsible for Member Conduct while officer conduct is controlled by management through inductions, one to one and appraisal meetings.</p> <p>The Council has adopted a Whistleblowing Policy to ensure that employees, Members and the public are able to report any concerns and can be confident that the Council will investigate them appropriately.</p> <p>The Council has a complaints procedure in place to enable people to raise any concerns; this is publicised on the website and through service specific communications to residents.</p> <p>http://www.tmbc.gov.uk/services/Council-and-democracy/complaints/complaints-procedure</p> <p>In addition the Council has an Internal Audit Team that operate in compliance with proper practice; the team review the Council's arrangements to deliver services and this includes ensuring systems are designed in line with the Council's ethical standards.</p>
<p>Develop and maintain an effective standards committee.</p>	<p>The Council has established a Joint Standards Committee and has adopted arrangements under which allegations that a Councillor may have breached their authority's code may be investigated and determined. These arrangements apply not only to the Borough Council, but also to all Parish & Town Councils within the Borough.</p>

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	<p>The Terms of Reference of the Joint Standards Committee are set out in the Constitution. http://www.tmbc.gov.uk/_data/assets/pdf_file/0007/12031/01_02_2013-Janet-Chittenden-Contents-of-Part-3-Amend-Feb-2013.pdf</p>
<p>Use the organisation’s shared values to act as a basis for developing positive and trusting relationships within the authority.</p>	<p>The Council’s decision making practices are governed by the Constitution with any decision making delegated to officer level controlled through service/function specific policies to ensure consistency of practice. Responsibility for a range of Council functions such as Procurement and IT Developments are delegated to panels of Officers through formal cross-departmental working groups. The Code of Practice for Members is based around the seven principles of public life and is supported by a Protocol on Member/Officer Relations which has been in place since April 2004. http://www.tmbc.gov.uk/_data/assets/pdf_file/0008/12032/Part-5-Codes.-2013.pdf</p>
<p>In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners’ behaviour both individually and collectively.</p>	<p>When established terms and conditions giving the objectives of the partnership are set out, outcomes are then reported back to the partnership boards.</p>

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

Principle / Supporting Principle	Arrangements in Place & Evidence
Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny	
<p>Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall and that of any organisation for which it is responsible.</p>	<p>The Council has established an Overview & Scrutiny Committee with Terms of Reference documented in the Constitution. http://www.tmbc.gov.uk/_data/assets/pdf_file/0007/12031/01_02_2013-Janet-Chittenden-Contents-of-Part-3-Amend-Feb-2013.pdf</p> <p>Agendas and Minutes of the Council, Cabinet, Committee and Advisory Boards are published on the Council's website. http://egenda.tmbc.gov.uk/akstonbridge/users/public/admin/kab71.pl</p> <p>Reports of scrutiny reviews conducted by the Committee are published on a dedicated page on the Council's website. http://www.tmbc.gov.uk/services/Council-and-democracy/elected-representatives/scrutiny</p> <p>The Council's Internal Audit Team operate in line with proper practice as defined for 2012-13 by CIPFA in the Code of Practice for Internal Audit in Local Government. The Review of the Effectiveness of the system of Internal Audit conducted in June 2012 was presented to Corporate Management Team and the Audit Committee; both concluded that the effectiveness of the Internal Audit function in place was Good.</p>
<p>Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and consideration on which decisions are based.</p>	<p>The Council's decision making structure is documented within the Constitution which sets out delegated decision making powers. Any decisions delegated from Members to Officers are controlled by documented policies and feed back to the appropriate board/committee/cabinet. Each decision flows from reports to the relevant committee, cabinet or Council and follow a standard template in order to assist members in decision making. All decisions made by either Cabinet or Cabinet Member are subject to a 5 day call in period.</p> <p>All reports to committees, Cabinet and the Council are published (unless they are considered under Part 2/Private) on the Council's website, with decision notices being published for all key decisions made.</p> <p>Professional advice given by officers to Members to assist with decision making is documented in the minutes of meetings. Where this advice is given outside of the formal meeting structure, it is governed by the Protocol on Member/Officer Relations. http://www.tmbc.gov.uk/_data/assets/pdf_file/0007/12031/01_02_2013-Janet-Chittenden-Contents-of-Part-3-Amend-Feb-2013.pdf</p>
<p>Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice.</p>	<p>Members are required by the Code of Conduct upon election to sign a register of interest and have a duty to update this with any new interests that may arise during their term. If a conflict or potential conflict is identified and declared, Members are required to ensure they do not participate in any decision on which their impartiality could be compromised and a failure to do so would be a matter for referral to the Joint Standards Committee. This includes a requirement to declare any relevant interest at the commencement of a Council meeting which is captured in the Minutes. If it is viewed that their interest may have a prejudicial effect on the proceedings they can be requested to leave the meeting. http://www.tmbc.gov.uk/services/Council-and-democracy/Councillors,-democracy-and-elections/Councillors-declaration-of-interest</p> <p>Officers are required by the Code of Conduct to complete a Disclosure of Interest Form detailing any interest that may impact or be perceived to impact their work and managers are required to ensure that they do not do any work in an area in which they have an interest. In some sections such as Benefits and Audit/Fraud, officers are required to make a declaration of interest or 'no interest' due to the sensitive nature of their work. http://www.tmbc.gov.uk/_data/assets/pdf_file/0008/12032/Part-5-Codes.-2013.pdf</p>
<p>Develop and maintain an effective audit committee (or equivalent)</p>	<p>The Council has an established Audit Committee that seeks to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial</p>

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<p>which is independent of the scrutiny function or make other appropriate arrangements for the discharge of the functions of such a committee.</p>	<p>performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process. The Terms of Reference of the Committee are documented within the Council's Constitution. http://www.tmbc.gov.uk/_data/assets/pdf_file/0007/12031/01_02_2013_-Janet-Chittenden-Contents-of-Part-3- Amend-Feb-2013_.pdf Details of Committee Membership are provided on the Council's website. http://egenda.tmbc.gov.uk/akstonbridge/users/public/admin/main.pl?op=ListCommitteeDetails&keyid=86 Training for Members is the responsibility of the Joint Standards Committee, however specific training has been delivered to Members prior to Audit Committee meetings on key topics such as Treasury Management.</p>
<p>Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints.</p>	<p>The Council has a complaints procedure in place that is publicised on the website and through service specific communications to residents. http://www.tmbc.gov.uk/services/Council-and-democracy/complaints/complaints-procedure</p>
<p>Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs.</p>	
<p>Ensure that those making decisions whether for the authority or the partnership are provided with information that is fit for purpose – relevant, timely and gives clear explanations of technical issues and their implications.</p>	<p>The Council works to a calendar of meetings that includes the deadlines for officers submitting reports and for publication and distribution to Members; this is controlled and monitored by the Committee Section and through the oversight of Directors/Corporate Management Team. All reports to Members are distributed to the Corporate Management Team members as draft reports to ensure the adequacy, accuracy and timeliness of information provided for decision making. The Council's financial reporting arrangements ensure Members receive regular updates on the budget situation. All committee reports include an appendix which sets out the 'implications' of the decisions being recommended through the report and cover legal, financial, risks, equalities, corporate business plan and crime and disorder implications.</p>
<p>Ensure that proper professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and is used appropriately.</p>	<p>The Council has demonstrated its compliance with the CIPFA statement on the Role of the Chief Financial Officer in Local Government through a specific Assurance Statement completed by the Section 151 Officer for the Annual Governance Statement. All reports to Council Committees are recorded on the Council's website (with the exception of confidential items considered in private) along with the minutes and decision notices following the meeting. Minutes reflect the content of the report and any advice given during the meeting.</p>
<p>Ensuring that an effective risk management system is in place.</p>	
<p>Ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their jobs.</p>	<p>The Council's Risk Management Strategy was formally approved by the Council in July 2011; this was reviewed annually, the last review in June 2013 was updated for the new corporate management structure. In line with the Strategy the Council has assessed the strategic and operational risks it faces and these are documented on a Corporate Risk Register and individual Service Risk Registers; there are arrangements in place for both to be reviewed and updated on an at least annual basis. Details of all risks assessed as being 'high' are reported to Members along with details of actions in place and to be taken in future to manage the risk identified. http://tmbc2kv10/Data/Audit%20Committee/201306171930/Agenda/\$Joint%20report%20of%20Chief%20Executive%20and%20Director%20of%20Finance%20&%20Transformation%20-%20att14871.doc.pdf Arrangements are in place to ensure that financial reporting is in line with financial standards and regulations; this is demonstrated</p>

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	<p>through the external audit opinion on the Council's financial statements and through reviews of compliance with CIPFA guidance. The Council's Anti-Fraud & Corruption Strategy was approved by the Council in February 2011; this was reviewed in January 2014 and updated as required. Resources from the Internal Audit and Benefit Investigation Teams are working directly with a number of services on key initiatives to prevent and detect fraud within the Council with outcomes reported to Members via update reports.</p>
<p>Ensure that effective arrangements are in place for whistle-blowing to which officers, employees and all those contracting with the authority have access.</p>	<p>The Council's Whistle Blowing obligations are delivered through a Confidential Reporting Code that is reviewed on an annual basis. The current document was approved by the Council in June 2013 and is available on the Council's website via the Committee Minutes and available to employees via the Personnel Reference Manual on the intranet. The Code is distributed to employees annually via NETconsent which requires them to sign in to confirm they have read and understood it.</p> <p>http://www.tmbc.gov.uk/services/advice-and-benefits/benefits/benefits-fraud-investigation</p>
<p>Using their legal powers to the full benefit of the citizens and communities in their area.</p>	
<p>Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine but also strive to utilise powers to the full benefit of their communities.</p>	<p>The Council's Constitution makes reference to the legislative framework in which the Council operates, and individual policies refer to specific legislation/regulations for the relevant service/function. The Constitution details the Statutory Provisions for key roles including the Section 151 Officer and the Monitoring Officer. The role of the Monitoring Officer is delivered by the Director for Central Services (formerly the Chief Solicitor) and this role is supported by a Job Description. There are specific provisions within the Constitution relating to the Monitoring Officer role including Data Protection.</p>
<p>Recognise the limit of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law.</p>	<p>The Council's activities are covered by statute, the constitution and provisions for statutory officers. The Council's Officer Code of Conduct requires officers to work within the law. Council reports template contain areas for legal and financial advice, policy and equalities assessments in order to aid the Members on the legality issues.</p>
<p>Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice – into their procedures and decision making processes.</p>	<p>There are arrangements in place for senior officers to keep abreast of legislative and policy developments that may impact on the Council's activities, including professional qualification CPD, attendance at conferences/training and subscriptions to relevant profession publications. The Member Code of Conduct is based around the seven principles of public life, requiring Members to act fairly when making decisions. The Officer Code of Conduct requires officers to follow <i>every lawful expressed policy of the Council</i>. Job descriptions include requirements to observe relevant legislation. In addition the Council's Internal Audit function review compliance with legislation, regulations and Council policies and consider fair decision making in their work.</p>

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

Principle / Supporting Principle	Arrangements in Place & Evidence
Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles.	
Provide induction programmes tailored to individuals' needs and opportunities for members and officers to update their knowledge on a regular basis.	<p>The Council has established a Joint Standards Committee whose Terms of Reference are set out in the Constitution. http://www.tmbc.gov.uk/_data/assets/pdf_file/0007/12031/01_02_2013_Janet-Chittenden-Contents-of-Part-3_Amend-Feb-2013.pdf</p> <p>Induction program is held for Members following Council Elections held every four years.</p> <p>Specific training and briefings are provided for Members as relevant to their roles, from briefing reports through to specific training sessions. For example the Members of the Audit Committee receive regular updates via email on key topics and have received specific training on topics prior to meetings where reports on those topics are discussed, for instance Treasury Management training in advance of receiving the financial statements.</p>
Ensure that statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority.	<p>Statutory officers are either subject to Continuing Professional Development (CPD) through their respective Professional Organisations or are subject to peer review as part of Council's performance management system including appraisals.</p> <p>Abridged job descriptions are shown on the Council's website along with details of the Council's senior management structure. http://www.tmbc.gov.uk/services/Council-and-democracy/Councillors,-democracy-and-elections/transparency-senior-salaries</p>
Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group.	
Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively.	<p>Within the Council, those charged with governance are the Corporate Management Team (including the Monitoring Officer and Chief Financial Officer), the Audit Committee and the General Purposes Committee.</p> <p>The Leader of the Council and the Chief Executive are required to ensure the effective management of the authorities operations, including the effectiveness of the Corporate Management Team and its members. Monitoring the performance of individual employees is the responsibility of the Council's managers.</p> <p>The Council has a training and development policy for employees contained within the Council's Personnel Manual, the budget provision for which is based upon salary expenditure.</p>
Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.	<p>The Council's Joint Standards Committee is responsible for advising, training or arranging training Members on matters relating to the Code of Conduct. The Terms of Reference of the committee are set out in the Constitution. http://www.tmbc.gov.uk/_data/assets/pdf_file/0007/12031/01_02_2013_Janet-Chittenden-Contents-of-Part-3_Amend-Feb-2013.pdf</p> <p>It is the responsibility of the Chair of each committee to assess its effectiveness and to identify and refer any training requirements to the Joint Standards Committee.</p>
Ensure that arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan which might, for example, aim to address any training or developmental needs.	<p>Decisions made by the cabinet are subject to call in through the scrutiny process within the Council's Constitution.</p> <p>The Council's appraisal system identifies training needs for employees; these are agreed with employees by line management and chief officer then forwarded to Personnel and Training to identify relevant course options. In addition professionally qualified employees are encouraged to participate in continued professional development for their own professional body.</p>

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Principle / Supporting Principle	Arrangements in Place & Evidence
Encouraging new talent for membership of the authority so that best use can be made in individuals' skills and resources in balancing continuity and renewal	
<p>Ensure that effective arrangements have been designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority.</p>	<p>The Council has arrangements in place to ensure that services consult with key stakeholders, particularly residents and service users. This is supported by best practice guidance on the Council's intranet, including: questionnaire design and sampling, and a comprehensive guide for consultation projects.</p> <p>Examples of current and recent consultation and engagement exercises that have been used to inform the design and development of services include:</p> <ul style="list-style-type: none"> • Establishing user panels for the Leisure Facilities where management meet with customer representatives and work to resolve service user issues. • Surveys of users of the summer Play schemes and Activate scheme. • Council Tax consultation on the Council Tax Reduction Scheme where the views of claimants, residents and 2nd home owners were used to validate the scheme being put into place. • A survey of statutory registered housing providers on the new Housing Allocations Scheme. • A first survey of the Council's Online Residents' Panel aimed at improving online services to residents. • A second survey of the Panel to measure satisfaction with services and provide results for a range of Key Indicators in the Council's Corporate Performance Plan. • An exhibition and associated consultation with residents and local groups concerning major improvements to retail and community/leisure facilities in Tonbridge Town Centre. <p>In addition Members are elected to represent the residents in their Wards and regularly bring items forward to the service areas relevant to their residents for resolution.</p>
<p>Ensure that career structures are in place for officers to encourage participation and development.</p>	<p>The Council has a very low employee turnover, when and if retirements are identified succession planning is undertaken in order to maintain service delivery.</p> <p>The Council's Human Resources Strategy contains both workforce and management development plans which enable the provision of structured career development over the next 10 years.</p>

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

Principle / Supporting Principle	Arrangements in Place & Evidence
Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive and accountability relationships	
Make clear to themselves, all employees and the community to whom they are accountable and for what.	<p>The Tonbridge & Malling Local Strategic Partnership was formed in October 2008 and brings together a wide range of groups and organisations that operate across the borough, covering the public, private, faith, voluntary and community sectors. Details of the actions being taken are reported to the Communities Advisory Board.</p> <p>The Local Strategic Partnership is responsible for the Sustainable Community Strategy, a three year plan to address issues related to the local quality of life. The Local Strategic Partnership acts as the strategic decision making body to ensure that actions within the Sustainable Community Strategy are delivered.</p> <p>http://www.tmbc.gov.uk/services/Council-and-democracy/Councillors,-democracy-and-elections/partnerships/local-strategic-partnership</p>
Consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required.	The Council has arrangements in place to ensure that services consult with stakeholders and this is supported by the Improvement & Development Unit (IDU) and a series of guidance documents available to employees on the intranet. The IDU is involved in consultation and engagement exercises and has facilitated the mapping of stakeholders to determine the Council's approach to consulting with each group; recently this was used in the planning of the consultation activity relating to the Council Tax Reduction Scheme and the Housing Allocations Scheme.
Produce an annual report on the activity of the scrutiny function.	<p>The Council's Overview & Scrutiny Committee with Terms of Reference documented in the Constitution.</p> <p>http://www.tmbc.gov.uk/data/assets/pdf_file/0007/12031/01_02_2013-Janet-Chittenden-Contents-of-Part-3-Amend-Feb-2013.pdf</p> <p>The Committee has produced an annual report and reported its findings to Members in January 2014.</p>
Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning.	
Ensure clear channels of communication are in place with all sections of the community and other stakeholders, including monitoring arrangements, and ensure that they operate effectively.	<p>The Council provides a full range of channels by which the public and other stakeholders can access services. While encouraging a shift towards customer self service using the Council's website, all traditional access channels continue to be resourced. For example, to meet the needs of those customers that need the confidence and support that comes with face to face service, the Council provides fully staffed receptions at the main offices, with partner agencies in Tonbridge (Gateway) and, at other locations, via a number of surgeries and shared facilities with partners. A language translation service is also provided where customers are unable to communicate in English.</p> <p>With regard to monitoring:</p> <ul style="list-style-type: none"> • The Council's approach to customer service has been subjected to an equality impact assessment. • Trends in customer contacts are monitored across the full range of access channels. • Customer comments and complaints are monitored. <p>Outgoing communications are guided by the Council's Corporate Communication Guidelines. These have explicit regard to plain English, diversity and equality.</p> <p>The Council's communications arrangements are evidenced through:</p> <ul style="list-style-type: none"> • Customer services equalities impact assessment. • Customer Contact Statistics reports to the Council's Corporate Management Team and the Finance, Innovation and

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Principle / Supporting Principle	Arrangements in Place & Evidence
	<p>Property Advisory Board. These reports cover the full range of access channels, including: website visitors and visits, web forms, online payments and bookings, emails to service rather than individual addresses, telephone calls, letters and face to face visits by residents and other customers.</p> <ul style="list-style-type: none"> • Corporate Communications Guidelines. • Corporate complaints system.
<p>Ensure that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands.</p>	<p>The Council has operated residents' panels, with 1,000+ members for over a decade. A new online Residents' Panel was launched during the summer of 2013. This is the Council's third residents' panel since 2000. Further recruitment is ongoing to increase its size and thereby provide greater insight into the views of different groups of residents. Assisted by weighting the results of surveys, consultation with residents panels provide a representative picture of residents' views covering all MOSAIC groups and the whole borough geographically.</p> <p>Surveys of residents, customers and other stakeholders are analysed in depth using a range of statistical techniques to identify significant (real) differences between groups. This identifies different needs and priorities between groups that can be individually addressed; invaluable in times where finance and other resources are in particularly short supply. Large scale surveys of residents are complemented by small user panels, providing qualitative feedback, and other customer research via kiosks, e.g. at the leisure centres. The Council's principal public open spaces are covered by an annual programme of face to face market research. The Council's inclusive approach is guided by the corporate Consultation Project. The Consultation Project Guide functions as a template and is completed for each consultation carried out by the Council's Improvement & Development Unit. It covers the planning, implementation and review stages of each consultation.</p> <p>Consultation and engagement activity is reported to the Council's Corporate Management Team, Cabinet, Committees and Advisory Boards.</p> <p>The Council was awarded the Certificate of Best Practice from The Consultation Institute in January 2013 for the Council Tax Benefit Localisation scheme consultation.</p>
<p>Establish a clear policy on the types of issues on which they will meaningfully consult on or engage with the public and service users about including a feedback mechanism for those consultees to demonstrate what has changed as a result.</p>	<p>The Council has a strong track record of consultation covering the full range from strategic (e.g. identification of priorities) to operational (e.g. satisfaction with services) matters.</p> <p>The Council's Improvement & Development Unit has prepared a Consultation Project Guide which is on the Council's intranet. This helps ensure that each consultation is properly justified, implemented in line with best consultation practice and evaluated. It also ensures the Council complies with any statutory requirements/guidance. Recent examples include Council tax benefit replacement (localisation) scheme, the revised housing allocation scheme and surveys of the Council's new Online Residents' Panel.</p> <p>The Council's policy is to consult only on matters where the public or other stakeholders can genuinely influence the choice of options or the Council's actions and future performance. Matters already decided are outside the scope of consultations. This distinction is explicit in scoping documents for the more challenging consultations. Similarly, for the more complex consultations, a thorough analysis of stakeholders is undertaken. More comprehensively, the Council's best practice approach to consultation is guided by the corporate Consultation Project Guide, supported by the corporate Guide to Questionnaire Design and Sampling. Feedback to consultees, covering both the consultation results and further outcomes/actions, is an integral part of the Council's approach, explicit in the Consultation Project Guide and evidenced through newsletters to the residents' panels.</p>
<p>Publish an annual performance plan giving information on the authority's vision, strategy, plans and financial statements as well</p>	<p>The Council's Key Priorities are detailed in its Corporate Performance Plan 2012/15 and include both local and national/statutory priorities. http://www.tmbc.gov.uk/data/assets/pdf_file/0006/69927/Corporate-Performance-Plan-2012-15.pdf</p> <p>It is a three-year plan, covering the financial years 2012/15. Showing where the Council particularly aims to improve, it includes a range of improvement themes and a set of Key Indicators for each priority. It was first published in July 2012 and republished in</p>

Tonbridge & Malling Borough Council – Review of Governance Framework 2013-14

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

Principle / Supporting Principle	Arrangements in Place & Evidence
<p>as information about its outcomes, achievements and the satisfaction of service users in the previous period.</p>	<p>July 2013 to include outcomes and achievements during 2012/13. The next version will be published in July 2014 and include outcomes and achievements during 2013/14.</p> <p>A number of the Key Indicators relate to customer satisfaction with the Council's Services. During 2013 a survey of the Council's new Online Residents' Panel measured residents' satisfaction with a range of services and thereby provided results for associated Key Indicators. Targets were achieved for five out of seven indicators and the results were only just below target for the other two indicators. These results will be reported fully in the next version of the Plan.</p> <p>Financial performance is reported through the Annual Report within the Council's Financial Statements. http://www.tmbc.gov.uk/services/Council-and-democracy/Council-budgets-and-spending/annual-accounts</p> <p>The Council has a strong track record in resolving complaints and this is evidenced by the very low level of complaints made about the Council to the Local Government Ombudsman. Assurance can be given on the effectiveness of the Council's complaints handling process by the fact that the Council has made no local settlements in the year and the Ombudsman has not overturned any Council decisions.</p>
<p>Ensure that the authority as a whole is open and accessible to the community, service users and its employees and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.</p>	<p>The Council is committed to openness and accountability. This is demonstrated by:</p> <ul style="list-style-type: none"> • External publication of financial information. • Internal publication of policies to encourage whistle-blowing and prevent bullying or harassment. <p>The Council explicitly addresses the three aims of the Equality Duty through its decision making processes:</p> <ul style="list-style-type: none"> • Eliminate unlawful discrimination, harassment and victimisation • Advance equality of opportunity between different groups • Foster good relations between different groups <p>This extends to services provided in partnership.</p> <p>The Council Tax leaflet that used to be distributed with Council Tax bills that include the details of Council tax charges that Tonbridge and Malling Borough Council, Kent County Council, Kent and Medway Towns Fire Authority and Kent Police and Crime Commissioner levy are published on the Council's website. Annual Council Tax bills make it clear that paper copies are available to residents on request.</p> <p>Information is published on the Council's website in line with the Government's transparency requirements including the number of employees, senior manager salaries and gross expenditure.</p> <p>The Corporate Debt Recovery Policy formalises the Council's approach to debt recovery.</p> <p>The equality impacts of Council decisions are considered and published within committee reports.</p> <p>A summary of consultations for equality impact assessments is available at http://www.tmbc.gov.uk/services/jobs-and-careers/equality-and-diversity/equalities-assessment-and-consultation</p>

Tonbridge & Malling Borough Council – Review of Governance Framework 2013-14

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

Principle / Supporting Principle	Arrangements in Place & Evidence
Making best use of human resources by taking an active and planned approach to meet responsibility to employees	
<p>Develop and maintain a clear policy on how employees and their representatives are consulted and involved in decision making.</p>	<p>The authority operates a Joint Employee Consultative Committee (JECC) which comprises officers from services, Corporate Management Team and Councillors. The Objectives of the committee are.</p> <ul style="list-style-type: none"> • To promote the closest understanding and cooperation between the Council and its employees, through their representatives. • To provide a systematic means of communication between the Council and its employees, through their representatives. • To give employees, through their representatives, the opportunity to discuss and express views about Council decisions which affect them. • To provide an opportunity for employees, through their representatives, to identify and consider health & safety issues <p>The terms & conditions of employment with the Council are based on the National Joint Council terms & conditions (the Green Book). The Council's Personnel Management are professional members of the Chartered Institute of Personnel Development and ensure the recruitment process is in line with current best practice.</p>

1. ACCOUNTING POLICIES

a) General

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the year-end. The Accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2013/14*. The Code is based on a hierarchy of approved accounting standards:

- International Financial Reporting Standards (IFRS) approved by the International Accounting Standards Board (IASB).
- International Accounting Standards (IAS) approved by the International Accounting Standards Committee (IASC).
- Interpretations originating from the International Financial Reporting Interpretations Committee (IFRIC).
- Interpretations originating from the Standing Interpretations Committee (SIC).
- International Public Sector Accounting Standards (IPSAS) approved by the International Public Sector Accounting Standards Board (IPSASB).
- Financial Reporting Standards (FRS) approved by the Accounting Standards Board (ASB).
- Statements of Standard Accounting Practice (SSAP) approved by the Accounting Standards Committee (ASC).
- Urgent Issues Task Force's (UITF) Abstracts.

The accounting convention adopted for the preparation of these Accounts is an historical cost basis modified for the revaluation of certain categories of assets.

b) Qualitative Characteristics of Financial Information

- **Relevance** - in accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) the objective of the principal statements is to provide information on the Council's financial performance that is useful for assessing the stewardship of public funds and for making economic decisions.
- **Reliability** - the financial information can be depended upon to represent accurately the substance of the transactions that have taken place. The Accounts are unbiased, free from material error, have been prepared in a prudent manner and have included all issues that would assist users to make adequate decisions on the Council's financial standing.
- **Comparability** - the Accounts contain comparative information about the Council so that performance may be compared with a prior period.
- **Understandability** - although a reasonable knowledge of accounting and local government is required, all efforts have been made in the preparation of the financial statements to ensure that they are as easy to understand as possible.
- **Materiality** - an item of information is material to the Accounts if its misstatement or omission might reasonably be expected to influence assessments of the Council's stewardship and economic decisions.

c) Accounting Concepts

- Going concern – it is assumed that the Council will continue in operational existence for the foreseeable future and accordingly the Accounts have been prepared on a going concern basis.
- Accruals - the financial statements, other than the Cash Flow Statement, have been prepared on an accruals basis. The accruals basis requires the non-cash effects of transactions to be reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.
- Primacy of legislation - local authorities derive their power from statute and their financial and accounting framework is closely controlled by legislation. Where there is conflict between a legal requirement and an accounting standard, the legal requirement will take precedence.

d) Accruals of Income and Expenditure

Income and expenditure is accrued to ensure it is accounted for in the period to which it relates. Exceptions to this principle, for example, are electricity, gas and similar periodical payments which are charged at the date of meter reading rather than being apportioned between financial years; and penalty charge notices and licensing fees which are accounted for on the day of receipt. This policy is consistently applied each year and its effect on the Accounts is not considered to be material.

e) Assets Held for Sale

Non-current assets that have been identified for sale by the Council will be reclassified as current assets when the asset is being actively marketed and has a high probability of sale within twelve months of the Balance Sheet date.

f) Cash and Cash Equivalents

Internally managed investments of three months or less from the date of acquisition will be recognised as cash equivalents (short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value). Externally Managed funds normally comprise of investments that cannot be easily realised and are excluded from this heading.

g) Council Tax and National Non-Domestic (Business) Rates

The Council is a billing authority which is required to bill local residents and businesses for Council Tax and National Non-Domestic Rates respectively. The Council acts as an agent for Kent County Council, Police and Crime Commissioner for Kent and Kent Fire and Rescue in respect of Council Tax and as such the Accounts show the amount owed by and to taxpayers in respect of our proportion of the Council Tax and the major precepting authorities as a net debtor or creditor.

Similarly, the Council acts as an agent for the Government, Kent County Council and Kent Fire and Rescue in respect of Business Rates and as such the Accounts show the amount owed by and to taxpayers in respect of our proportion of the Business Rates and the other bodies covered by the Business Rates Retention scheme as a net debtor or creditor.

In addition, the Comprehensive Income and Expenditure Statement includes our share of the Collection Fund surplus/deficit for the year in respect of Council Tax and Business Rates, which is subsequently reversed within the Movement in Reserves Statement to the Collection Fund Adjustment Account in the Balance Sheet.

h) Contingent Assets and Liabilities

Contingent assets should not be recognised in the accounting statements, they should be disclosed by way of notes if the inflow of a receipt or economic benefit is probable. Such disclosures should indicate the nature of the contingent asset and an estimate of its financial effect.

Contingent liabilities should not be recognised in the accounting statements, they should be disclosed by way of notes if there is a possible obligation which may require a payment or a transfer of economic benefits. For each class of contingent liability the Council should disclose the nature of the contingency, a brief description, an estimate of its financial effect, an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement.

i) Debt Write-Off

The Director of Finance and Transformation approves and or recommends the write-off of debt where efforts to collect the sums have failed and any further action would be uneconomic or impractical or in the opinion of the Director of Finance and Transformation there is a valid reason for not pursuing the debt. In order to mitigate the financial impact of write-offs the Director of Finance and Transformation makes an impairment allowance taking into account the size and age of the debt outstanding and the likelihood of recovery.

j) Employee Benefits

Under the Code employee benefits are accounted for when the Council is committed to pay an employee. Employee benefits are split into three categories.

Benefits Payable during Employment

This covers:

- Short-term employee benefits, such as salaries and wages, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees.
- Benefits earned by current employees, but payable twelve months or more after the end of the reporting period (e.g. long-service awards).

Termination Benefits

This covers costs that are payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date; or an employee's decision to accept voluntary redundancy in exchange for those benefits. They are often lump-sum payments, but also include enhancement of retirement benefits; and salary until the end of a specified notice period if the employee renders no further service that provides economic benefits to the entity.

In the event of notice of termination being served on an employee the known liability is recognised at the earlier of when the authority can no longer withdraw the offer of these benefits or when the authority recognises the costs of a restructure will involve the payment of termination benefits, any enhanced retirement benefits paid by the employer are accounted for on a cash basis.

Post-Employment Benefits

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time employees earn their future entitlement. The Local Government Pension Scheme is administered locally by Kent County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Under IAS 19, the employer recognises as an asset or liability the surplus / deficit in a pension scheme. The surplus / deficit in a pension scheme is the excess / shortfall of the value of assets when compared to the present value of the scheme liabilities. A prerequisite of the introduction of IAS 19 was that it did not impact on taxation requirements. Where the contributions paid to the pension scheme do not match the change in the Council's recognised liability for the year, the recognised cost of pensions will not match the amount required to be raised in taxation. Any such mismatch is to be dealt with by an equivalent appropriation to or from a pension reserve. The Balance Sheet will show the net pension asset or liability and an equivalent pension reserve balance.

Contributions to the pension scheme are determined by the Fund's actuary on a triennial basis. The next formal valuation is due on 31 March 2016. The outcome of the 2013 valuation is to take effect from 1 April 2014.

k) Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Accounts are authorised for issue.

The authorised for issue date can be either:

- When the responsible Financial Officer certifies that the Accounts present a 'true and fair view' which should be by no later than the 30 June.

- When the Accounts are approved by Members and published with the audit opinion and certificate which should be by no later than 30 September.

Events arising after the Balance Sheet date and before either of the two dates above will be reflected in the Accounts if they provide additional evidence of conditions that existed at the Balance Sheet date and materially affect the amounts to be included (adjusting events). Such events:

- could materially alter an estimate of, for example, debtors, creditors or an impairment allowance previously identified in the accounting processes;
- could substitute a materially different actual figure for an estimate; or
- could reflect a permanent impairment or betterment in the financial position, but only where the originating event took place prior to the year-end and the amounts are considered material to the Accounts.

l) Exceptional Items and Prior Period Adjustments

Exceptional items, when they occur, are included in the cost of the service to which they relate or on the face of the Comprehensive Income and Expenditure Statement if that degree of prominence is necessary in order to give a fair presentation of the Accounts. A description of each exceptional item is given within the notes to the Accounts.

Prior period adjustments arise from corrections and adjustments that are the natural result of estimates inherent in the accounting process. Such adjustments constitute normal transactions for the year in which they are identified and are accounted for accordingly. Material adjustments applicable to prior periods arising from changes in accounting policies or from the correction of fundamental errors are accounted for by restating the comparative figures for the preceding period and adjusting the appropriate opening balances for the cumulative effect.

m) Financial Instruments

Financial instruments are broken down between financial assets (cash, investments and some categories of debtors) and financial liabilities (loans payable and some categories of creditors).

Debtors and creditors are measured at fair value and are carried in the Balance Sheet at amortised cost.

Investments are broken down in two ways. Firstly, by maturity, in that any investment with a maturity date of more than 364 days after the Balance Sheet date will be classed as long-term and less than as short-term; and secondly by class of asset such as loans and receivables or available-for-sale.

Loans and receivables are assets that have fixed or determinable payments, but are not quoted in an active market, these are measured at fair value and are carried on the Balance Sheet at amortised cost.

Available-for-sale assets have a quoted active market price and do not have fixed or determinable payments. These are measured and carried on the Balance Sheet at fair value using determinations from our Fund Manager.

Accrued interest is shown as part of the investment balance. This is a departure from the Code which requires accrued interest to be shown as part of the debtors balance. Accrued interest receivable within 364 days of the Balance Sheet date will be recognised as part of the short-term investment balance on the Balance Sheet, irrespective of the date of maturity of the investment.

Realised gains and losses in relation to investments are recognised within the Comprehensive Income and Expenditure Statement under interest and investment income. Unrealised gains and losses are recognised in the Balance Sheet under the appropriate investment heading offset by an adjustment to Available-for-Sale Financial Instruments Reserve.

n) Foreign Currency Transactions

Any gains or losses arising from exchange rate fluctuations will be charged to the Comprehensive Income and Expenditure Statement in the year of payment or receipt.

o) Government Grants and Other Contributions

Revenue grants received are accrued and credited to the Comprehensive Income and Expenditure Statement in the same period as the related expenditure was incurred.

Grants specific to a service will be shown against that service expenditure line. General grant, e.g. Revenue Support Grant and New Homes Bonus are credited and disclosed separately in the Comprehensive Income and Expenditure Statement under taxation and non-specific grant income.

Capital grants and contributions (such as Section 106 developer contributions) received will be credited in full to the Comprehensive Income and Expenditure Statement on receipt where there are no conditions attached to its use and in the year that the capital expenditure is incurred where there are conditions attached to its use.

p) Inventories

Inventories are valued at the latest price paid. This is a departure from the requirements of the Code and IAS 2 (Inventories), which require stocks to be shown at actual cost or net realisable value, if lower. The difference in value is not considered to be material.

q) Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. An operating lease is a lease other than a finance lease. A definition of a lease includes hire purchase arrangements.

Finance Leases

The Council currently has no finance lease arrangements where it is the lessor or where it is a lessee other than in respect of what is termed embedded leases as explained below.

Embedded leases are where assets, although not owned by the Council, are used primarily by the Council for service delivery. An example of this would be vehicles used by the Council's Refuse Collection and Recycling and Street Cleansing contractor. In this case an estimated value and useful life has been used. Assets are recognised in the Balance Sheet at the net depreciated value and offset by a deferred liability.

Operating Leases

Lease payments under an operating lease shall be recognised as income or an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the benefits received by the Council where the Council is a lessor or lessee respectively.

r) Non-Current Assets

The Council has set a de-minimis level of £5,000 for the purposes of capital expenditure. In the case where the individual value of an item, e.g. computer is below the de-minimis level, but the aggregate value of similar items purchased in the year exceed the de-minimis level the expenditure may be treated as capital expenditure.

Property, Plant and Equipment

Property, plant and equipment are tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services or for administrative purposes and expected to be used during more than one period.

Property, plant and equipment is split into five categories as described below.

- Land and Buildings
- Vehicles, Plant and Equipment
- Infrastructure Assets
- Community Assets

- Assets Under Construction

The policy for each type of asset is explained below.

Land and Buildings

The Borough Council has a policy of revaluing its property assets on a rolling programme such that the intervals between valuations do not exceed 5 years. The programme is as follows:

Asset Class	Year of Valuation	
Properties for Community Use	2008/09	Completed
Public Conveniences	2009/10	Completed
Council Offices	2010/11	Completed
Car Parks	2011/12	Completed
Leisure Premises	2012/13	Completed
Properties for Community Use	2013/14	Completed

The valuations are carried out by a qualified surveyor in accordance with the latest guidance issued by the Royal Institution of Chartered Surveyors (RICS) and based on the market value for existing use or where a market value cannot be determined as the property is of a specialist nature the depreciated replacement cost. The method used on the current year's valuation will be explained in the notes to the Accounts. Items of plant that are integral to the operation of a building are included in the valuation for that building.

All buildings are subject to straight line depreciation over their estimated useful lives which range between 15 and 50 years depending on the building. In accordance with the Code land is not depreciated.

The Note to the Core Financial Statements in respect of Non-Current Assets provides details of the asset class, Land and Buildings, rather than for each of the categories listed above that make up that asset class. This departure from the requirements of the Code has no financial impact and is not considered to detract from the message being given to the reader of the accounts.

Under the Code the Council is required to consider componentisation of significant parts of an asset, where they are of a material financial nature or have significantly differing life expectancies. The Council, following a review of the property, plant and equipment asset registers has decided that the Council's offices and major leisure facilities will be the subject of componentisation if the replacement value of the component is in excess of £100,000.

Vehicles, Plant and Equipment

Vehicles, Plant and Equipment, other than plant that is integral to the operation of a building, are recognised in the Balance Sheet at historic cost and are subject to straight line depreciation over a period of between 2 and 30 years.

Infrastructure Assets

These are non-current assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of Infrastructure Assets are footpaths and signage.

These assets are carried on the Balance Sheet at historic cost and are not subject to revaluation. These assets are subject to straight line depreciation over a period of between 3 and 40 years.

Community Assets

These are non-current assets that the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of Community Assets are parks and open spaces.

These assets are carried on the Balance Sheet at historic cost and are not subject to revaluation or depreciation.

Assets under Construction

This covers assets not yet ready for operational use, but expected to be operational within twelve months of the Balance Sheet date. Assets under Construction are not subject to revaluation or depreciation.

Heritage Assets

Heritage assets are defined as a tangible or intangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge or culture.

Heritage assets where the Council holds information on their cost or value, via insurance or valuation records are to be recognised on the Balance Sheet. Where the Council does not hold information on the cost or value and it is considered that the cost of obtaining this information outweighs the benefit to the reader of the accounts such details as the Council holds are to be included in the notes to the financial statements.

The value of Heritage assets recognised on the Balance Sheet is to be subject to review at intervals not exceeding 5 years.

Heritage assets are not subject to depreciation.

Investment Property

Investment property is property (land and / or buildings) held solely to earn rental income or for capital appreciation, or both.

Investment property is initially recognised at cost, but is subject to valuation at fair value at the end of each accounting period with gains/losses recognised in the Comprehensive Income and Expenditure Statement. However, due to the nature and size of the portfolio held full valuation reviews are carried out once every five years or earlier where there is a material change in value.

Investment property is not subject to depreciation.

Intangible Assets

These are non-current assets that do not have physical substance, but are identifiable and controlled by the Council through custody or legal rights. Intangible Assets held by this Council currently consist of IT software and associated costs.

Intangible Assets are recognised on the Balance Sheet at historic cost, are not subject to revaluation, but are amortised over their useful economic life assessed to be 5 years for IT software and associated costs.

Impairment of Non-Current Assets

A review for impairment of a non-current asset whether carried at historical cost or valuation should be carried out if events or changes in circumstances indicate that the carrying amount of the non-current asset may not be recoverable.

Examples of events and changes in circumstances that indicate impairment may have been incurred include:

- a significant decline in a non-current asset's market value during the period;
- evidence of obsolescence or physical damage to the non-current asset;
- a significant adverse change in the statutory or other regulatory environment in which the Council operates; and
- a commitment by the Council to undertake a significant reorganisation.

In the event that impairment is identified the value will either be written off to the revaluation reserve, where sufficient reserve levels for that asset exist or written off to revenue through the Comprehensive Income and Expenditure Statement. Any impairment at the Balance Sheet date is shown in the notes to the core financial statements, along with the name, designation and qualifications of the officer assessing the value of the impairment.

Gains or Losses on Disposal of Non-Current Assets

When an asset is disposed of or de-commissioned, the net book value of the asset and the receipt from the sale are both charged to the Comprehensive Income and Expenditure Statement which could result in a net gain or loss on disposal.

Receipts in excess of £10,000 are categorised as capital receipts. The receipt is required to be credited to the usable capital receipts reserve and can only be used to finance capital expenditure. Receipts below £10,000 are considered de-minimis and treated as revenue.

The net gain or loss on disposals has no impact on taxation requirements as the financing of non-current assets is provided for under separate arrangements.

s) Overheads

The majority of management and administrative expenses, including buildings, are allocated to Services. Costs of Support Services are allocated on the basis of estimated time spent by officers on Services and costs of buildings are

apportioned on a floor area basis. The costs of Corporate Management and Democratic Core, resulting from the Council being a multifunctional organisation, are allocated to a separate objective head and, in accordance with the Code, are not reapportioned.

t) Provisions

The Council sets aside provisions for liabilities or losses that are either likely to, or certain to be incurred, but uncertain as to the amount or the date on which they will arise.

Provisions are recognised when:

- the Council has a present obligation (legal or constructive) as a result of a past event;
- it is probable that a transfer of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

u) Reserves

The Council maintains both general and earmarked reserves. General reserves are to meet general rather than specific future expenditure and earmarked reserves, such as the building repairs reserve are for specific purposes. No expenditure is charged directly to a reserve, but is charged to the service revenue account within the Comprehensive Income and Expenditure Statement, this is then offset by a reserve appropriation within the Movement in Reserves Statement.

v) Revenue Expenditure Funded from Capital Under Statute

This is expenditure of a capital nature on non-current assets not owned by the Council, for example house renovation grants. Under the Code this is revenue expenditure and as such the expenditure is charged in full to the relevant service revenue account in the Comprehensive Income and Expenditure Statement in the year it is incurred. Statute, however, allows such expenditure to be funded from capital resources. In our case such expenditure is mainly funded from reserves.

w) Value Added Tax (VAT)

VAT is included within the Comprehensive Income and Expenditure Statement, whether of a capital or revenue nature, only to the extent that it is irrecoverable.

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TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

14 April 2014

Report of the Chief Internal Auditor

Part 1- Public

Delegated

1 INTERNAL AUDIT PLAN 2014-15

Summary

This report seeks Members approval of the draft Internal Audit Plan for 2014-15.

1.1 Background

1.1.1 Professional standards for Internal Audit require the work of the Internal Audit function to be directed by a risk-based audit plan. To fulfil this requirement, a risk-based Internal Audit plan has been prepared for the authority to cover the 2014-15 financial year, and is attached at **[Annex 1]** of this report for Member approval.

1.2 Internal Audit Plan 2014-15

1.2.1 The 2014-15 Internal Audit plan has been based upon a risk assessment of the Council's Internal Audit needs. The Audit Needs Assessment:

Identified the authority's business objectives;
identified the authority's business activities to meet those objectives; and
ranked these business activities in terms of risk to enable prioritisation of areas for internal audit review.

1.2.2 The Audit Needs Assessment is used to help ensure that Internal Audit resources are directed to the areas where they are considered to be of most effective use to the Council in helping to ensure the achievement of its objectives, the improvement of internal control and the efficiency of service delivery.

1.2.3 The team consists of two 1.5 full time equivalent auditor posts which is considered sufficient to meet the audit needs of the authority.

1.2.4 A copy of the proposed internal audit plan for 2014-15 is attached at **[Annex 1]** of this report. The plan is intended to provide Members with a clear picture of how the Council will make use of its Internal Audit function, reflecting all work to be undertaken by the team during the financial year. Resultantly, the plan contains both assurance work and consultancy work intended to be carried out by the Internal Audit team.

- 1.2.5 The plan aims to ensure that sufficient audit work is carried out to enable the Chief Internal Auditor (in his capacity as Chief Audit Executive) to give an opinion regarding the adequacy and effectiveness of the internal control arrangements within the Council as required for the Annual Governance Statement.
- 1.2.6 The plan also includes provision for known consultancy work, where management has requested the assistance of Internal Audit in ensuring that the organisation maintains a sound control environment and pursues effective performance management arrangements and value for money opportunities. The Internal Audit plan this year reflects the Council's focus on identifying financial savings and opportunities for generating income and efficiencies in services and includes a number of days allocated to reviews with emphasis on these areas. The plan also incorporates targeted pro-active anti-fraud work intended to assist in ensuring that the Council has appropriate arrangements in place to prevent, as far as possible, fraud from entering our system gateways.
- 1.2.7 As in previous years it is intended that the Internal Audit team will remain responsive to the needs of the Council, the Directors and Senior Management during 2014-15; this is reflected through the plan including contingencies for work relating to ad hoc projects and special investigations which are unknown at this point in time. It should be recognised, however, that any requests for additional work which are not covered by the allowances within the annual audit plan will impact on the team's ability to achieve work specified on the plan.
- 1.2.8 The proposed plan has been reviewed and endorsed by the authority's Management Team prior to being presented to this committee.

1.3 Legal Implications

- 1.3.1 Section 151 of the Local Government Act 1972 requires the Council to "make arrangements for the proper administration of their financial affairs". Further to this, the Accounts & Audit Regulations 2011 require a relevant body to "undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control." To do so, the Council's Internal Audit team works to the Public Sector Internal Audit Standards (PSIAS) and CIPFA's Local Government Application Note to the Standards.

1.4 Financial and Value for Money Considerations

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

1.5 Risk Assessment

1.5.1 The Internal Audit Plan is intended to ensure that the work of Internal Audit is effectively directed. For this very reason, the process of preparing the plan is itself informed by an assessment of the risks and audit needs of the Council. Members' endorsement of the Internal Audit Plan 2014-15 ensures that the status of the plan is maintained.

1.6 Equality Impact Assessment

1.6.1 See 'Screening for equality impacts' table at end of report

1.7 Recommendations

1.7.1 Members are asked to **CONSIDER** the Internal Audit Plan for 2014-15 and **AGREE** the plan.

Background papers: Internal Audit Working Papers

Contact: Katey Durkin

David Buckley
Chief Internal Auditor

Screening for equality impacts:		
Question	Answer	Explanation of impacts
a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community?	No	
b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?	No	
c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?		

In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above.

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

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TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

14 April 2014

Report of the Director of Finance and Transformation

Part 1- Public

Delegated

1 TREASURY MANAGEMENT UPDATE

This report provides an update of treasury management activity undertaken during the 2013/14 financial year within the context of the national economy and invites Members to endorse the action taken by Officers and to note the treasury management position at 28 February 2014.

1.1 Introduction

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

1.2 Economic Background

- The UK economy grew by 0.7% in the final quarter of 2013. With all four quarters of 2013 registering growth, output for the year as a whole is estimated to have risen by 2.7%. The most recent Office for Budget Responsibility (OBR) growth forecast anticipates GDP will rise by 2.7% to March 2014 and remain at or above 2.3% in each of the following three years.
- Inflation as measured by the Consumer Price Index (CPI) has continued to fall from its recent peak of 5.2% in September 2011 and in February 2014 stood at 1.7% (RPI for February 2014 was 2.7%). The OBR expects Inflation to remain at target (2.0%) throughout 2014 and 2015 supporting the Bank of England's stance of no Bank Rate rise in the near term.
- The Chancellor's 2014 budget contained no major changes to the tone of fiscal policy, concentrating instead upon adjustments at the macro level, notably in the area of pensions.

- On the international front, the US Federal Reserve held its first policy meeting under the chairmanship of Janet Yellen in March 2014. In line with market expectations the central bank announced a further reduction in its monthly Asset Purchase Programme. The hint by the new chair of a rise in official US interest rates as early as mid-2015 was something of a surprise.

1.3 Interest Rate Forecast

- 1.3.1 The Bank Rate has remained at an emergency level of 0.5% for the last 5 years. Capita's latest forecast, updated in February 2014, anticipates the Bank Rate will remain at this level for a further 18 months before rising in the final quarter of 2015.

Rate	Now	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16
	%	%	%	%	%	%	%	%	%	%	%	%	%
Bank Rate	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.25	1.50
3 mth LIBID	0.50	0.50	0.50	0.50	0.50	0.50	0.60	0.70	0.80	0.90	1.00	1.20	1.50
6 mth LIBID	0.58	0.60	0.60	0.60	0.60	0.60	0.70	0.80	1.00	1.20	1.30	1.50	1.70
12 mth LIBID	0.80	0.80	0.80	0.80	0.80	0.90	1.10	1.20	1.40	1.60	1.70	1.90	2.10
5yr PWLB	2.60	2.60	2.60	2.70	2.80	2.90	2.90	3.00	3.10	3.20	3.20	3.30	3.40
10Yr PWLB	3.60	3.70	3.70	3.80	3.80	3.90	3.90	4.00	4.10	4.20	4.30	4.40	4.50
25yr PWLB	4.30	4.40	4.40	4.50	4.60	4.70	4.70	4.80	4.90	5.00	5.00	5.10	5.10
50yr PWLB	4.30	4.40	4.50	4.50	4.60	4.80	4.80	4.90	5.00	5.10	5.10	5.10	5.20

1.4 Investment Performance

- 1.4.1 In accordance with the CIPFA Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. We find ourselves in a very difficult investment market with low yields reflecting the 0.5% Bank Rate.
- 1.4.2 Cash flow funds are available on a temporary basis and their amount varies from month to month and during the course of each month depending on the timing of receipts (council tax, business rates, grants and other sources of income) and payments (precepts, NNDR pool contributions, benefits, staff and suppliers). The authority presently has £13.4m of core cash balances for investment purposes which are managed by our external fund manager. These funds which comprise our revenue and capital reserves are for the most part available to invest for more than one year.
- 1.4.3 As at the end of February 2014, funds invested and interest earned is set out in the table below.

	Funds invested at 28 Feb 2014 £m	Average duration to maturity Yrs	Weighted average rate of return %	Interest earned to 28 Feb 2014 £	Gross annualised return to 28 Feb 2014 %	7 day Libid benchmark %
In-house cash flow excluding Landsbanki	9.9	0.03	0.77	69,600	0.68	0.41
Externally managed core funds	13.4	0.84	0.60	81,000	0.58	0.41
Total	23.3	0.50	0.67	150,600	0.62	0.41

1.4.4 Whilst the authority bettered the 7 day LIBID benchmark by 21 basis points, interest earned of £150,600 is £68,500 lower than our 2013/14 original estimate for the same period. This underperformance against budget is mainly attributed to the lower than expected return delivered by our external fund manager and is explored in more detail below. The Investment income projection for the financial year as a whole was lowered at the January meeting of Audit Committee. Investment income at the end of February is in line with the 2013/14 revised estimate.

1.4.5 **In-house managed 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. During the 2013/14 financial year the following fixed term investments were made:

£m	Bank / Building Society	Duration	Rate	Period
1.0	Bank of Scotland	12	1.10%	12/04/13 – 11/04/14
1.0	Lloyds Bank	12	1.10%	12/04/13 – 11/04/14
0.5	Lloyds Bank	11	1.05%	12/04/13 – 11/03/14

1.4.6 In addition to term deposits the opportunity to generate additional yield is also achieved by utilising notice accounts and enhanced cash funds. At 28 February 2014, £1m was deposited in a National Westminster 95 day notice account at a rate of 0.60% per annum and £0.25m in Insight's Liquidity Plus Fund which returned 0.62% in February.

1.4.7 The Council achieved a return of 0.68% on in-house managed cash flow investments for the period ended February 2014 compared to the 7-day LIBID benchmark of 0.41%. Investment income achieved for April 2013 to February 2014 (eleven months) is £69,600.

- 1.4.8 At the end of February 2014 cash flow funds of £9.9m was invested at an average rate of 0.77% and an average maturity of 0.03 years. Income from cash flow funds for the financial year as a whole are expected to broadly match the 2013/14 revised estimate for cash flow funds of £72,000 (£9,800 lower than the original estimate of £81,800).
- 1.4.9 **Externally managed core funds.** In accordance with our 2013/14 Investment Strategy all of the Council's core funds are being managed by our external fund manager. The Council's fund manager achieved a gross return of 0.58% for the period ended February 2014 compared to a 7-day LIBID benchmark of 0.41%. Excluding unrealised losses on recent UK gilt purchases of £47,000, investment income for April 2013 to February 2014 (eleven months) is £81,000.
- 1.4.10 During February, £2m of core funds were returned to the Council to support our year-end payment obligations. At the end of February 2014 the value of the fund stood at £13.4m. This was invested at an average rate of 0.60% and an average maturity of 0.84 years. Income from core funds for the financial year as a whole are expected to broadly match the 2013/14 revised estimate for core funds of £92,400 (£61,850 lower than the original estimate of £154,250).
- 1.4.11 The fund manager's performance has been hampered by lower than expected returns being offered by banks as a consequence of the Bank of England's Funding for Lending scheme. Under the scheme, banks are provided with funds at a low rate of interest to lend on to business and individuals. Whilst the scheme has had some impact on in-house cash flow returns the impact on core fund returns, which normally benefit from longer duration investment, has been more significant.
- 1.4.12 Core fund performance has also benefited in recent years from the opportunity to take capital profits on gilt trades in times of market stress (UK gilts are regarded as a safe haven). Volatility in the markets seen throughout 2011 and 2012 as a result of the Eurozone sovereign debt crisis subsided throughout 2013. What capital profit opportunities there were (US debt ceiling / budget negotiations) weren't taken. Past volatility was replaced in 2013 by a general rise in UK gilt yields driven mainly by events in the US in relation to their Asset Purchase Programme. The rise in gilt yields since our gilt holding was acquired in May 2013 explains the unrealised loss referred to in paragraph 1.4.9 (as gilt yields rise, their price / value falls).
- 1.4.13 **Current Investments.** A full list of investments held on 28 February 2014 and our Internal Lending List of the same date are provided at **[Annex 1]** and **[Annex 2]**.

1.5 Borrowing

- 1.5.1 It is a statutory duty for the Council to determine and keep under review the "Affordable Borrowing Limits" by way of the Prudential Indicators (affordability limits) set out in the approved Treasury Management Strategy Statement. In this

regard it is confirmed that no borrowing was undertaken in the period 1 April 2013 to 28 February 2014.

1.6 Legal Implications

- 1.6.1 The Council invested £1m in a three month fixed term deposit with the Icelandic bank, Landsbanki. The bank went into administration a few days prior to the investments intended maturity in October 2008. Members will be aware from recent reports to the Finance, Innovation and Property Advisory Board and Audit Committee of the Council's intention to sell our claim via a competitive process. I am pleased to report that the Council's claim was sold at an auction of claims held in late January. Proceeds from the sale were received on 3 February 2014, bringing the total amount recovered to just over 95% of the original £1m investment.
- 1.6.2 The Council's participation in a joint action, co-ordinated by the Local Government Association (LGA), has ensured our legal costs have been minimised whilst allowing the Council to advance the strongest possible arguments to secure recovery. Participation in the auction has ensured the risks associated with pursuing full recovery (which would take many more years) have been avoided. Officers are satisfied that the price achieved at auction represents a good outcome for the Council.

1.7 Financial and Value for Money Considerations

- 1.7.1 The Bank Rate is expected to remain at a historical low (0.5%) throughout the remainder of this financial year and most of 2014/15. The Funding for Lending initiative introduced by the Bank of England in summer 2012 has had a significant downward impact on returns being offered by financial institutions. As a consequence, budgeted returns for 2013/14 were reduced at the January meeting of Audit Committee by £71,650 to 164,400 for the year as a whole. At the end of February, investment income of £150,600 is broadly in line with this revised estimate.
- 1.7.2 The performance of our fund manager is monitored against all of the players in the public sector cash management market place using data provided by Capita. In addition, the performance of both externally and internally managed investments are monitored against relevant benchmarks. In-house returns are also monitored against other Kent authorities and the broader local authority pool via Capita's benchmarking service.

1.8 Risk Assessment

- 1.8.1 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.

1.9 Equality Impact Assessment

1.9.1 See 'Screening for equality impacts' table at end of report.

1.10 Recommendations

1.10.1 Members are **RECOMMENDED** to:

- 1) Endorse the action taken by officers in respect of treasury management activity; and to
- 2) Note the treasury management position as at 28 February 2014.

Background papers:

contact: Michael Withey

Forecasts provided by Capita.

Sharon Shelton

Director of Finance and Transformation

Screening for equality impacts:		
Question	Answer	Explanation of impacts
a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community?	No	N/A
b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?	No	N/A
c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?		N/A

In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above.

Investment Summary as at 28 February 2014

Counterparty	Sovereign	Fitch Credit rating				Investment type (Specified/Non- specified) [Statement date to Maturity]	Investment from	Maturity Date	Investment at purchase value £	Return (coupon / yield at purchase) %	% of total investments	Instrument type	Managed by:	Externally Managed Core Funds £	Internally Managed Cash Flow £	Non- specified Investments (NSI) £
		Long Term	Short Term	Viability	Support											
Bank of Nova Scotia	Canada	AA-	F1+	aa-	1	Specified	03/12/2013	03/03/2014	1,000,000	0.43%		CDs	Externally Managed	1,000,000		
Bank of Nova Scotia Total									1,000,000		4.30%					
Bank of Scotland	UK	A	F1	-	1	Specified	12/04/2013	11/04/2014	1,000,000	1.10%		Fixed deposit	Internally Managed		1,000,000	
Bank of Scotland Total									1,000,000		4.30%					
BNP Paribas MMF	Luxembourg	AAA	m (S&P)	-	-	Specified	28/02/2014	03/03/2014	200,000	0.41%		Call - MMF	Internally Managed		200,000	
BNP Paribas MMF Total									200,000		0.86%					
Commonwealth Bank of Australia	Australia	AA-	F1+	aa-	1	Specified	20/11/2013	20/03/2014	600,000	0.48%		CDs	Externally Managed	600,000		
Commonwealth Bank of Australia Total									600,000		2.58%					
Handelsbanken	Sweden	AA-	F1+	aa-	1	Specified	28/02/2014	03/03/2014	2,100,000	0.60%		Call	Internally Managed		2,100,000	
Handelsbanken	Sweden	AA-	F1+	aa-	1	Specified	29/11/2013	30/05/2014	2,100,000	0.52%		CDs	Externally Managed	2,100,000		
Handelsbanken Bank Total									4,200,000		18.04%					
ING Bank	Netherlands	A+	F1+	a	1	Specified	10/01/2014	10/04/2014	2,900,000	0.52%		CDs	Externally Managed	2,900,000		
ING Bank Total									2,900,000		12.46%					
Insight Liquidity Plus MF	Ireland	AAA	f/S1 (S&P)	-	-	Specified	18/02/2014	03/03/2014	250,000	0.62%		Call - EMF	Internally Managed		250,000	
Insight Liquidity Funds Total									250,000		1.07%					
Investec Sterling MF	Luxembourg	AAA	-	-	-	Specified	17/06/2013	03/03/2014	108,000	0.37%		Call - EMF	Externally Managed	108,000		
Investec Sterling MF Total									108,000		0.46%					
Lloyds Bank	UK	A	F1	bbb+	1	Specified	12/04/2013	11/04/2014	1,000,000	1.10%		Fixed deposit	Internally Managed		1,000,000	
Lloyds Bank	UK	A	F1	bbb+	1	Specified	12/04/2013	12/03/2014	600,000	1.05%		Fixed deposit	Internally Managed		600,000	
Lloyds Bank Total									1,600,000		6.87%					
NatWest Bank Call Account	UK	A	F1	-	1	Specified	28/02/2014	03/03/2014	1,600,000	0.60%		Call	Internally Managed		1,600,000	
NatWest Bank 95 Day Notice	UK	A	F1	-	1	Specified	13/05/2013	17/03/2014	1,000,000	0.60%		Call - Notice	Internally Managed		1,000,000	
National Westminster Bank Total									2,600,000		11.17%					
Nationwide Building Society	UK	A+	F1	a+	1	Specified	20/02/2014	20/05/2014	500,000	0.47%		CDs	Externally Managed	500,000		
Nationwide Building Society Total									500,000		2.15%					
Nordea Bank (Finland)	Finland	AA-	F1+	aa-	1	Specified	09/01/2014	09/04/2014	3,000,000	0.51%		CDs	Externally Managed	3,000,000		
Nordea Bank (Finland) Total									3,000,000		12.89%					
Rabobank	Netherlands	AA	F1+	aa	1	Specified	28/02/2014	03/03/2014	440,000	0.35%		TD	Externally Managed	440,000		
Rabobank Total									440,000		1.89%					
Santander UK Plc	UK	A	F1	a	1	Specified	28/02/2014	03/03/2014	2,100,000	0.80%		Call	Internally Managed		2,100,000	
Santander UK Plc Total									2,100,000		9.02%					
UK Treasury Gilt [1]	UK	AA+	-	-	-	Non-specified	29/05/2013	22/07/2018	2,281,000	1.16%		UK Gilt	Externally Managed	2,281,000		2,281,000
UK Treasury Bill	UK	AA+	-	-	-	Specified	16/12/2013	16/06/2014	499,000	0.36%		UK Bill	Externally Managed	499,000		
UK Treasury Total									2,780,000		11.94%					
Investec/Citibank uninvested balance		A	F1	-	1	Specified			1,000	0.25%		F Mgr cash bal	Externally Managed	1,000		
Investec/Citibank uninvested balance									1,000		0.00%					
Total invested									23,279,000		100.00%			13,429,000	9,850,000	2,281,000

Number of investments	20	Average investment value £	1,164,000
Number of counter parties	16	Average investment per counter party £	1,455,000
Group exposures (UK Nationalised) - max 25% for core funds or £2.6m cash flow.			
	Core £	Core %	Cash £
RBS + National Westminster excluding RBS managed Global Treasury Fund	0	0.00%	2,600,000
Bank of Scotland + Lloyds	0	0.00%	2,600,000

Management Split :	£	%	NSI limit = 60% of core
Externally Managed Core Funds	13,429,000	57.69%	16.99%
Internally Managed Cash Funds	9,850,000	42.31%	
Total	23,279,000	100.00%	

Notes: Investec data provided on an unaudited basis. [1] Represents date of initial purchase.

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Tonbridge and Malling Borough Council Internal Lending List

Checked against Sector Duration Matrix dated 28/02/14								
Minimum investment criteria is Sector Green Duration Band (100 days) (entry point broadly equates to Fitch A, F1, bbb-, 1 unless UK nationalised / semi-nationalised).								
Counterparty	Sovereign	Sovereign Rating [1]	Fitch Long Term	Fitch Short Term	Fitch Viability	Fitch Support	Exposure Limit	Sector Duration [2]
Svenska Handelsbanken AB	Sweden	AAA	AA-	F1+	aa-	1	£2.1m	12 months
Barclays Bank	UK	AA+	A	F1	a	1	£2.1m	100 days
HSBC Bank plc	UK	AA+	AA-	F1+	a+	1	£2.1m	12 months
Santander UK plc	UK	AA+	A	F1	a	1	£2.1m	100 days
Nationwide Building Society	UK	AA+	A	F1	a	1	£2.1m	100 days
Bank of Scotland plc [3] Group limit with BOS and Lloyds of £2.6m	UK	AA+	A	F1	-	1	£2.6m	1 year
Lloyds Bank plc [3] Group limit with BOS and Lloyds of £2.6m	UK	AA+	A	F1	bbb+	1	£2.6m	1 year
National Westminster Bank plc [3] Group limit with Nat West and RBS of £2.6m	UK	AA+	A	F1	-	1	£2.6m	1 year
The Royal Bank of Scotland plc [3] Group limit with Nat West and RBS of £2.6m	UK	AA+	A	F1	bbb	1	£2.6m	1 year
Debt Management Office	UK	AA+	N/A	N/A	N/A	N/A	No limit	N/A
UK Local Authorities	UK	AA+	N/A	N/A	N/A	N/A	£2.1m	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 Sector's recommendation.

[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
Blackrock	AAA-mf	-	AAAm	£2.1m
BNP Paribas	-	-	AAAm	£2.1m
Global Treasury Fund	AAA-mf	AAmmf	AAAm	£2.1m
Goldman Sachs	AAA-mf	AAmmf	AAAm	£2.1m
Deutsche Fund	AAA-mf	-	AAAm	£2.1m
Insight	-	AAmmf	AAAm	£2.1m
Ignis	-	AAmmf	AAAm	£2.1m
Morgan Stanley	AAA-mf	AAmmf	AAAm	£2.1m
Prime Rate	AAA-mf	AAmmf	AAAm	£2.1m

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

Approved by Director of Finance
and Transformation
3rd March 2014

No Change

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TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

14 April 2014

Report of the Chairman of the Audit Committee

Part 1- Public

Delegated

1 COMPLIANCE WITH INTERNATIONAL STANDARDS ON AUDITING

Summary

This report explains how those charged with Governance are required to assure the External Auditor that the Council has complied with the requirements of the International Standards on Auditing. The report has an annex attached giving details of compliance and seeks Members approval of the responses given and requests that the Audit Committee recommends that the General Purposes Committee ratify the assurance of the General Purposes Committee Chairman at their next meeting on 23 June 2014.

1.1 Background

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

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

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

1.1.3 The responsibilities for corporate governance at Tonbridge & Malling are split between the Audit Committee and the General Purposes Committee so this confirmation needs to be endorsed by both Committees.

1.1.4 However, the External Auditor requires assurance before the next meeting of the General Purposes Committee which is not scheduled until 23 June 2014.

- 1.1.5 Where this timing has occurred in the past the External Auditor has been satisfied with the Audit Committee and the Chairman of the General Purposes Committee giving this assurance now with the General Purposes Committee confirming the Chairman's assurance at the next meeting.
- 1.1.6 The Chairman of the General Purposes Committee has been asked to give a confirmation of assurance of compliance prior to the next meeting of General Purposes Committee.

1.2 Assurance Evidence

- 1.2.1 The responses to the questions have been prepared and agreed with the Chairman of the General Purposes Committee and the Chairman of the Audit Committee. **[Annex 1]**
- 1.2.2 Members of the Audit Committee are required to consider these responses and satisfy themselves that the Council is compliant with the International Auditing Standards.
- 1.2.3 Management Team are also required provide assurance of compliance with these standards in a separate questionnaire. The Management Team assurance is reported to the Audit Committee as a separate report to this meeting. This will provide the Audit Committee with additional evidence for their consideration.
- 1.2.4 There have not been any reported incidents of significant fraud or error to the Chief Internal Auditor during 2013/14.

1.3 Legal Implications

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

1.4 Financial and Value for Money Considerations

- 1.4.1 Non-compliance with these standards could result in additional work being required by the External Auditors to satisfy them that fraud and error were being prevented and to ensure future compliance with the standards.
- 1.4.2 Any incidents of fraud require in depth investigation and use considerable resources to resolve. Any cost effective action to prevent instances of fraud will result in resources being diverted to deal with them.

1.5 Risk Assessment

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

1.6 Equality Impact Assessment

1.6.1 This report is demonstrating how the Council complies with International Standards. These standards are based upon factors outside of equality issues.

1.7 Recommendations

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

1.7.2 Following this agreement, it is **RECOMMENDED** that the Audit Committee requests that the General Purposes Committee ratify the assurance of the General Purposes Committee Chairman at their next meeting on 23 June 2014.

Background papers:

contact: David Buckley

Council Constitution

Financial Services working papers

Councillor Vivian Branson

Chairman of the Audit Committee

Screening for equality impacts:		
Question	Answer	Explanation of impacts
a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community?	No	This report sets out the Council's compliance with international standards of auditing and is not affected by equality issues.
b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?	No	As above.
c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?		

In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above.

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Tonbridge & Malling BC

2013/14 Financial statements

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

Introduction

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

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

For Tonbridge & Malling BC responsibility for approving the accounts falls to the General Purposes Committee. It is suggested that the responses in respect of TCWG are initially provided by the Audit Committee and then confirmed by the General Purposes Committee.

ISA 240: Fraud		
1	How do TCWG exercise oversight of management's processes in relation to:	
a)	Undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud.	<p>The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the UK 2013/14. A Statement of Responsibilities for the Statement of Accounts is included in the Statement of Accounts which is approved by the General Purposes Committee and subsequently signed by the Chairman of the Committee and the Director of Finance. This Statement of Responsibilities is supported by a detailed declaration from the Director of Finance and Transformation.</p> <p>The Accounts also contain the Annual Governance Statement which confirms compliance with the Code of Corporate Governance. It is signed by the Chief Executive and the Leader of the Council and confirms that there are no known breaches of laws and regulations.</p> <p>The accounts are presented to members with an accompanying report which explains significant items and movements.</p>
b)	Identifying and responding to risks of fraud in the organisation (including how TCWG oversee any specific risks of fraud which management have brought to its attention, or any classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist).	<p>The zero-tolerance culture of the organisation towards fraud is reinforced by use of Anti-Fraud and Corruption Policies supported by a Confidential Reporting Code with outcomes being reported to Members. There is a comprehensive internal audit programme that covers all of the main accounting systems on an annual basis. These reviews result in an assurance level being given to Members for each individual audit and this is used by the Chief Internal Auditor to give an overall assurance level to Members in his Annual Report. In addition, all</p>

		<p>reports and recommendations are reported to relevant Chief Officers and management with comprehensive follow-up procedures that monitor improvement.</p> <p>The Council works with partners to identify and investigate fraud. The referrals made through the National Fraud Initiative (NFI) exercise are investigated and outcomes are reported to Members of the Audit Committee.</p> <p>The Benefit Investigation Section work closely with the Department of Work and Pensions (DWP) to investigate allegations of fraud. There is also participation in the Housing Benefit Matching System that uses data matching in order to identify incorrect benefit payments. The outcomes of benefit investigations are regularly reported to the Finance, Innovation & Property Advisory Board.</p>
c)	Communication to employees of views on business practice and ethical behaviour.	<p>In order to make sure that all staff are fully aware of Anti-Fraud Policies, Anti-Money Laundering Policy and Confidential Reporting Code the Council uses "Netconsent". This is software that requires staff to read policies and acknowledge understanding of them before they can log on to the Council's computer systems. This has also been used to circulate Data Protection and email usage policies.</p> <p>All staff are required to abide by the Council's Code of Conduct and this is provided upon appointment to the Council. The Code of Conduct has been circulated to staff by use of Netconsent. There are enhanced Codes of Conduct in some sections such as Housing Benefits and Internal Audit where staff are also required to sign additional specific Codes of Conduct.</p>
d)	Communication to those charged with governance the processes for identifying and responding to fraud.	The Anti-fraud and supporting policies are reviewed and agreed by Members on a regular basis. Any serious breaches are reported to Members with action taken to improve control weaknesses that were identified.
2	Have TCWG identified any specific fraud risks within the organisation, particular locations where fraud is more likely to occur, or areas that are at risk of fraud?	<p>The Audit Committee is also responsible for overseeing the risk management process in place. Besides reviewing the risk management process the Committee is given regular reports on the risk exposure levels identified in the risk registers including specific attention to high risk areas. Regular reporting of insurance claims takes place. This would include any claims that have arisen from fraud or breaches of internal control.</p> <p>When the Annual Audit Plan is considered by the Audit Committee it will have taken into account any areas identified as high risk. Members are updated on publications such as "Protecting the Public Purse", exercises such as the National Fraud Initiative and action taken to address any issues raised. The Audit Committee also adopted the principles set out in the CIPFA publication "Managing the Risk of Fraud" during 2009/10.</p>
3	How are staff encouraged to	All staff are made aware of the Confidential

	<p>report their concerns about fraud, and the types of concerns that they are expected to report?</p>	<p>Reporting Code using email and "Netconsent". The most recent version of this Code was circulated to staff using Netconsent. Frontline staff have been given fraud awareness training and this is ongoing.</p> <p>The Corporate Governance web pages were redrafted following the review of policies. There was an online fraud awareness session made available to all staff with computer access.</p> <p>The Council has a Confidential Reporting Code "Whistleblowing" that is available to all staff and external stakeholders. This code enables concerns to be raised confidentially with a prescribed explanation of how they will be investigated and dealt with. It also gives guidance on the types of concerns to raise.</p>
4	<p>How do they satisfy themselves that internal controls, including segregation of duties, exist and work effectively?</p>	<p>Members are presented with an Annual Governance Statement that informs them of the procedures in place that are designed to minimise the risk of fraud and error.</p> <p>The Internal Audit process requires the auditor to give a level of assurance on the area audited. There are regular reports provided to the Audit Committee that inform members of these assurance levels. Members are also given a summary of the audit with details of any recommendations made.</p> <p>The Committee are able to question the Chief Internal Auditor or his staff on the contents of this report in order to satisfy themselves that adequate internal controls are in place to prevent fraud and breaches of internal control.</p> <p>Where there is a perceived weakness the report will contain steps recommended to strengthen the controls.</p> <p>Any reports addressed to the Council from the Audit Commission are presented to the Audit Committee. Representatives of the Audit Commission regularly attend Audit Committee meetings and will present their findings to the Audit Committee as well as answering any questions on the reports.</p>
5	<p>Are TCWG aware of any actual, suspected or alleged frauds during the year?</p> <p>If yes, what has been the response?</p>	<p>The only frauds that have been reported to Members during 2013/14 related to Benefit fraud and these were reported to the Finance, Innovation and Property Advisory Board. There are no other significant concerns raised in 2013/14 that have been reported to Members.</p>
6	<p>Are TCWG aware of any whistleblower tips or complaints during the year?</p> <p>If yes, what has been the response?</p>	<p>There have been no concerns raised during the year 2013/14.</p>

ISA 250: Compliance with laws and regulations		
7	How do TCWG satisfy themselves that the Council complies with legislation and relevant regulatory frameworks?	The Council's Constitution is written to ensure compliance with law and requires all officers to comply with the relevant legislation. The Annual Governance Statement contains assurance that all relevant laws have been complied with. Any breaches of laws or regulations will be reported to Members by the Monitoring Officer.
8	Are you aware of any actual or potential litigation or claims that could materially affect the financial statements?	No issues are ongoing that could materially affect the financial statements.
ISA 260: Accounts planning risk		
9	Are TCWG aware of any significant internal and external operational, financial, compliance or other risks facing the Council which might have an effect on the financial statements? Where there are such risks, what is the likelihood of those risks materialising?	<p>The risk management system requires all Chief Officers to regularly review their risk registers and report any movements into the high area to Management Team.</p> <p>The results of these reviews of risk registers are reported to the Audit Committee and include a summary of all risks with specific information on high risk areas.</p> <p>In addition all reports requiring Members decision will contain an explanation of expected risk and steps taken to minimise the risk. These processes have not identified any events that might have a material effect on the 2013/14 financial statements.</p>
10	Are there any matters those charged with governance consider warrant particular attention during the audit? Are there any areas where they would request additional procedures to be undertaken?	Subject to confirmation by the relevant Committee, there are no matters which those charged with governance consider warrant particular attention or areas where they consider additional audit procedures should be undertaken.
ISA 570: Going concern		
11	How do TCWG satisfy themselves that it is appropriate to adopt the going concern basis in preparing the financial statements?	<p>Going concern status is maintained through the use of the medium term financial strategy. This projects the level of financial expenditure and levels of reserves required to provide services.</p> <p>The Council currently holds adequate levels of reserves that could be used in the event of emerging financial difficulties in the short term, allowing for more detailed plans to be considered and put in place for the longer term.</p> <p>Members receive regular reports on the financial position of the Council, movements in the MTFs and any potential changes on calls from reserves.</p> <p>The assessment of going concern will also take into account the Council's status as a tax-raising body.</p>

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

14 April 2014

Report of the Management Team

Part 1- Public

Matters for Information

1 MANAGEMENT TEAM ASSURANCE ON COMPLIANCE WITH INTERNATIONAL STANDARDS ON AUDITING

Summary

As part of the Audit Commission annual inspection there is a requirement for Management Team to confirm to the External Auditor that the above auditing standards have been complied with. The Audit Committee and General Purposes Committee have to provide a similar assurance and this report provides supporting evidence to their consideration.

1.1 Assurance

1.1.1 The determination of compliance with these standards is based upon a set of questions posed by the External Auditor. Responses to these questions are provided by the Chief Executive, Director of Finance & Transformation and Monitoring Officer.

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

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

1.2 Legal Implications

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

1.3 Financial and Value for Money Considerations

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

1.3.2 Any incidents of fraud require in depth investigation and use considerable resources to resolve. Any cost effective action to prevent instances of fraud will result in resources being diverted to deal with them.

1.4 Risk Assessment

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

1.5 Equality Impact Assessment

1.5.1 As this is not a decision paper there is no equality impact identified.

Background papers:

contact: David Buckley

Council policies and records

Julie Beilby
Chief Executive

For Management Team

Sharon Shelton
Director of Finance & Transformation

Tonbridge & Malling BC

2013/14 Financial statements

Compliance with International Standards on Auditing: Information requested from management

Introduction

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

For Tonbridge & Malling BC responsibility for approving the accounts falls to the General Purposes Committee. It is suggested that the responses in respect of TCWG are initially provided by the Audit Committee and then confirmed by the General Purposes Committee.

Fraud

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

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

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

	Please explain how management;	2013/14 Responses:
1	Undertakes an assessment of the risk that the financial statements may be materially misstated due to fraud. Is there such a risk for 2013/14? If so what are the accounts, classes of transactions, or disclosures where fraud risks have been identified or are likely to exist?	<p>We consider that the potential for material misstatement within the financial statements due to fraud is negligible. This assessment is based upon the use of budgetary control, risk management and significant peer review by senior officers during the accounts close-down process.</p> <p>Management are asked to consider the risk of fraud and error when completing their operational risk registers and are required to draw any areas that are considered significant risk to be reported to Management Team.</p> <p>The Internal Audit planning process carries out a risk assessment in order to score against fraud and error and targets those areas where the risk is considered highest.</p> <p>Management review financial statements as part of the year end closedown.</p> <p>This review includes the completion of a checklist on what reviews have been undertaken in order for the Section 151 Officer to be satisfied that the accounts have been prepared with a minimal risk of financial misstatement.</p> <p>No material risks have been identified for 2013/14.</p>

2	Identifies and responds to the risk of fraud in the organisation.	<p>The zero-tolerance culture of the organisation towards fraud is reinforced by use of Anti-Fraud and Corruption policies supported by a Confidential Reporting Code with outcomes being reported to Members. Any reported allegations of fraud will be investigated and dealt with according to the relevant policies.</p> <p>The Internal Audit planning process carries out a risk assessment in order to score against fraud and error and targets those areas where the risk is considered highest. The subsequent reviews result in an assurance level being given to Management and Members for each audit and this is used by the Chief Internal Auditor to give an overall assurance level to Members in his Annual Report. In addition, all reports and recommendations are reported to relevant Chief Officers and management with comprehensive follow-up procedures that monitor improvement.</p> <p>There is a strong risk management culture within the organisation. Management are required to consider fraud and error within their services as part of the risk management process. Management have a duty to report any changes in movement towards greater risk and are also required to report any concerns of fraud for investigation.</p> <p>The authority undergoes regular budgetary control reporting to management and Members, and this should identify potential fraud as being a variation to the set budget. Internal Audit testing of risk areas is designed to identify potential anomalies. All services are required to complete risk registers and to consider the risk of fraud in this exercise.</p>
3	Communicates to employees its views on business practice and ethical behaviour.	<p>Anti-Fraud Policies are frequently reviewed and distributed to staff. These include a statement of zero-tolerance towards fraudulent behaviour.</p> <p>Where staff have computer access they are required to acknowledge reading and understanding the policies by the use of NETconsent at log in point.</p> <p>During 2013/14 all staff with computer access were given the opportunity to undertake on-line fraud awareness training.</p> <p>The Council web pages on fraud will be updated and the latest versions of Anti-Fraud Policies will be distributed through NET consent.</p>
4	Communicates to those charged with governance the processes for identifying and responding to fraud.	<p>All policies relating to governance are regularly reviewed by those charged with governance. Any significant breaches, together with action taken to prevent future breaches are reported to the relevant Committee.</p>

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

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

		efficiencies. Management Team does not believe that this pressure on the organization as a whole compromises internal controls increasing the risk of fraud or error. Changes to procedures must be agreed by Management.
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Compliance with laws and regulations

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

12	Please provide a brief summary of the procedures followed by the Council to ensure compliance with legislation and relevant regulatory frameworks.	<p>The Council's Constitution contains the details of regulatory framework. The Constitution also contains details of delegated responsibilities.</p> <p>All decision making Committee papers include a section for legal consideration and a synopsis of the legal position is included in reports.</p> <p>Any significant breaches of legislation are investigated by the Monitoring Officer and are reported to Members.</p>
13	Have there been any suspected breaches of the legal and regulatory framework reported to the Monitoring Officer during the year? Is there any indication of significant unreported concerns?	There have been no suspected breaches of the legal and regulatory framework reported to the Monitoring Officer during the year. There is no indication of significant unreported concerns

Accounts planning risk

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

14	The nature and extent of any significant internal and external operational, financial, compliance or other risks facing the Council which might have an effect on the financial statements	<p>There is a requirement under the Council's Risk Management system for all risks identified as being "High" risk to be reported to Management Team. These risks have been reported to Management Team and there are none that have been identified as having a significant risk on the financial statements of the Council.</p> <p>The Council has a Medium Term Financial Strategy and risks identified that are likely to have an effect on the finances of the Council are factored into this plan. Regular reviews of the MTFs ensure that financial planning is closely monitored.</p>
15	Where there are such risks, the likelihood of those risks materialising.	As stated above there are no risks that have been deemed to fall into this category.
16	Matters and events which occurred during the year that could influence	The transfer of the management of the Council's leisure facilities to a trust on 1 November 2013.

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

Litigation and claims

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

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

Related Parties

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

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

Going concern

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

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

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

27	How do management satisfy themselves that it is appropriate to adopt the going concern basis in preparing the financial statements?	<p>Going concern status is maintained through the use of the medium term financial strategy. This projects the level of financial expenditure and levels of reserves required to provide services.</p> <p>The Council currently holds adequate reserves that could be used in the event of emerging financial difficulties in the short term, allowing for more detailed plans to be considered and put in place for the longer term.</p>
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TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

14 April 2014

Report of the Chief Internal Auditor

Part 1- Public

Matters for Information

1 CHIEF INTERNAL AUDITOR'S INTERIM REPORT

Summary

This report provides the opinion of the Chief Internal Auditor on the overall adequacy and effectiveness of the control environment of Tonbridge & Malling Borough Council as required by Public Sector Internal Audit Standards.

1.1 Background

- 1.1.1 The Accounts and Audit (England) Regulations 2011 require that the Council must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control.
- 1.1.2 Guidance to the Regulations recognises that compliance with the Public Sector Internal Audit Standards (PSIAS) produced by CIPFA meets the requirements of the regulations.
- 1.1.3 These standards require the Chief Internal Auditor to deliver an annual internal audit opinion and report that can be used by the organisation to inform its Annual Governance Statement.
- 1.1.4 The contents of this report must conclude on the overall adequacy and effectiveness of the organisations framework of governance, risk management and control.
- 1.1.5 The report must also incorporate : -
- the opinion;
 - a summary of the work that supports the opinion; and
 - a statement on conformance with the PSIAS and the results of the quality assurance and improvement programme.

- 1.1.6 Due to the timing of the presentation of the Annual Governance Statement the opinion of the Chief Internal Auditor is given on the outcome of work carried out to date in the current financial year. However, this will include work that is currently ongoing during the last quarter. A full annual report will be presented to Members at the June meeting of this Committee.

1.2 Quality Assurance and Improvement Programme (QAIP)

- 1.2.1 The purpose of a QAIP is to enable all aspects of internal audit activity to be measured for conformance against the Public Sector Internal Audit Standards (PSIAS).
- 1.2.2 A self-assessment has been carried out against these standards and a series of action points have been identified in order to achieve full compliance.
- 1.2.3 As part of this exercise the QAIP process was reviewed to ensure that it met the requirements of the standards. The audit process has a number of checks in place to ensure that quality is constantly monitored within the section as well as seeking quality assurance from stakeholders.
- 1.2.4 An element of the PSIAS is to undergo an independent external assessment once in every five-year period. Prior to the new standards being introduced the section underwent a satisfactory peer review carried out by Gravesham Council. The external auditors have regularly given a positive opinion on the adequacy of the Internal Audit provision on a regular basis.
- 1.2.5 In the interim period the Chief Internal Auditor will continue to report to the Audit Committee on the effectiveness of Internal Audit based upon the performance measures already in place.
- 1.2.6 The Management Team and Audit Committee are required to review the effectiveness of Internal Audit on an annual basis. Both concluded in the last review that took place in June 2013 that the level of Internal Audit for 2012/13 was "good".

1.3 Governance Framework

- 1.3.1 The Council has adopted a Local Code of Corporate Governance based upon the principles set out in the CIPFA/SOLACE publication Delivering Good Governance in Local Government: Framework and Guidance Note for English Authorities (2012).
- 1.3.2 The Local Code is reviewed on an annual basis and identifies how the Council will meet the principles in the guidance. This document is used as the basis for consideration of the Annual Governance Statement. This statement is reported to Members as a separate item to this Committee.

- 1.3.3 The Local Code was reviewed in June 2013. It is considered that the Council has an effective corporate governance framework by meeting the requirements of the CIPFA/SOLACE framework.

1.4 Risk Management

- 1.4.1 The Council has a Risk Management Strategy that sets out the responsibilities and procedures in place for the management of risk. This strategy is reviewed on an annual basis and is considered to meet the requirements for ensuring that a robust system of risk management is in place.
- 1.4.2 Managers are required to review operational risk registers on a regular basis and any significant risks are reported to the Audit Committee with an explanation of action taken to minimise the risk. This process ensures that significant risk is managed in accordance with the Risk Management Strategy. All identified significant risks and control actions have been reported to Members.
- 1.4.3 The recent flooding required the Council to put the emergency plan into action. The Council were able to fulfil their obligations within their remit for service provision.
- 1.4.4 Members of the Council were given the opportunity to attend a training session on risk management provided by Zurich Municipal.

1.5 Work Supporting the Opinion

- 1.5.1 The work of the Internal Audit Section is identified on an annual basis by undertaking a risk based assessment of needs and matching this to available resources.
- 1.5.2 The Audit Plan is agreed by Management Team and the Audit Committee as well as being shared with the Council's external auditors.
- 1.5.3 Progress against the plan is reported to Members on a regular basis as well as seeking agreement to any plan changes.
- 1.5.4 Members of the Audit Committee are given regular reports on the work undertaken and the outputs of this work. The compliance work is given a level of assurance and any red opinions are reported on in detail with details of action taken to increase internal control.
- 1.5.5 The work carried out to date by the Internal Audit Section is reported to Members elsewhere on this agenda. Any significant concerns are required to be drawn to the attention of Members and would affect the opinion of the Chief Internal Auditor. There have not been any significant concerns identified in the work carried out that would have a material effect on the accounts.
- 1.5.6 There have not been any other concerns raised that could indicate a significant breach of the control environment.

- 1.5.7 The Confidential Reporting Code “Whistleblowing” exists to enable concerns to be raised in accordance with the Public Disclosure Act 1998.
- 1.5.8 The outcomes of any investigations are reported to Members of this Committee together with any disciplinary or legal outcome.
- 1.5.9 There have not been any concerns raised under the “Whistleblowing Code” during 2013/14.
- 1.5.10 The Code was last endorsed by General Purposes Committee in June 2013. Another review has taken place and will be presented to the next meeting of the General Purposes Committee.
- 1.5.11 Members of staff were also given the opportunity to undertake some on-line fraud awareness training. A total of 151 members of staff undertook the training which had a ten question test at the end of it. A total of 128 participants passed with an average score of 89.5%. A total of 13 participants who failed the test (less than 80%) were able to take an additional 5 questions and 12 passed with an average score of 87.7%.
- 1.5.12 Chief Officers are required to sign a service assurance statement at the year end to provide evidence that they believe that the internal control environment has operated satisfactorily within their service.
- 1.5.13 These statements are reviewed annually and are intended to provide assurance from Chief Officers on all areas that they are responsible for. A copy of the latest version of this statement is attached. **[Annex 1]**
- 1.5.14 In addition the Chief Internal Auditor is required to complete an overall assurance statement.
- 1.5.15 The deadline for completion of these statements is midday on 4 April 2013. A verbal update will be given to Members at this Audit Committee on the outcome of the statements.
- 1.5.16 Management and Members are required to give assurance to the External Auditor that that the Council is compliant with International Auditing Standards. These assurances are dealt with in separate reports to this meeting.
- 1.5.17 There were no areas of concern arising from the statements confirming compliance with these standards.
- 1.5.18 The Council has a sound budgetary control procedure that carries out a comparison between actual and budgeted expenditure and income on a monthly basis. Any significant discrepancies require an explanation.
- 1.5.19 Both the budgetary control reports and explanations of differences are regularly reported to Management Team. There have not been any significant issues that are considered to be likely to have a material effect on the accounts.

1.6 Conformance with PSIAS

1.6.1 The Internal Audit Section cannot achieve compliance with the PSIAS standards until the Council has undergone an external independent inspection. It is anticipated that this inspection will be undertaken in 2015/16. Until then the Internal Audit Section will be working towards full compliance with the standards.

1.7 Opinion

1.7.1 Based upon the work carried out and supporting evidence the opinion of the Chief Internal Auditor is that: -

- **The Council has maintained an adequate and effective internal control environment during 2013/14.**

1.8 Legal Implications

1.8.1 This report complies with the requirements of the Accounts and Audit (England) Regulations 2011.

1.8.2 It also provides evidence for Members of the Audit Committee to assist their consideration of the Annual Governance Statement as per the Regulations. In addition it confirms that Internal Audit are working towards compliance with the PSIAS.

1.9 Financial and Value for Money Considerations

1.9.1 The Council must meet the legal requirement for an adequate system of Internal Audit in order to minimise the risk of loss through fraud and error. It must also ensure that the resources available can meet the level of audit required. The Audit Plan considers risk in order to achieve this balance.

1.9.2 A failure to provide a service that meets the requirements of the Accounts & Audit Regulations would lead to additional external inspection and additional costs to the Council.

1.10 Risk Assessment

1.10.1 The audit plan is risk based and is intended to add to the overall risk management system of the authority. The relatively low levels of fraud and error suggest that this objective is being successfully met whilst maintaining an anti-fraud culture.

1.11 Equality Impact Assessment

1.11.1 No equality impact issues have been identified through this report.

Background papers:

contact: David Buckley

PSIAS produced by CIPFA (2012)
 CIPFA/SOLACE Delivering Good Governance in Local
 Government: Framework and Guidance Note for
 English Authorities (2012).

David Buckley
 Chief Internal Auditor

Screening for equality impacts:		
Question	Answer	Explanation of impacts
a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community?	No	Information item
b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?	No	Information item
c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?		

In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above.



Assurance Statement 2013-14

In accordance with regulation 4(3) of the Accounts and Audit (England) Regulations 2011 in relation to the preparation of an Annual Governance Statement, Tonbridge & Malling Borough Council is required to conduct a review at least once a year of the effectiveness of its governance arrangements, including its system of internal control and arrangements for risk management.

To facilitate this, the Chief Executive, all Directors and the Chief Internal Auditor are required to complete and certify a self assessment questionnaire on at least an annual basis. This questionnaire acknowledges the responsibility of the manager in disseminating corporate messages and monitoring practices that uphold the council's governance framework within their Directorate or service area.

The governance framework is defined as:

"The systems and processes, and cultures and values by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities."

Delivering Good Governance in Local Government – Framework, CIPFA, 2007

The assurance statements provided by the council's Management Team will be used together with other assurance sources (e.g. internal and external audit opinions) to develop the 2013-14 Annual Governance Statement for Tonbridge & Malling Borough Council.

In completing this exercise, it is acknowledged that the governance framework and system of internal control can provide only reasonable and not absolute assurance that assets are safeguarded, transactions are authorised and properly recorded and that material errors or irregularities are either prevented or will be detected within a timely period.

Statement from the

This statement is given in respect of the governance framework in place within my authority during the 2013-14 financial year.

I acknowledge my responsibility in ensuring that council policies and procedures are followed and that proper systems of governance and internal control are maintained within the services areas of my directorate. This responsibility incorporates the requirement to monitor and review the operation of these systems as part of the council's risk management processes.

The information provided in the following sections of the document is given to the best of my knowledge in connection with the service areas for which I have responsibility. Where I am unable to confirm all, some or any of the following, I have provided details in the column headed 'Exceptions'.

Officer completing this statement:

Date completed:

Reference	Area of Responsibility	Confirmed (Yes/No)	Evidence Source	Exceptions
1	Policies, Objectives and Plans			
1.1	I can confirm that the council has worked towards delivery of the objectives set out within the Corporate Performance Plan 2012/15	Yes/No	<i>Performance reports, publications of performance information Council's website</i>	
1.2	I can confirm that all Directors have ensured service plans are prepared for their directorates which set out how each service contributes to the achievement of the council's corporate objectives <u>and</u> the risks associated	Yes/No	<i>Service Plan / Risk Register</i>	
2	Compliance			
2.1	I can confirm that all Directors conduct their business in line with the Constitution of Tonbridge & Malling Borough Council which sets out the basic rules governing the council's business.	Yes/No	<i>Constitution available on Council website</i>	
2.2	I can confirm that all Directors conduct their business in line with the Personnel Reference Manual of Tonbridge & Malling Borough Council which sets out, among other things, the employee code of conduct and council policies.	Yes/No		
2.3	I can confirm that all Directors conduct their business in line with the council's Anti-Fraud and Corruption Strategy.	Yes/No	<i>Anti-fraud and corruption strategy</i>	
2.4	I can confirm that all Directors are aware of,	Yes/No	<i>(Whistleblowing Policy)</i>	

Reference	Area of Responsibility	Confirmed (Yes/No)	Evidence Source	Exceptions
	and have access to, the council's Confidential Reporting Code.			
2.5	I can confirm that adequate arrangements are in place to ensure that Directors are aware of legislative and other requirements (including accounting and professional standards).	Yes/No	<i>Management Team Minutes Circulation Lists</i>	
2.6	I can confirm that all Directors are aware of, and have access to the council's Data Protection Policy.	Yes/No		
2.7	I can confirm that all Directors consider new partnership arrangements following the council's Constitution.	Yes/No/NA		
2.8	I can confirm that all Directors exercise good governance in all partnerships they are involved in.	Yes/No	<i>Minutes of meetings, Terms of Reference, Financial reports, Performance monitoring</i>	
2.9	I can confirm that all Directors exercise good governance in all shared services/joint working arrangements.	Yes/No		
3	Management Structures and Staffing			
3.1	I can confirm that all Directors have clearly defined job descriptions.	Yes/No	<i>Job Descriptions</i>	
3.2	I can confirm that all Directors are aware of their roles and responsibilities.	Yes/No	<i>Job Descriptions Delegation Scheme (in the Constitution)</i>	

Reference	Area of Responsibility	Confirmed (Yes/No)	Evidence Source	Exceptions
3.3	I can confirm that the performance of all Directors is monitored and issues arising are dealt with appropriately.	Yes/No		
4	Governance			
4.1	I can confirm that all decision taken by the Management of the council are done so with consideration to any legal implications.	Yes/No	<i>Management Team minutes Constitution</i>	
4.2	I can confirm that all decision taken by the Management of the council are done so with consideration to any financial implications.	Yes/No	<i>Management Team minutes Constitution</i>	
4.3	I can confirm that all decision taken by the Management of the council are done so with due consideration to any associated risks.	Yes/No	<i>Management Team minutes</i>	

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

14 April 2014

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Information

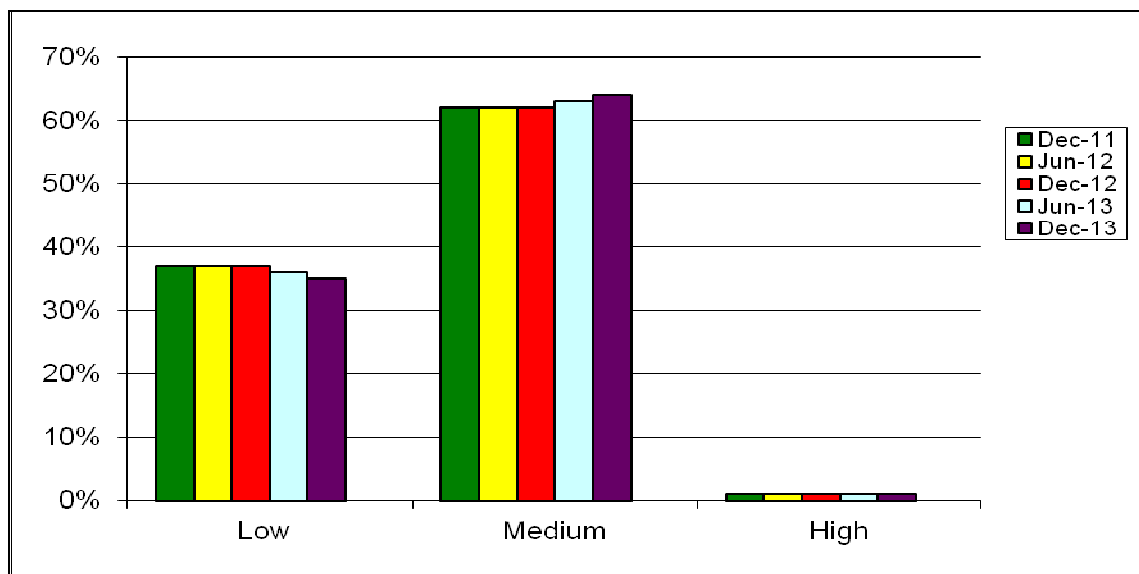
1 REVIEW OF OPERATIONAL RISK REGISTERS

This report serves to update Members on the results of a review of the Operational Risk Registers carried out by Services in December 2013.

1.1 Introduction

- 1.1.1 Services are required to review their registers half-yearly, the objective being to ensure that management and Members are provided with information concerning the overall risk status of the Council.
- 1.1.2 Members will note from the graph shown below that the levels of risk remain reasonably static with only a minor fluctuation in the Low and Medium level risks. Those risks that have been scored as high are noted at **[Annex 1]** to this report.

As mentioned in previous reports to this Committee the Council has a risk based approach to auditing and, therefore, any risks identified in the high category will be considered as part of the Internal Audit Plan to ensure that action has been taken to minimise the risk as far as is practical to do so.



	Low	Medium	High
December 2011	37%	62%	1%
June 2012	37%	62%	1%
December 2012	37%	62%	1%
June 2013	36%	63%	1%
December 2013	35%	64%	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 and Audit Regulations.

1.3 Financial and Value for Money Considerations

- 1.3.1 None.

1.4 Risk Assessment

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

1.5 Policy Considerations

- 1.5.1 Business Continuity/Resilience

Background papers:

contact: Brian Courtney

Nil

Sharon Shelton
Director of Finance and Transformation

ANNEX 1

ACTIVITIES / OBJECTIVES SCORED AS HIGH RISK

PLANNING, HOUSING & ENVIRONMENTAL HEALTH

Development Control



1. Objective: **Maintain or improve the level of fee income.**

Score: (15) Likelihood = **Very Likely** x Impact = **Significant**

Reason: Impact of current economic conditions.

Existing Controls: Monthly monitoring – which continues to reveal an unpredictable profile. Need to maintain ‘critical mass’ of staff in order to run existing system and to be able to respond immediately to economic recovery. Performance on fee income reported to Management Team.

PLANNING, HOUSING & ENVIRONMENTAL HEALTH

Housing



2. Objective: **(Enabling new affordable housing) - Secure a continuing supply of affordable housing and work to prevent homelessness.**

Score: (15) Likelihood = Very Likely x Impact = Significant

Reason: Economic downturn - lack of suitable development opportunities and lack of capital funding. Lack of demand for shared ownership tenures. Unfavourable change to national policy framework. Welfare Reform. Introduction of flexible tenancies. The Affordable Rent Regime.

The key risk is that the Council will fail to secure an ongoing supply of new affordable housing and as a result there will be less affordable housing to meet the needs of households in Tonbridge and Malling. The likelihood has been judged as high because of the economic downturn and because of changes to the national policy framework which has seen a significant decrease in the amount of capital funding available for new housing development.

Existing Controls: Levels of housing need quantified in 2008 SHMA. SHMA. Clear policies for the provision of new affordable housing identified in LDF. Core Strategy (CP17) and Affordable Housing SPD. Preferred partner RP's selected for their proven track record in delivering new affordable housing. Performance monitored as part of an on-going and open dialogue. Strong relationships with developers., landowners, parishes, support providers and Homes & Communities Agency. Use of alternative tenures during the economic downturn. Active participation in HCA's 2011-15 Affordable Homes Programme. A set of Kent wide Tenancy Strategy principles preceded district and borough specified strategies. T&M Strategy finalised January 2013. Kent authorities via Kent Housing Group working with HCA to develop new models for the delivery of both social and affordable housing from 2015.

Housing



3. Objective: **(Tackling homelessness) - Secure a continuing supply of affordable housing and work to prevent homelessness.**

Score: (15) Likelihood = Very Likely x Impact = Significant

Reason: Economic downturn - loss of CLG funding. Loss of key staff. Lack of suitable temporary accommodation. Lack of suitable private rented accommodation, due to rising rents and increasing numbers of private landlords who are reluctant to offer accommodation to benefit-dependent households. The introduction of flexible tenancies and the proposed new mandatory power for possession. RPs reluctance to accommodate homeless households that have a history of rent arrears/ASB. Increasing demand for affordable housing from low priority applicants including transfers. Increasing number of requests for a review of priority, including medical. Increased demand from private sector tenants affected by changes to the Housing Benefit system. The introduction of direct payments to social housing tenants and other aspects of welfare reform. Unfavourable change to national policy framework. Errors in the processing of housing application for Kent Homechoice. Inability to promptly answer customer telephone enquiries. Reform of homelessness legislation which will allow local authorities to discharge their homelessness duties by providing private rented accommodation. An increase in the number of fraudulent applications for social housing

Existing Controls: Strategic approach to homelessness prevention identified within 2011-1016 West Kent Homelessness Strategy.

Implementation and monitoring of key strategic objectives undertaken in partnership with key stakeholders including other West Kent authorities. Voluntary agencies, health and social care sectors and support providers. Track record of stock-holding RSLs in housing homeless families closely monitored. Ongoing dialogue with private landlords both informally and through the West Kent Private Landlords Forum. Review of Rent Deposit Scheme - procedures reviewed every two years. Admin' functions being streamlined to increase efficiency including development of CSA role in housing advice and recruitment of additional administrative resource to Housing Team. Expenditure monitored. Policies and Procedures relating to the financial aspects of homelessness completed July 2010 in accordance with internal audit report. Tenancy Policy approved February 2013. Use of local lettings plans to encourage the creation of stable, sustainable communities. Scheme for young people in Tonbridge completed in April 2011. Young Person's Protocol reviewed and updated during 2010 to reflect the Southwark Judgement. Comprehensive written procedures in place following internal audit report.

Housing

4. Objective: **Improve sub-standard housing and the energy efficiency of existing and new housing provision.**

Score: (15) Likelihood = Very Likely x Impact = Significant

Reason: Economic downturn -loss of CLG funding. Loss of key staff. (including those within outsourced HIA). Commitment exceeds available resources resulting in overspend. Raised public expectation of resources/services available. Failure by the Supporting People Programme to successfully re-tender the HIA contracts.

Existing Controls: Strong relationship with "In Touch" HIA, with performance against objectives regularly monitored
 Regular monitoring/reporting on spend against budgets, with redistribution of funding secured where appropriate
 Customers kept informed of progress with individual initiatives and resources available
 Working with partners to identify future funding opportunities
 Careful control of promotion of and commitment against Housing Assistance Policy to ensure control of allocated budget.
 Recycling of funding taking place with most housing assistance being repayable grants
 Agreement in place with Russet Homes to significantly increase the amount of funding that is available for adaptations
 Review of Housing Assistance policy in line with available future funding
 Close working with the Supporting People Programme, neighbouring authorities and 'In Touch' to ensure the quality and volume of services to customers following the re-tendering of HIA services.
 Promote and support the NLA Landlord Accreditation Scheme to private sector landlords in the borough
 Close working with KCC to minimise delays in the OT assessments of adaptations for children.

Housing



5. Objective: Ensure that all Services are procuring contractors and service providers with appropriate consideration to health and safety and ensure that Services are managing contractors with proportionate consideration to health and safety issues.

Score: (15) Likelihood = **Likely** x Impact = **Critical**

Reason: Failure to properly consider H&S of contractors at all stages from selection/procurement through to monitoring of a contract could lead to accidents or injuries to staff, third parties, potential damage to property and civil claims.

Existing Controls: Health & Safety Policy document. Guidance Note 16 – Selection and Management of Contractors (health and safety). Adoption of KCC procurement list. The six monthly monitoring of progress within Services by HSO and the identification of Services that require further assistance in this area. Expanding the use of procurement through Dartford BC and SE Business Portal

FINANCE & TRANSFORMATION

Revenues



6. Objective: **Increase the proportion of income due to the Council collected in respect of local taxes.**

Score: (15) Likelihood = **Very likely** x Impact = **Significant**

Reason: That any action we take to increase income could be counterbalanced by factors over which we have no control, e.g. national, economic conditions). Unwillingness of Magistrates to commit debtors to prison. Listing delays in the County Court. Presumption against use of bankruptcy (see Ombudsman reports). Increasing amounts of council tax due from claimants of council tax reduction who are of working age and were previously in receipt of 100% council tax benefit

Existing Controls: Regular monitoring of the situation. Liaison with neighbouring councils, promotion of the rate deferral scheme and small business rate relief schemes for businesses, promotion of the availability of council tax reduction, encourage the use of debt counselling services, endeavour to reach mutually agreeable and realistic arrangements with taxpayers for the payment of debts. Availability of 12 monthly instalments.

Revenues



7. Objective: **Further improve on the prompt collection of monies due to the Council.**

Score: (15) Likelihood = Very likely x Impact = Significant

Reason: That any action we take to increase income could be counterbalanced by factors over which we have no control, e.g. national, economic conditions). Unwillingness of Magistrates to commit debtors to prison. Listing delays in the County Court. Presumption against use of bankruptcy (see Ombudsman reports). Increasing amounts of council tax due from claimants of council tax reduction who are of working age and were previously in receipt of 100% council tax benefit

Existing Controls: Regular monitoring of the situation. Liaison with neighbouring councils, promotion of the rate deferral scheme and small business rate relief schemes for businesses, promotion of the availability of council tax reduction, encourage the use of debt counselling services, endeavour to reach mutually agreeable and realistic arrangements with taxpayers for the payment of debts. Availability of 12 monthly instalments.

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TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

14 April 2014

Report of the Chief Internal Auditor

Part 1- Public

Matters for Information

1 UPDATE ON THE WORK OF INTERNAL AUDIT DURING 2013-14

Summary

This report provides Members with an update on the progress of the Internal Audit Team against the agreed 2013-14 Annual Internal Audit Plan.

1.1 Progress against the 2013-14 Annual Audit Plan

- 1.1.1 The Annual Internal Audit Plan for 2013-14 was approved by this Committee on the 8 April 2013 and contained 41 items. **[Annex 1]**. The Public Sector Internal Audit Standards (PSIAS) require Internal Audit to *report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan*. The purpose of this report therefore, is to provide Members with an update on the progress of the Internal Audit team in 2013-14 against the Internal Audit Plan.
- 1.1.2 The plan reflects all work undertaken by the team during the financial year, containing both assurance work and consultancy work. Of the 41 items on the original plan, 28 were audit reviews that would result in an assurance opinion; the remainder being consultancy items or allowances for follow up, provision of control advice etc. The review of the Tonbridge Taster Event was changed to a consultancy review as the Council were not the lead in this project. There was a review of Recruitment Vetting Procedures that was completed as assurance work so a total of 28 assurance reviews were planned.
- 1.1.3 Of the 28 assurance opinion reviews, the team have issued final reports and agreed management action plans in respect of 17 audits; of these three have been given opinions of Red, six Amber and eight Green. (See **Annex 2** for definitions of audit opinions) In addition the team have issued draft reports to client management for consideration in respect of six audits and three audits are currently underway. Two audits have been deferred at the request of management. A summary of the current status of all audits on the 2013-14 plan including a summary of findings where finalised is attached to this report. **[Annex 3]**.

- 1.1.4 There were two audits that were deferred at the request of management. The review of Electoral Registration has been deferred because there are significant new systems being introduced in June 2014 and it was considered to be of greater benefit to be involved at the implementation of the new systems. The Housing Benefits Section has just been subject to the External Audit Subsidy review and with current resources being limited a request was made by management to defer this audit until 2014/15.
- 1.1.5 Senior Internal Auditor post is a job-share; one of the post-holders left the Council's employment at the end of January 2014. The team have reviewed the work plan for the remainder of the financial year and it is anticipated that we will be able to complete the remaining assurance reviews on the plan within the available resources by the end of the 2013-14 financial year.

1.2 Legal Implications

- 1.2.1 The Council has a legal obligation under the Accounts and Audit (England) Regulations 2011 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 and the Local Government Application Note to the Standards published by CIPFA.

1.3 Financial and Value for Money Considerations

- 1.3.1 Failure to provide an adequate internal audit could result in a breach of the Accounts and Audit (England) Regulations 2011 with the potential result of additional inspection by external audit or Government intervention for which the authority would have to fund. A sound internal control environment will minimise the risk of fraud and error and reduce the potential cost of such events happening. The internal audit process will also attempt to identify potential efficiency savings as part of its inspection process.

1.4 Risk Assessment

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

Background papers:

contact: Katey Arrowsmith

Internal audit files

David Buckley
Chief Internal Auditor

Screening for equality impacts:		
Question	Answer	Explanation of impacts
a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community?	No	
b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?	No	
c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?		N/A

In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above.

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No	Area of Audit Focus	Allocation of Audit Days	Proposed Scope
ASSURANCE WORK			
<u>Key Financial Systems</u>			
1	Creditors	7	Review of the council's creditor payment process including arrangements to mitigate the risk of mandate fraud.
2	Debtors	7	Review of the administration and recovery of the council's sundry debtors.
3	Bank Reconciliation	5	Review of the council's bank reconciliation arrangements.
4	Payroll	10	Review of the council's arrangements to pay staff salaries.
5	Council Tax Administration & Recovery	12	Review of the council's arrangements to administer and recover Council Tax liabilities including discounts / exemptions and arrangements to mitigate fraud risk.
6	Local Support for Council Tax	10	Review of the administration of the new Local Support for Council Tax Scheme.
7	NNDR Administration & Recovery	10	Review of the council's arrangements to administer and recovery NNDR liabilities in the borough.
8	Leisure Services Business Unit Income Collection	7	Review of arrangements to collect income across the sites of the Leisure Services Business Unit focussing on the key financial controls.
9	Car Parking Income	12	Review of the arrangements to collect income from the council's car parks and on-street parking spaces.
10	Housing Benefits - Assessment, Interventions & Reviews.	10	Review of arrangements to process claims for Housing Benefit, including arrangements for interventions and reviews.
11	Housing Benefits - Overpayments Management	12	Review of the council's arrangements to recovery overpaid Housing Benefit
		102	
<u>Other Financial Systems</u>			
12	Benefit Investigations	7	Review of the council's arrangements to investigate Benefit Fraud.
13	Grant Claims	10	Review of arrangements to pay grants to other organisations including Parishes.
14	Parking Enforcement - Penalty Charge Notice Recovery	10	Review of arrangements to recover Penalty Charge Notices.
15	Car Parking Permits	7	Review of arrangements to administer parking permits.
16	Discretionary Housing Payments	10	Review of arrangements to administer Discretionary Housing Payments.
17	Concessions	10	Review of arrangements to manage income in respect of the council's concessions including those in the Country Parks and Poulton Wood.
		54	
<u>Control Environment Reviews</u>			
18	Commercial Food Safety Regulation	5	Review of arrangements to conduct food safety inspections and deal with non-compliance with regulations in the borough's food establishments.
19	Refuse Collection, Recycling, Street Cleansing and Grounds Maintenance	15	Review of arrangements to manage the council's refuse, recycling, street cleansing and grounds maintenance contracts.
20	Data Protection	12	Review of the council's arrangements to ensure the security of data including a review of Data Protection statements/declarations on council application forms.
21	Planning Applications	12	Review of arrangements to process planning applications.
22	IT Asset Management	10	Review of arrangements to manage IT Assets including maintenance of the IT Asset Register.
23	Mobile Telephones	10	Review of arrangements in place for the provision of mobile phones and reimbursement of costs relating to business use, including repayment of private usage. In addition to the control assurance work, the review will also provide consultancy services to consider opportunities to enable smarter working through provision of mobile technology.
24	Asset Management	10	Review of arrangements to manage the council's assets including maintenance of the Asset Register.
25	Youth & Play Development - Income Collection	7	Review of arrangements to collect and bank income in respect of the Youth & Play Development Schemes.
26	Personal & Premises Licensing	10	Review of arrangements in place to administer Personal and Premises Licenses.
27	Events Management	7	Review of Events Management arrangements based on the Tonbridge Taster Event. In addition to control assurance, Internal Audit will provide advice and support to the project group in advance of the event, and will conduct a Post Implementation Review following the project.
		98	
28	Audit Follow Up Work	15	Allowance for conducting follow-up of high priority recommendations and reviews where an opinion of Minimal is given.
CONSULTANCY WORK			
29	<u>Corporate Consultancy Work</u>	90	Allowance for conducting VfM / Efficiencies work as directed by Management Team (day allocation includes Audit Management days)
<u>Other Known Project Work</u>			
30	Electoral Registration - Introduction of Individual Elector Registration	12	Allowance for the provision of support to the council's working group on the introduction of Individual Elector Registration.
31	Welfare Reform	5	Allowance for the provision of support to the council's working group on Welfare Reform.
32	Future Delivery of Leisure Facilities	10	Allowance for the provision of support for the council's working group to arrange the future delivery of Leisure facilities in the borough.
33	Town Centre Regeneration	15	Allowance for the provision of support to the council's working group on Town Centre Regeneration.
34	Kent Waste Partnership Refuse & Recycling Review	5	Allowance for the provision of support to the council's working group reviewing the Recycling & Waste Management options for provision after the current contract term.
		47	
<u>Anti-Fraud Activity</u>			
35	Investigation Work	20	Allowance for conducting special investigation work.
36	Recruitment Vetting Procedures	12	Proactive review of the council's arrangements to ensure staff recruited are subject to appropriate verification checks to reduce the risk of employment fraud.
37	National Fraud Initiative 2012-13	5	Co-ordination of the council's response to the 2012-13 full NFI exercise.
38	National Fraud Initiative 2013-14	2	Preparation and submission of data for the 2013-14 Single Person Discount Fraud exercise.
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39	Consultancy Services	7	Allowance for the provision of consultancy services unknown at the time of planning.
40	Responsive Work	7	Allowance for the provision of responsive support to the council during the financial year.
41	Advice and Information	7	Allowance for the provision of control advice and information to the council during the year.
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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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2013-14 Audit Plan Assurance Work Current Status

Audit Review Title	Planned Quarter	Current Status	Audit Opinion	Scope of Audit and Findings (where finalised)
<i>Car Parking Income</i>	1	<i>Final report issued</i>	<i>Amber</i>	<p><i>The audit considered the Council's arrangements in respect of the following risk management objectives (RMOs):</i></p> <p><i>RMO1 – Adequate arrangements exist to ensure the regular collection of money from the council's parking meters. The audit found that the Council's contractor is making cash collections in line with the contract. Opinion: Green</i></p> <p><i>RMO2 – There are adequate arrangements in place to manage the council's parking meters. The audit found the Council has a contract in place with the supplier to maintain the parking meters, however opportunities were identified to enhance the recording and monitoring of repairs requested to ensure faults with meters are rectified within the timescale specified in the contract. Opinion: Amber</i></p> <p><i>RMO3 – Income received through the Council's parking meters, season tickets and pay by mobile is verified, recorded and banked effectively. The audit found that arrangements are in place for income to be banked and recorded on the Council's ledger, however it was recommended that a reconciliation process be implemented to confirm the Council receives the correct amount from Park Mobile in respect of usage of the Pay By Mobile service. Opinion: Amber.</i></p>
<i>IT Asset Management</i>	1	<i>Final report issued</i>	<i>Amber</i>	<p><i>The audit considered the Council's arrangements in respect of the following risk management objectives (RMOs):</i></p> <p><i>RMO1 – Adequate policies and procedure notes exist to support the procurement of IT Assets. The Council has set out appropriate policies and procedure notes to support the procurement of IT Assets, however the Council does not have a contract in place with an IT equipment supplier; while work is underway to procure a new contract equipment is procured through a framework agreement. Opinion: Amber.</i></p> <p><i>RMO2 – The process for acquiring and recording IT Assets is appropriate. The audit found that arrangements are in place for all IT assets to be recorded on a register though opportunities to enhance records relating to equipment used by staff working from home were</i></p>

Audit Review Title	Planned Quarter	Current Status	Audit Opinion	Scope of Audit and Findings (where finalised)
				<p><i>identified. Opinion: Amber.</i></p> <p><i>RMO3 – The accounting of IT Assets in respect of renewals, disposals and depreciation is adequate. The audit found that arrangements are in place for the renewal of IT assets and for the secure disposal of equipment that has reached the end of its useful life and for this to be accurately accounted for though opportunities to improve records relating to disposals were identified. Opinion: Amber.</i></p>
Mobile Telephones	1	Final report issued	Red	<p><i>The audit considered the Council's arrangements in respect of the following risk management objectives (RMOs):</i></p> <p><i>RMO1 – Provision of mobile phones is adequately documented and administered. The audit found that the Council does not have a formal policy in place to support the provision of mobile phones to staff and weaknesses were identified in the arrangements to maintain an inventory. Opinion: Red.</i></p> <p><i>RMO2 – Costs are adequately administered. The audit found that arrangements to pay and recharge services for mobile phones are effective however arrangements to monitor usage are weak. Opinion: Red.</i></p> <p><i>RMO3 – Allowances given towards use of private mobile phones are appropriately administered. While there is no formal policy in place in respect of allowances for business use of private mobile phones, the audit found arrangements to pay the allowance were adequate. Opinion: Amber.</i></p> <p><i>It should be noted that the audit testing conducted did not identify any instances of misuse/ abuse of mobile phones provided. The weaknesses identified are not considered to represent a significant governance issue as the financial risk is relatively small (representing a total expenditure less than 10% of the Council's triviality threshold for the Statement of Accounts) and the function is not key to the achievement of any of the council's objectives.</i></p> <p><i>Action was taken by management to address the weaknesses identified in the audit immediately after the issue of the report; the report was considered by Management Team, a review of all mobile contracts has been carried out and a draft policy prepared. Internal Audit will continue to</i></p>

Audit Review Title	Planned Quarter	Current Status	Audit Opinion	Scope of Audit and Findings (where finalised)
				<i>monitor progress against the recommendations agreed.</i>
<i>Recruitment Vetting Procedures – Counter Fraud Review</i>	1	<i>Final report issued</i>	Red	<p><i>The audit considered the Council's arrangements in respect of the following risk management objectives (RMOs):</i></p> <p><i>RMO1 – Adequate recruitment vetting procedures exist to reduce the risk of employment fraud both internally and externally. The audit found that evidence of identification, right to work and qualifications is not routinely saved. This does not mean that checks were not carried out, however assurance could not be provided that these checks are taking place in practice. As such it was recommended that evidence should be retained on personnel files of successful applicants. In addition arrangements to verify the identity, right to work and qualifications of staff procured through Recruitment Agencies were found to be weak with records maintained by individual services not Personnel. Opinion: Red.</i></p> <p><i>It should be noted that the review did not identify any instances of fraud, false employment records and all staff required to hold professional qualifications were confirmed as current members of the appropriate bodies.</i></p> <p><i>Action was taken by management to address the weaknesses identified in the audit immediately after the issue of the report; the report was considered by Management Team and responsibilities of Personnel and recruiting managers have been clarified in instructions to staff. Internal Audit will continue to monitor progress against the recommendations agreed.</i></p>
<i>Grant Claims</i>	3	<i>Final report issued</i>	Green	<p><i>The audit considered the Council's arrangements in respect of the following risk management objectives (RMOs):</i></p> <p><i>RMO1 – Adequate policies and procedure notes exist to support the payment of grant claims and Parish Precepts. Audit testing confirmed appropriate policies and procedures are in place. Opinion: Green.</i></p> <p><i>RMO2 – Adequate records are maintained of all grants, Parish Precepts and financial arrangements with Parish Councils that have been approved and are to be paid. Audit testing confirmed that</i></p>

Audit Review Title	Planned Quarter	Current Status	Audit Opinion	Scope of Audit and Findings (where finalised)
				<i>appropriate records including Member approvals exist to support payments to Parish Councils. Opinion: Green.</i>
Asset Management	1	<i>Final report issued</i>	<i>Amber</i>	<p><i>The audit considered the Council's arrangements in respect of the following risk management objectives (RMOs):</i></p> <p><i>RMO1 – Adequate records are maintained of all the Council's land and property holdings in respect of fixed assets. The audit found that the council has an asset register in place and arrangements in place for this to be maintained, and for income in respect of rents and leases of council properties to be recovered through the council's Debtors system. The audit recommended that these arrangements be supported by the production of an Asset Management Plan and for records of rental/lease income due maintained within Finance to be streamlined and digitised. Opinion: Amber.</i></p> <p><i>RMO2 – Reviews are carried out of property holdings in light of changing operational needs and market opportunities. The audit found arrangements in place for assets to be reviewed and re-valued on a rolling programme in line with professional guidance. The reviews have resulted in the rationalisation of assets held including the lease of office space to Kent Police; audit testing however identified delays in the invoicing arrangements. Opinion: Amber.</i></p> <p><i>RMO3 – Valuations, acquisitions, sales and leases are appropriately dealt with obtaining the best terms for the Council. Audit testing identified weaknesses in the process for administering Periodical Income Accounts (the functionality within the Debtors system that allows for automated billing in line with lease/rental agreements), variances between rental/lease agreement details held in Finance and Estates Management, and the accurate and timely application of RPI increases. Opinion: Red.</i></p> <p><i>RMO4 – There is an effective estates management service. The review found that the Council's Estates Team are appropriately qualified and experienced, with arrangements in place to ensure the team are kept up to date on best practice; the review recommended that procedure notes be prepared to support officers in the more</i></p>

Audit Review Title	Planned Quarter	Current Status	Audit Opinion	Scope of Audit and Findings (where finalised)
				<i>complex and less frequently applied processes. Opinion: Amber.</i>
<i>Leisure Services Business Unit (LSBU) Income Collection</i>	<i>1</i>	<i>Final report issued</i>	<i>Green</i>	<i>The audit considered the Council's arrangements in respect of the following risk management objective (RMO): RMO1 – Cashing up and banking procedures are adequately controlled across all LSBU sites and cash is adequately collected and verified. This audit examined income records from the LSBU during the period 1 April – 31 October 2013 prior to the Leisure Trust as these figures will feed the Council's Financial Statements for the 2013-14 financial year. The review found that key controls were in place and working effectively with income receipted, banked and recorded on the general ledger accurately and on a timely basis. Opinion: Green.</i>
<i>Parking Enforcement - Penalty Charge Notice Recovery</i>	<i>2</i>	<i>Final report issued</i>	<i>Amber</i>	<i>The audit considered the Council's arrangements in respect of the following risk management objectives (RMOs): RMO1 – Adequate policies and procedure notes exist in relation to recovery of Penalty Charge Notices (PCNs). Audit testing found that the Council works to a Parking Recovery Policy within the Corporate Debt Recovery Policy with arrangements to ensure Civil Enforcement Officers are adequately trained. The review recommended that comprehensive procedure notes be prepared to support the administration of the service. Opinion: Amber. RMO2 – Appropriate procedures are in place to calculate, agree, issue and recover PCN charges. The audit found that there are arrangements in place for Penalty Charge Notices to be accurately calculated and appropriately issued, with recovery a combination of automated system actions and where this is not successful, manual officer intervention. Audit testing of cases subject to recovery action found that all cases are progressed through the stages set out in the policy however some delays in the later stages of recovery were identified. Opinion: Amber</i>
<i>Council Tax Reduction Scheme</i>	<i>2</i>	<i>Final Report Issued</i>	<i>Green</i>	<i>The audit considered the Council's arrangements in respect of the following risk management objective (RMO): RMO1 – An appropriate scheme and effective process has been</i>

Audit Review Title	Planned Quarter	Current Status	Audit Opinion	Scope of Audit and Findings (where finalised)
				<i>adopted following the introduction of the Council Tax Reduction Scheme (CTRS). The review found that the Council Tax Reduction Scheme implemented at Tonbridge & Malling Borough Council had been developed, publicised and implemented in line with the Government guidance. Audit testing also confirmed that the system parameters had been appropriately set to ensure the reduction is accurately calculated and applied to accounts, with recovery parameters adjusted to ensure outstanding liabilities are recovered. Opinion: Green</i>
<i>Discretionary Housing Payments</i>	2	<i>Final report issued</i>	<i>Red</i>	<i>The audit considered the Council's arrangements in respect of the following risk management objective (RMO): RMO1 – There are appropriate arrangements in place for administering Discretionary Housing Payments (DHPs). The review found that the council has a policy in place in respect of DHPs which sets out arrangements applications to be considered and awarded on the Northgate Benefits System. Audit testing found weaknesses in the process that had resulted in two cases that had been paid a DHP though they were not eligible in line with the Council's policy (though not in defiance of the guidance from the Department for Work & Pensions which is less specific); in addition one of these cases had been paid in duplicate. Audit testing also identified opportunities to strengthen controls and improve the accuracy and consistency of record-keeping, authorisation of determinations made on applications for DHPs and clarification of the appeals process. Opinion: Red. It should be noted that management have responded positively to the review and were taking steps to improve controls during the audit review process.</i>
<i>Concessions</i>	3	<i>Final Report Issued</i>	<i>Amber</i>	<i>The audit considered the Council's arrangements in respect of the following risk management objectives (RMOs): RMO1 – Adequate records are maintained of all concessions with the Council. Audit testing found that there are arrangements in place to maintain records of all concessions held though opportunities to</i>

Audit Review Title	Planned Quarter	Current Status	Audit Opinion	Scope of Audit and Findings (where finalised)
				<p><i>enhance and update these were identified. Opinion: Green.</i></p> <p><i>RMO2 – Leases/agreements are appropriately dealt with obtaining the best terms for the Council. The audit found that appropriate processes have been followed in the selection of contractors for concessions with details of decisions reported to Members. Audit testing identified delays in the invoicing of concession holders and errors in the application of VAT codes with recommendations agreed to address these. Opinion: Amber.</i></p> <p><i>RMO3 – All concession lease/agreements are being monitored. There are arrangements in place for relevant officers across the council to meet regularly to monitor the operation of the concessions and that while some concessions have been subject to a Council inspection, there are no formal arrangements for ongoing inspections though a schedule was being prepared during the course of the audit. Opinion: Amber.</i></p> <p><i>RMO4 – Potential for other future concessions has been considered. Audit testing found that opportunities to introduce additional concessions have been explored; there has been no interest from potential operators however this is kept under review. Opinion: Green.</i></p>
Youth & Play Development - Income Collection	2	Final Report Issued	Green	<p>The audit considered the Council's arrangements in respect of the following risk management objectives (RMOs):</p> <p>RMO1 – There are adequate processes in place to ensure that all income streams for the Activate, Y2 Crew and Playscheme for Summer 2013 are secure. Audit testing identified a couple of issues regarding receipts, recording the payment type and requiring the Leisure pass to be amended with recommendations agreed to address these. Opinion: Amber</p> <p>RMO2 – There are adequate processes in place to ensure that the schemes are strictly controlled in line with Ofsted guidance. Audit testing found these processes were sufficient. Opinion: Green</p> <p>RMO3 – There are adequate procedures in place to ensure that staff are aware of the risks associated with the management of the</p>

Audit Review Title	Planned Quarter	Current Status	Audit Opinion	Scope of Audit and Findings (where finalised)
				schemes. The audit found adequate policies, procedures and inspections or reviews carried out of the venues. Opinion: Green RMO4 – There is sufficient public liability and employer’s liability insurance which was seen and agreed to be in place. Opinion: Green RMO5 – The schemes are monitored to achieve savings. The audit found changes had been made shorten the schemes and moves have been made to offer electronic payments systems where feasible. Opinion: Green.
Planning Applications	2	Final report issued	Amber	The audit considered the Council’s arrangements in respect of the following risk management objectives (RMOs): RMO1 – Adequate procedures have been adopted for the administration of planning applications. Audit testing identified key controls to be in place effectively through the planning applications process. Identified that stronger control should be in place in respect of planning officers declaring interest in particular applications. RMO2 – Adequate processes exist in relation to handling and banking of development control payments. The audit found strong banking, handling and payment controls in place.
Debtors	3	Fieldwork completed, report with client for consideration	---	The audit will consider the Council’s arrangements in respect of the following risk management objectives (RMOs): RMO1 – Effective key controls are in place to manage the council’s Debtors system.
Commercial Food Safety Regulation	3	Fieldwork completed, report with client for consideration	---	The audit will consider the Council’s arrangements in respect of the following risk management objectives (RMOs): RM01 – There are plans, policies and procedures in place as required by the food safety legislation and guidance. RM02 – There are arrangements in place to carry out effective food safety inspections and enforcement activity in the Borough.

Audit Review Title	Planned Quarter	Current Status	Audit Opinion	Scope of Audit and Findings (where finalised)
Personal & Premises Licensing	3	Fieldwork completed, report drafted	---	<p>The audit will consider the Council's arrangements in respect of the following risk management objectives (RMOs):</p> <p>RMO1 – Effective policies and procedure notes exist to support the personal and premises licence function.</p> <p>RMO2 – Appropriate arrangements are in place for the proper administration of personal and premises licences.</p> <p>RMO3 – Appropriate enforcement arrangements exist for personal and premises licences.</p>
Benefit Investigations	2	Fieldwork completed, report with client for consideration	---	<p>The audit will consider the Council's arrangements in respect of the following risk management objectives (RMOs):</p> <p>RMO1 – The Investigations Team work to policies and procedure notes that are in line with guidance and legislation.</p> <p>RMO2 – Arrangements are in place to investigate benefit fraud referrals.</p> <p>RMO3 – Arrangements are in place to conduct compliance work to help ensure benefit changes of circumstances result in updating benefit cases.</p> <p>RMO4 – Arrangements are in place to proactively prevent and detect fraud.</p>
NNDR Administration & Recovery	4	Final Report Issued	Green	<p>The audit considered the Council's arrangements in respect of the following risk management objectives (RMOs):</p> <p>RMO1 – Arrangements are in place to identify, record and reconcile chargeable properties within the borough. Audit testing found all arrangements to be appropriate.</p> <p>RMO2 – Charges placed upon properties are in line with the relevant legislation and transactions are appropriately recorded. The audit found most key controls to be working effectively, with a weakness found surrounding the recording of refunds on Northgate.</p> <p>RMO3 – Arrangements are in place to identify and recover unpaid NNDR liabilities. Arrangements were found to be appropriate.</p>

Audit Review Title	Planned Quarter	Current Status	Audit Opinion	Scope of Audit and Findings (where finalised)
Refuse Collection, Recycling and Street Cleansing	3	Final Report Issued	Green	<p>The audit considered the Council's arrangements in respect of the following risk management objective (RMO):</p> <p>RMO1 – Appropriate controls exist to ensure that the Refuse Collection, Recycling and Street Cleansing contracts are monitored and managed effectively to ensure that the council's obligations are delivered. Audit testing found all key functions to be working well with the Council meeting both its statutory and contractual obligations. Additional monitoring of missed bins was found to be in need, which requires Waste Services to liaise with IT Services.</p>
Housing Benefit Overpayments Management	4	Fieldwork completed, report with client for consideration	---	<p>The audit will consider the Council's arrangements in respect of the following risk management objectives (RMOs):</p> <p>RMO1 – Appropriate and timely action is taken to recover all Housing Benefit Overpayments.</p> <p>RMO2 – There are effective performance monitoring arrangements in place in respect of overpayments.</p>
Bank Reconciliation	2	Fieldwork completed, report with client for consideration	---	<p>The audit will consider the Council's arrangements in respect of the following risk management objective (RMO):</p> <p>RMO1 – There are key controls in place which ensure that all areas of the bank reconciliation are carried out in an accurate and prompt manner.</p>
Housing Benefits - Assessment, Interventions & Reviews.	3	Deferred at the request of management	---	Due to resource issues in section management requested deferment to 2014/15
Creditors	4	Fieldwork completed, report with client for consideration	---	<p>The audit will consider the Council's arrangements in respect of the following risk management objectives (RMOs):</p> <p>RMO1 – Effective key controls exist to manage the Creditors function</p> <p>RMO2 – Effective key controls are in place to manage the corporate petty cash function</p>

Audit Review Title	Planned Quarter	Current Status	Audit Opinion	Scope of Audit and Findings (where finalised)
Car Parking Permits	4	Fieldwork underway	---	<p>The audit will consider the Council's arrangements in respect of the following risk management objectives (RMOs):</p> <p>RMO1 – Adequate arrangements exist for the processing and monitoring of parking permit applications (including car park season tickets, residential and business permits)</p> <p>RMO2 – Adequate arrangements exist for the control of Visitor Permits and Dispensations</p>
Data Protection	4	Fieldwork underway	---	
Council Tax Administration & Recovery	4	Final Report Issued	Amber	<p>The audit considered the Council's arrangements in respect of the following risk management objectives (RMOs):</p> <p>RMO1 – Effective controls are in place for the proper administration of Council Tax. Audit testing found key controls regarding the administration of Council Tax to be effective.</p> <p>RMO2 – Effective recovery procedures are in place for the collection of Council Tax debt. The audit found recovery arrangements to be adequate, with a weakness found at the point of which debts are returned from the bailiff.</p>
Payroll	4	Final report issued	Green	<p>The audit considered the Council's arrangements in respect of the following risk management objective (RMO):</p> <p>RMO1 – Adequate controls are in place for the effective operation of the council's Payroll function. Audit testing found key controls working consistently and effectively throughout the Payroll function. One weakness was identified whereby monthly verification emails were not always responded to in order to clarify the staff for inclusion within the current pay run.</p>
Electoral Register including canvas	4	Deferred at the request of management	---	System changing in June 2014 and considered audit in current year would not be effective.

Corporate Consultancy Work	1-4	Underway	---	Work has commenced on corporate consultancy reviews as directed by the Council's Management Team.
Events Management	3	Consultancy report finalised	N/A	The review identified opportunities to further enhance the management of future events by analysing the management and experiences of the Taste of Tonbridge day.

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

14 April 2014

Report of the Director of Finance and Transformation

Matters for Information

1 GRANT THORNTON ITEMS FOR AUDIT COMMITTEE

This report introduces items from the Council's external auditors (Grant Thornton) the 2013/14 Audit Plan and Audit Committee Update.

1.1 2013/14 Audit Plan

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

1.2 Audit Committee Update

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

1.3 Legal Implications

1.3.1 As set out in the document/s.

1.4 Financial and Value for Money Considerations

1.4.1 As set out in the document/s.

1.5 Risk Assessment

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

contact: Sharon Shelton

Sharon Shelton
Director of Finance and Transformation

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Audit Committee Update for Tonbridge & Malling Borough Council

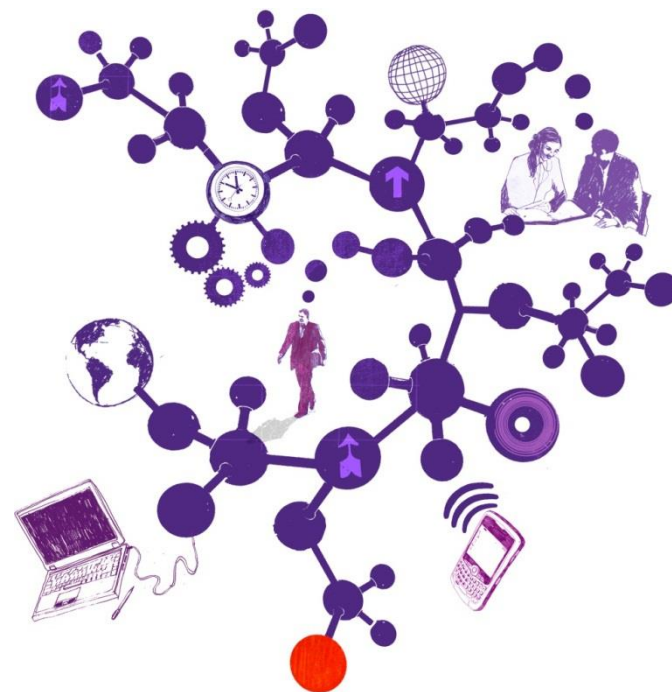
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March 2014

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

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

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

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

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Progress at March 2014

	Planned date
<p>2013-14 accounts audit plan</p> <p>Under auditing standards we are required to issue a detailed accounts audit plan setting out our proposed approach to the audit of the Council's 2013-14 financial statements.</p>	<p>Our accounts audit plan is included as a separate item on today's agenda.</p>
<p>2013/14 interim accounts audit</p> <p>Our interim work has included:</p> <ul style="list-style-type: none">• work to understand the Council's overall control environment and the framework of controls for financial systems;• walkthrough testing to confirm whether controls are implemented in accordance with our understanding in areas where we have identified a possible risk of material misstatement;• review of the Council's policies and procedures for journal entries and testing of journal transactions for the first ten months of the financial year;• other early substantive testing where appropriate. <p>The conclusions from our interim audit work are reported in our accounts audit plan.</p>	<p>February 2014</p>
<p>2013-14 final accounts audit</p> <p>A member of the Council's finance team attended Grant Thornton's 2013/14 workshops for preparers of local government accounts in February/March 2014.</p> <p>We have discussed a number of issues relating to 2013/14 accounts with the finance team. We have also shared Grant Thornton briefing papers on key issues for the 13/14 accounts and issues identified nationally from the audit of 12/13 accounts. Further details of the following key issues are included under "Accounting and audit issues" later in this progress report;</p>	<p>Opinion by 30 September 2014</p>

Progress at March 2014

	Planned date
<ul style="list-style-type: none"> • Revaluing your assets – clarification of accounting guidance • Estimating the impact of business rate appeals • Accounting for pensions. <p>We will continue to liaise with officers on accounts issues during the closedown period.</p> <p>Our detailed work to audit the Council's 2013-14 financial statements will begin in June 2014.</p>	
<p>Value for Money (VfM) conclusion</p> <p>Our VfM conclusion is based on the following criteria specified by the Audit Commission:</p> <ul style="list-style-type: none"> • the organisation has proper arrangements in place for securing financial resilience; • the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness. <p>Our work will be based on a risk assessment to identify areas of risk to our VfM conclusion.</p> <p>The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report.</p>	<p>Value for money conclusion by 30 September 2014</p>
<p>Other work</p> <p>Cyber security workshop</p> <p>Cyber security remains a high profile issue in local government, with several high profile web security breaches affecting both the public and private sectors widely reported in recent months.</p> <p>On 15 January 2014 Grant Thornton hosted a cyber security event for public sector bodies in London and the Couth East. The event was attended by the Council's IT manager.</p>	

Progress at March 2014

	Planned date
<p>The event considered:</p> <ul style="list-style-type: none">• the complex regulatory environment affecting the public and corporate sectors, and the plethora of different guidelines and standards;• what good data security looks like and how to strengthen arrangements at local government bodies, targeting data security policies at the areas of greatest risk;• the threats to data security and how these threats are often internal to public sector organisations rather than external;• the consequences of data security failures in terms of financial costs, service disruption and reputational damage. <p>It is intended to hold a follow up cyber security event later in the year.</p> <p><i>Kent Audit Committee Chairs meeting</i></p> <p>On 18 March 2014 Grant Thornton facilitated a meeting for the chairs and vice-chairs of Kent Audit Committees. The meeting considered the quality of Audit Committees in Kent and how to improve these. It also provided an opportunity for attendees to network with chairs and Vice-Chairs from other authorities.</p> <p>The event was well received. Going forward it is intended to run a similar event roughly twice a year.</p>	

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79% of Councils anticipate Tipping Point soon

Grant Thornton

2016 tipping point? Challenging the current

This report http://www.grant-thornton.co.uk/Global/Publication_pdf/LG-Financial-Resilience-2016-tipping-point.pdf is the third in an annual series which assesses whether English local authorities have the arrangements in place to ensure their sustainable financial future.

Local authorities have so far met the challenges of public sector budget reductions. However, some authorities are predicting reaching tipping point, when the pressure becomes acute and financial failure is a real risk. Based on our review of forty per cent of the sector this report shows that seventy nine per cent of local authorities anticipate some form of tipping point in 2015/16 or 2016/17.

Our report rates local authorities in four areas - key indicators of financial performance, strategic financial planning, financial governance and financial control. It also identifies a series of potential 'tipping point scenarios' such as local authorities no longer being able to meet statutory responsibilities to deliver a range of services.

Our report also suggests some of the key priorities for local authorities in responding to the challenge of remaining financially sustainable. These include a relentless focus on generating additional sources of revenue income and improving efficiency through shared services, strategic partnerships and wider re-organisation.

Challenge questions

- Has the Council considered the report, including the good practice checklist and case studies in strategic financial planning, financial governance and financial control?

Helping members understand local authority accounts

Grant Thornton

A guide to local authority accounts

This guide is designed to help members of audit committees discharge their responsibilities for the financial statements. It aims to help them understand and challenge the accounts, supporting notes and other statements.

Local authority audit committee members are not expected to be financial experts, but they are responsible for approving and issuing the authority's financial statements. They also play a key role in ensuring accountability and value for money are demonstrated to the public.

However, local authority financial statements are complex and can be difficult to understand. They must comply with CIPFA's Local Authority Code of Practice, which is based on International Financial Reporting Standards (IFRS), and also with the requirements of accounting and financing regulations of central government. IFRS provides a comprehensive framework (over 3,000 pages of mandatory requirements) for the production of financial statements in the public and private sector and this framework is continually being refined.

We have prepared this guide for members to use as part of their review of the financial statements. It explains the key features of the primary statements and the accompanying disclosure notes that make up a set of financial statements. It also includes key challenge questions to help members assess whether the financial statements show a true and fair view of their authority's financial performance and financial position.

Copies of the guide will be provided to members of the Council responsible for approving and issuing the authority's financial statements.

Welfare reforms – what you think of it so far?

Grant Thornton

Reaping the benefits: First impressions of the impact of welfare reform.

The potential scope of this topic is broad, so our report <http://bit.ly/1eLlq7L> focuses on the financial and managerial aspects of welfare reform.

This involves:

- understanding the challenges currently facing local government and housing associations in regard to welfare reform, and what organisations have been doing to meet this challenge in terms of strategy, projects and new processes;
- reporting on the early indications of effectiveness following the implementation of these measures and the impact of reform;
- providing early insight into challenges facing these organisations in the near future.

We have pulled together information from a variety of sources including our regular conversations across the local government and housing sectors and surveying local authorities and housing associations in England.

We found that:

- in general, organisations have been very active in engaging with stakeholders and putting in place appropriate governance arrangements and systems to implement specific reforms. A minority of organisations did not fully exploit all the options open to them in preparing for reform.
- so far the indication is that the impact of reform experienced by local authorities and partners has been managed effectively. This may be because the full impact has not yet been felt. Some worrying signs are emerging, including rising rental arrears, homelessness and reliance on food banks, which may be linked to the reforms.
- looking ahead further reforms such as the implementation of universal credit and the move to direct payments present significant uncertainties and challenges over the next few years.

Challenge questions

- Has the Council kept members informed of progress with stakeholder engagement and changes to governance arrangements to implement specific reforms?
- What impact assessment is the Council carrying out on council tax localisation, the benefit cap and housing benefit, the spare room subsidy and changes to the Social Fund?

Governance in an age of austerity

Grant Thornton

Working in Tandem: Local Government Governance Review 2014

As authorities seek new and innovative ways to reduce costs and deliver front-line services in an age of austerity effective governance frameworks are essential to support sound decision making.

Our third annual review into local authority governance <http://bit.ly/1dHJZGP> aims to assist senior management and elected members of councils and fire & rescue authorities to assess the strength of their governance arrangements and to prepare for the challenges ahead.

Focusing on three particular aspects of governance – risk leadership, partnerships and alternative delivery models (ADMs) and public communication – the key messages from the report are:

- While more than 90% of our survey felt their organisations encouraged well-managed risk taking and innovation, almost 40% felt there was a lack of clear leadership from members about risk appetite
- Almost one third of respondents had concerns about the blame culture in their organisation
- The associated risks of partnership working and ADMs are not being adequately dealt with by existing governance arrangements: almost one third of respondents did not think that all parties shared the same understanding, or spoke the same language about risk. Further, one quarter doubted whether members and officers were clear about their individual and collective roles and responsibilities
- More than one third of respondents said the annual governance statement failed to explain how the authority handled risk; 40% of respondents felt their explanatory foreword did not help the public to understand the authority's financial management
- Local authorities are working hard to improve communication with the public, but could still be more proactive, for example through annual reports and social media

Alongside the research findings the report highlights examples of good practice and also poses a number of questions for management and members, to help them assess the strength of their current governance arrangements.

Challenge questions

- Has the Council considered the report, including the good practice examples and the questions for management and members?

Alternative Delivery Models – are you making the most of them?

Grant Thornton

Alternative delivery models in local government

This report: <http://www.grant-thornton.co.uk/en/Publications/2014/Responding-to-the-challenge-alternative-delivery-models-in-local-government/> discusses the main alternative delivery models available to local government. These are based on our recent client survey and work with local government clients. It aims to assist others as they develop their options and implement innovation strategies.

Local government has increased the variety and number of alternative delivery models it uses in recent years including contracts and partnerships with other public bodies and private sector organisations, as well as developing new public sector and non-public sector entities. With financial austerity set to continue, it is important that local authorities continue innovating if they are to remain financially resilient and commission better quality services at reduced cost.

The report:

- outlines the main alternative delivery models available to local authorities;
- aims to assist other authorities as they develop their options and implement innovation strategies;
- considers aspects of risk.

It includes

- a number of case studies summarising how public services are being delivered through alternative service models;
- three short checklists on supporting innovation in service delivery, setting up a company and questions that members should ask officers when considering the development of a new delivery model.

Challenge question

- Has the Council considered the report, including the checklist and case studies?

Councils must continue to adapt to meet the needs of local people

Local government guidance

Audit Commission research: Tough Times 2013

The Audit Commission's latest research, <http://www.audit-commission.gov.uk/wp-content/uploads/2013/11/Tough-Times-2013-Councils-Responses-to-Financial-Challenges-w1.pdf> shows that England's councils have demonstrated a high degree of financial resilience over the last three years despite a 20 per cent reduction in funding from government and a number of other financial challenges. However, with uncertainty ahead the Commission says that councils must carry on adapting in order to fulfil their statutory duties and meet the needs of local people.

The Audit Commission Chairman, Jeremy Newman, said that with continuing financial challenges 'Councils must share what they have learnt from making savings and keep looking for new ways to deliver public services that rely less on funding from central government'.

Key findings:

The Audit Commission's research found that:

- the three strategies most widely adopted by councils have been reducing staff numbers, securing service delivery efficiencies and reducing or restructuring the senior management team;
- three in ten councils exhibited some form of financial stress in 2012/13 – exhibited by a mix of difficulties in delivering budgets and taking unplanned actions to keep finances on track;
- auditors expressed concerns about the medium term prospects of one third of councils (36 per cent)

Issues to consider/challenge questions:

- How have members satisfied themselves that the Council can deliver a balanced budget, that the medium term strategy/budget has been subject to appropriate challenge and that the Council's finances are resilient over the medium term (3 years) and beyond?

Councils choosing their auditors one step closer

Local government guidance

Local Audit and Accountability Act

The Local Audit and Accountability Act received Royal Assent on 30 January 2014.

Amongst other things:

- The Act makes provision for the closure of the Audit Commission on 31 March 2015;
- arrangements are being worked through to transfer residual Audit Commission responsibilities to new organisations;
- there will be a new framework for local public audit due to start when the Commission's current contracts with audit suppliers end in 2016/17, or potentially 2019/20 if all the contracts are extended;
- the National Audit Office will be responsible for the codes of audit practice and guidance, which set out the way in which auditors are to carry out their functions;
- local authorities will take responsibilities for choosing their own external auditors;
- recognised supervisory bodies (accountancy professional bodies) will register audit firms and auditors and will be required to have rules and practices in place that cover the eligibility of firms to be appointed as local auditors;
- local authorities will be required to establish an auditor panel which must advise the authority on the maintenance of an independent relationship with the local auditor appointed to audit its accounts;
- existing rights around inspection of documents, the right to make an objection at audit and for declaring an item of account unlawful are in line with current arrangements;
- transparency measures give citizens the right to film and tweet from any local government body meeting.

Issues to consider/challenge questions:

- Have members considered the implications of the Local Audit and Accountability Act for the Council's future external audit arrangements?

Revaluing your assets – clarification of accounting guidance

Accounting and audit issues

Property, plant and equipment valuations

The 2013/14 Code has clarified the requirements for valuing property, plant and equipment and now states explicitly that revaluations must be 'sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period.' This means that a local authority will need to satisfy itself that the value of assets in its balance sheet is not materially different from the amount that would be given by a full valuation carried out on 31 March 2014. This is likely to be a complex analysis which might include consideration of:

- the condition of the authority's property portfolio at 31 March 2014;
- the results of recent revaluations and what this might mean for the valuation of property that has not been recently valued;
- general information on market prices and building costs;
- the consideration of materiality in its widest sense - whether an issue would influence the view of a reader of the accounts.

The Code also follows the wording in IAS 16 more closely in the requirements for valuing classes of assets:

- items within a class of property, plant and equipment are to be revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates;
- a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date.

There has been much debate on what is a short period and whether assets that have been defined as classes for valuation purposes should also be disclosed separately in the financial statements. These considerations are secondary to the requirement that the carrying value does not differ materially from the fair value. However, we would expect auditors to report to those charged with governance where, for a material asset class:

- all assets within the class are not all valued in the same year;
- the class of asset is not disclosed separately in the property, plant and equipment note.

Challenge question

Has the Council considered the clarification of the Code requirements for 2013/14?

Estimating the impact of business rate appeals

Accounting and audit issues

Business rate appeals provisions

Local authorities are liable for successful appeals against business rates. They should, therefore, recognise a provision for their best estimate of the amount that businesses have been overcharged up to 31 March 2014.

However, there are practical difficulties which mean that making a reliable estimate for the total amount that has been overcharged is challenging:

- the appeals process is managed by the Valuation Office Agency (VOA) and so local authorities are reliant on the information provided to them by the VOA
- some businesses may have been overcharged but not yet made an appeal.

We would expect local authorities:

- to work with the VOA to make sure that they have access to the information they need;
- where appeals have been made, to determine a methodology for estimating a provision and to apply this methodology consistently;
- where appeals have not been made;
 - to consider the extent to which a reliable estimate can be made (for example, in relation to major businesses)
 - to recognise a provision where a reliable estimate can be made
 - to disclose a contingent liability where a reliable estimate cannot be made
 - to provide a rationale to support their judgement that a reliable estimate cannot be made
- to revisit the estimate with the latest information available immediately before the audit opinion is issued.

Challenge questions:

- Is the Council confident of obtaining the information it needs from the VOA?
- Has the Council recognised a provision where it is possible to make a reliable estimate? Has a robust methodology been used?
- Has the Council provided a robust rationale where it has decided it cannot make a reliable estimate? Is it planning to disclose a contingent liability?
- Is the Council planning to revisit its provision and contingent liability before the audit opinion is issued?

Accounting for pensions

Accounting and audit issues

Accounting for and financing the local government pension scheme costs

The 2013/14 Code follows amendments to IAS 19 and changes the accounting requirements for defined benefit pension liabilities such as those arising from the local government pension scheme (LGPS). This is a change in accounting policy and will apply retrospectively.

The main changes we expect to see are:

- a reallocation of amounts charged in the comprehensive income and expenditure statement (CIES);
- more detailed disclosures.

We do not expect changes to balance sheet items (the net pension liability and pension reserve balance). This means that whilst we would expect the CIES to be restated, a third balance sheet is not required. Actuaries should be providing local authorities with the information they need to prepare the financial statements, including restated comparatives.

Challenge questions:

- Is the Council confident of getting the information from its actuary to meet the changes in the requirements for accounting for the LGPS (including restating the comparatives)?

Changes to the public services pension scheme

Accounting and audit issues

Changes to the Local Government Pension Scheme

The Public Service Pensions Bill received Royal Assent in April 2013, becoming the Public Service Pensions Act 2013 ('the Act'). The Act makes provision for new public service pension schemes to be established in England, Wales & Scotland. Consequent regulations have been laid to introduce changes to the LGPS in England and Wales from 1st April 2014. (The regulations for the changes in Scotland have not yet been laid and will only impact from 1 April 2015).

These introduce a number of changes including:

- change from a final salary scheme to a career average scheme
- Introduction of a 50/50 option whereby members can choose to reduce their contributions by 50% to receive 50% less benefit
- calculation of contributions based on actual salary which could lead to some staff with irregular patterns of working moving between contribution rate bandings on a regular basis
- changes in employee contribution rates and bandings
- transitional protection for people retiring within 10 years of 1 April 2014 (further regulations are still awaited).

The above changes have implications for all employers involved in the LGPS introducing required changes to their payroll systems to ensure pension contributions are calculated correctly. This has consequent implications for administering authorities to communicate with employers and consider how they will obtain assurance over the accuracy and completeness of contributions going forwards since the calculations are more complex going forwards and less predictable. In addition changes are also required to pension administration/payment systems as well as much more detailed processes around maintaining individual pension accounts for all members to ensure the correct payment of future pensions.

The Act also requires changes to the governance arrangements although regulations for the LGPS have not yet been laid for these and the changes in governance arrangements are not expected to be implemented until 1 April 2015.

Challenge questions:

- Is the Council aware of the detailed requirements and their impact on its current payroll system and processes?
- Is the Council taking appropriate action to ensure implementation of the required changes to its payroll system and processes by 1 April 2014?
- Has the Council liaised with the administering authority over any changes they may need in the assurances provided over the completeness and accuracy of contributions?



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The Audit Plan for Tonbridge and Malling Borough Council

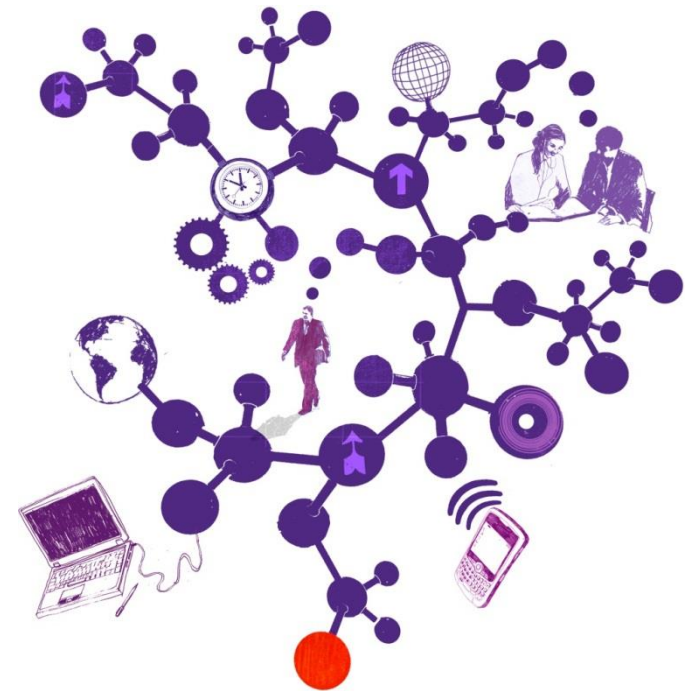
Year ended 31 March 2014

March 2014

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Understanding your business

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

Challenges/opportunities

1. Reduction in funding and financial position

- Since the Chancellor's Autumn statement in 2010 central government funding to local authorities has been reducing year on year. This financial environment continues to pose significant challenges for the Council

2. Tonbridge Town Centre regeneration project

- The Council has reached agreement with Sainsbury's on proposals for a major leisure and retail regeneration project in Tonbridge. The proposals are subject to planning permission. Should it proceed successful delivery of this project would be a key focus for the Council over the coming year.

3. Local government finance reforms

- The Local Government Finance Act 2012 introduced changes to the framework for council tax support and business rates with effect from 1 April 2013. The Council has been required to put in place new arrangements locally to implement these changes.

4. Establishment of the Tonbridge & Malling Leisure Trust

- The Council has entered into an agreement with the new Tonbridge & Malling Leisure Trust for the management of the Council's leisure facilities with effect from 1 November 2013.

5. Financial statements

- The Department for Communities and Local Government (DCLG) is proposing to bring forward the timetable for closure of accounts by up to two months, with any change potentially happening as early as 2015/16. Any significant acceleration of the timetable for accounts submission would require the Council to review its processes for accounts preparation.

Our response

We will

- review the Council's approach to strategic financial planning, financial governance and financial control as part of the work to support our value for money conclusion.

We will

- monitor the progress of the proposals through our regular meetings with senior management
- consider the implications for the Councils 2013/14 accounts should planning permission be received before the accounts are approved.

We will

- consider the new arrangements for council tax support and business rates and review how the impact of the reforms has been incorporated into the Council's medium term financial plans.
- consider accounting issues associated with the reforms and review the Council's treatment against the 2013/14 Accounting Code of Practice.

We will

- consider any 2013/14 accounting and disclosure issues associated with the new arrangements.

Although not an issue for 2013/14 we will

- work with the Council to help identify ways of streamlining the accounts preparation process if any acceleration of the accounts timetable is confirmed.

Developments relevant to your business and the audit

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

Developments and other requirements

1. Financial reporting

- Changes to the CIPFA Code of Practice, including clarification of Code requirements around PPE valuations and changes to accounting for business rates.

2. Legislation

- Local Government Finance settlement
- Welfare reform Act 2012

3. Corporate governance

- Annual Governance Statement (AGS)
- Explanatory foreword

4. Pensions

- The impact of changes to the Local Government pension Scheme (LGPS)

6. Other requirements

- The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion
- The Council completes grant claims and returns on which audit certification is required

Our response

We will

- liaise with the Council's finance team on relevant issues prior to the accounts being prepared
- ensure that the Council complies with the requirements of the CIPFA Code of Practice through our work to review the 2013/14 financial statements

We will

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

We will

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

We will

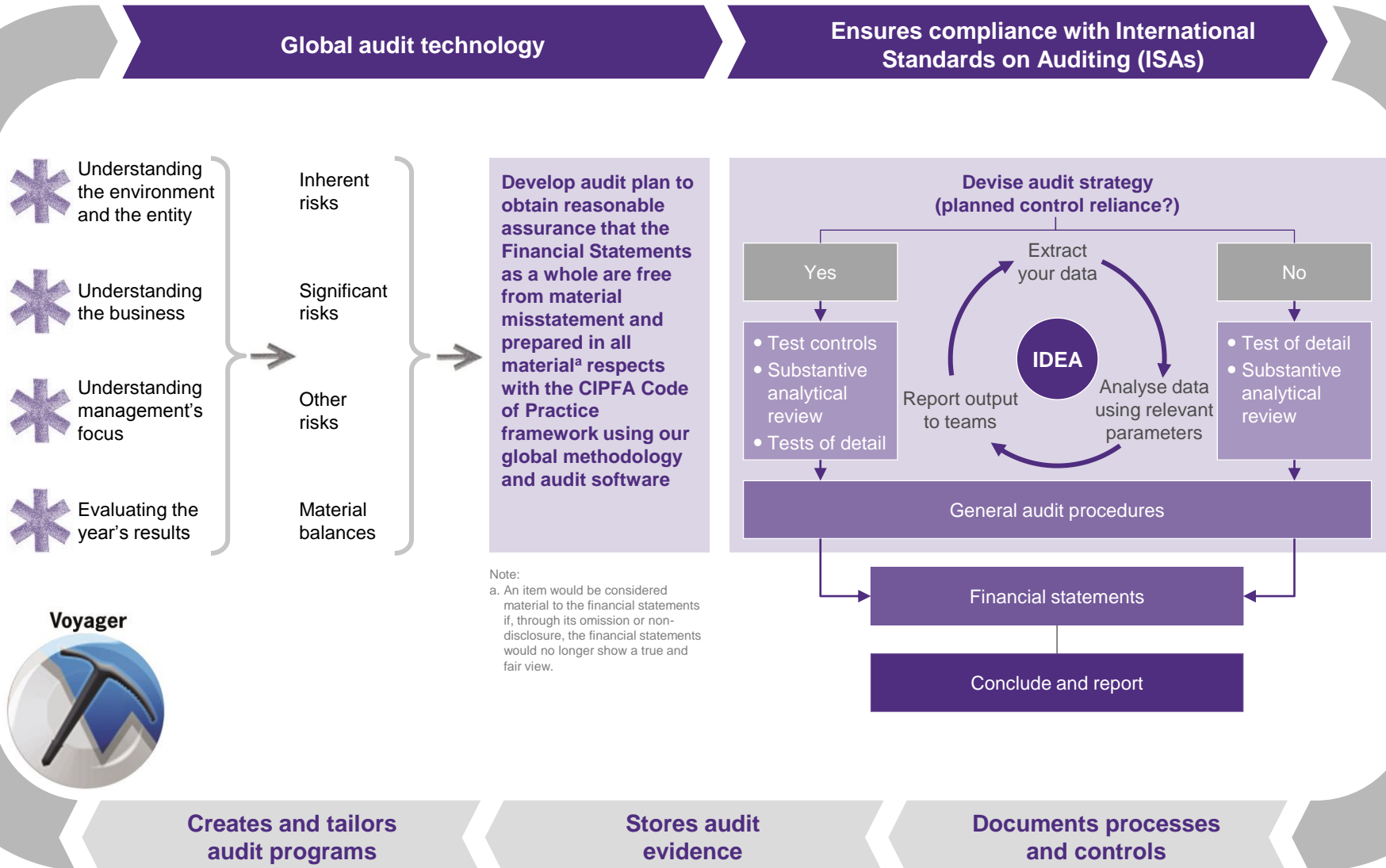
- discuss with management the Council's preparations for the changes to the LGPS from 1 April 2014

We will

- carry out work on the WGA pack in accordance with requirements
- certify grant claims and returns in accordance with Audit Commission requirements

Our audit approach

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Note:
a. An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.

Significant risks identified

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

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

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	Work planned: <ul style="list-style-type: none">• Review and testing of revenue recognition policies• Testing of material revenue streams
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	Work completed to date: <ul style="list-style-type: none">• Testing of journal entries to 31 January 2014 Further work planned: <ul style="list-style-type: none">• Review of accounting estimates, judgments and decisions made by management• Testing of journal entries for the remainder of the year• Review of unusual significant transactions

Other risks identified

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

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

Other reasonably possible risks	Description	Work completed to date	Further work planned
Operating expenses	Creditors understated or not recorded in the correct period	<ul style="list-style-type: none"> Identification and walkthrough of system controls 	<ul style="list-style-type: none"> Substantive testing of creditor balances Cut-off testing to ensure that transactions have been recorded in the correct accounting period.
Employee remuneration	Employee remuneration accrual understated	<ul style="list-style-type: none"> Identification and walkthrough of system controls 	<ul style="list-style-type: none"> Substantive testing of payroll expenses
Welfare Expenditure	Welfare benefit expenditure improperly computed	<ul style="list-style-type: none"> Identification and walkthrough of system controls 	<ul style="list-style-type: none"> Substantive testing of a sample of benefit claims Review reconciliation of benefit expenditure to the benefit subsidy claim Complete benefit software diagnostic tool, uprating checks and analytical review compared to prior year subsidy claim
Property, Plant & Equipment	Revaluation measurement not correct	<ul style="list-style-type: none"> Identification and walkthrough of system controls 	<ul style="list-style-type: none"> Evaluate the qualifications and work of the valuation expert Substantively test revaluations to supporting documentation Review supporting documentation to confirm overall carrying value per accounts does not differ materially from fair value.

Results of interim audit work

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

	Work performed and findings	Conclusion
Internal audit	<p>We have reviewed internal audit's overall arrangements in accordance with auditing standards. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall we have concluded that the internal audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council.</p> <p>Our review of internal audit work to date has not identified any weaknesses which impact on our audit approach.</p>
Walkthrough testing	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>
Review of information technology controls	<p>Our information systems specialist will perform a high level review of the general IT control environment, as part of the overall review of the internal controls system.</p>	<p>This work is planned for May 2014.</p>

	Work performed	Conclusion
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy.</p> <p>We have undertaken testing of journal transactions for the first ten months of the financial year.</p>	<p>We have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>Our work to date has not identified any issues which we wish to bring to your attention. We will perform testing of journal entries for the remainder of the financial year as part of our yearend work on the Council's financial statements.</p>
Early substantive testing	<p>We have agreed that the Council's opening balances for 2013/14 agree to the closing ledger balances for 2012/13.</p>	<p>Our work has not identified any issues which we wish to bring to your attention.</p>

Value for money

Value for money

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

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

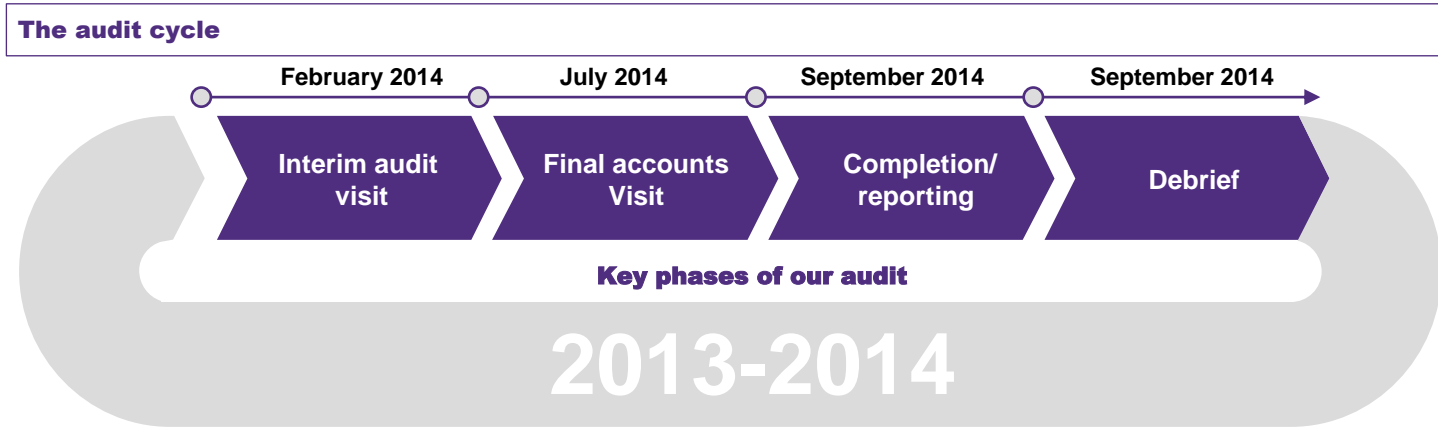
VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate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

We have performed an initial risk assessment to inform our VfM conclusion work. We will perform the following work to address the risks identified;

- consider if the Council's medium term financial strategy remains robust, including the adequacy of its plans to address any potential funding gap.

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

Key dates



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Date	Activity
January 2014	Planning
February 2014	Interim audit visit
14 April 2014	Presentation of audit plan to Audit Committee
June/July 2014	Final accounts work
1 September 2014	Report audit findings to the General Purposes Committee
By 30 September 2014	Sign financial statements opinion

Fees and independence

Fees

	£
Council audit	60,135
Grant certification	27,400
Total fees (excluding VAT)	87,535

Our fee assumptions include:

- Supporting schedules for all figures in the accounts as supplied by the agreed dates and in accordance with the agreed information request list
- The scope of the audit and the Council's activities have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide responses to audit queries

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

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

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

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

Communication of audit matters with those charged with governance

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

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

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

Respective responsibilities

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

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

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

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

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

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TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

14 April 2014

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Information

1 GRANT THORNTON PUBLICATIONS

Grant Thornton has issued a number of publications in recent months and referred to in their Update report elsewhere on this agenda. Summaries of the two publications: 'Reaping the benefits: First impressions of the impact of welfare reform' and 'Working in tandem: Local Government Governance Review 2014' are given below.

1.1 Reaping the benefits: First impressions of the impact of welfare reform

1.1.1 The report provides an early insight into the current impact of welfare reform on English local authority and social housing organisations. It focuses on:

- The governance and management arrangements being put in place nationally across the two sectors to deliver reform.
- The early signs of how successful the reforms have been and the upcoming issues.
- Risks on the reform agenda in the wider context of social impact.

1.1.2 The key messages from the review include:

- There is evidence of a pro-active approach in addressing the current and future impact of welfare reform through effective communications with stakeholders.
- There is scope for closer working between local authorities, housing associations and other partners – including the NHS – to ensure that homelessness and disruption is minimised and that employment opportunities are maximised.
- It seems clear that the full impact of reform has yet to be felt, and there is an element of calm before the storm.

1.1.3 The Council has set up a Welfare Reform OSG comprising a cross-walk of relevant officers and representatives from external partner organisations and agencies. Regular update reports are made to Members of the Finance, Innovation & Property Board in order to keep them abreast of welfare reform developments, including numbers of households affected by the changes and scale of the impacts. A new discretionary housing payment policy has been agreed by Cabinet. The document was reworked to reflect the changing demands placed on the fund due to welfare reform issues.

1.1.4 The report itself runs to 24 pages so rather than reproduce in hard copy, the paper can be found at the following link:

http://www.grant-thornton.co.uk/Global/Publication_pdf/Reaping-the-benefits-LG-Welfare-Reform.pdf

1.2 Working In Tandem: Local Government Governance Review 2014

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

1.2.2 The key messages from the report are:

- While more than 90% of our survey felt their organisations encouraged well-managed risk taking and innovation, almost 40% felt there was a lack of clear leadership from members about risk appetite.
- Almost one third of respondents had concerns about the blame culture in their organisation.
- The associated risks of partnership working and alternative delivery models are not being adequately dealt with by existing governance arrangements: almost one third of respondents did not think that all parties shared the same understanding, or spoke the same language about risk. Further, one quarter doubted whether members and officers were clear about their individual and collective roles and responsibilities.
- More than one third of respondents said the annual governance statement failed to explain how the authority handled risk; 40% of respondents felt their explanatory foreword did not help the public to understand the authority's financial management.
- Local authorities are working hard to improve communication with the public, but could still be more proactive, for example through annual reports and social media. The report highlights examples of good practice and also poses a number of questions for management and members, to help them assess the strength of their current governance arrangements.

1.2.3 Local authorities are required to prepare and adopt a Code of Corporate Governance. The current Code of Corporate Governance was adopted by the Council in July 2013 and it is this latest update that has been used for the purposes of the Annual Governance Statement. The purpose of the Annual Governance Statement is to assess and demonstrate that there is a sound system of corporate governance throughout the organisation. The Annual Governance Statement for the year ended 31 March 2014 and the accompanying self-assessment questionnaire and supporting evidence is to be found elsewhere on this agenda.

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

<http://www.grant-thornton.co.uk/Documents/LG-Governance-Review-2014.pdf>

1.3 Legal Implications

1.3.1 None.

1.4 Financial and Value for Money Considerations

1.4.1 As set out in the publications.

1.5 Risk Assessment

1.5.1 None.

Background papers:

Nil

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