

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
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23 June 2017

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, 3rd July, 2017 commencing at 7.30 pm

Yours faithfully

JULIE BEILBY

Chief Executive

A G E N D A

PART 1 - PUBLIC

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To confirm as a correct record the Minutes of the meeting of Audit Committee held on 3 April 2017

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

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14. Urgent Items 143 - 144

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

MEMBERSHIP

Cllr V M C Branson (Chairman)
Cllr M C Base (Vice-Chairman)

Cllr T Bishop
Cllr T Edmondston-Low
Cllr B T M Elks
Cllr S R J Jessel

Cllr Mrs F A Kemp
Cllr S C Perry
Cllr B W Walker

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Apologies for absence

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Declarations of interest

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TONBRIDGE AND MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 3rd April, 2017

Present: Cllr V M C Branson (Chairman), Cllr T Bishop, Cllr B T M Elks and Cllr Mrs F A Kemp

Grant Thornton, External Auditors: Ms S Ironmonger (Engagement Lead) and Mr R Lawson (Audit Manager)

Councillors M A Coffin and N J Heslop were also present pursuant to Council Procedure Rule No 15.21.

Apologies for absence were received from Councillors M C Base (Vice-Chairman), S R J Jessel and B W Walker

PART 1 - PUBLIC

AU 17/16 DECLARATIONS OF INTEREST

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

AU 17/17 MINUTES

RESOLVED: That the Minutes of the meeting of the Audit Committee held on 23 January 2017 be approved as a correct record and signed by the Chairman.

MATTERS FOR RECOMMENDATION TO COUNCIL

AU 17/18 AUDIT COMMITTEE ANNUAL REPORT

The report of the Chairman of the Audit Committee was produced to inform the Council of the means by which the Committee had provided independent assurance to those charged with governance on the adequacy of the risk assessment framework, the internal control environment and the integrity of financial reporting and annual governance processes. The report summarised the work carried out by the Committee during 2016/17 and concluded that the required assurance set out in the CIPFA Audit Committee Guidance had been provided to those charged with governance. The Leader of the Council thanked the Chairman and the members of the Audit Committee for their due diligence over the previous twelve months.

RECOMMENDED: That the Annual Report be presented to the Council as independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. ◀

***Referred to Council**

AU 17/19 LOCAL CODE OF CORPORATE GOVERNANCE

Further to Minute AU 17/11 of the Audit Committee held on 23 January 2017, the joint report of the Chief Executive and the Director of Central Services set out details of the proposed revision of the Local Code of Corporate Governance following a detailed review of the current code. This had included an internal audit 'gap analysis' to identify areas where the current Local Code had not met the requirements of the framework document 'Delivering Good Governance in Local Government Framework 2016'. Additionally, attention was drawn to a number of requirements linked to provisions in the Council's Constitution which was also under review.

RECOMMENDED: That the amended Local Code for Corporate Governance, as attached to the report, be commended for adoption by the Council. ◀

***Referred to Council**

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

AU 17/20 TREASURY MANAGEMENT UPDATE

The report of the Director of Finance and Transformation provided an update of treasury management activity undertaken during the 2016/17 financial year within the context of the national economy. Members were invited to endorse the action taken by officers and to note the treasury management position at the end of February 2017.

RESOLVED: That the Cabinet be recommended to

- (1) endorse the action taken by officers in respect of treasury management activity for the period April 2016 to February 2017; and
- (2) note the treasury position at the end of February 2017.

AU 17/21 INTERNAL AUDIT AND FRAUD PLAN 2017/18

The report of the Chief Audit Executive presented the Internal Audit and Fraud Plan for 2017/18. Consideration was given to the coverage of the plan which was informed by an assessment of the risks and audit needs

of the Council and was intended to ensure that the work of the Internal Audit and Fraud Team was effectively directed.

RESOLVED: That the Internal Audit and Fraud Plan for 2017/18, as set out in Annex 1 to the report, be endorsed.

AU 17/22 MEMBERS ASSURANCE ON COMPLIANCE WITH INTERNATIONAL STANDARDS ON AUDITING

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

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

MATTERS SUBMITTED FOR INFORMATION

AU 17/23 MANAGEMENT TEAM ASSURANCE ON COMPLIANCE WITH INTERNATIONAL STANDARDS ON AUDITING

The Committee received the report of the Management Team confirming compliance with the International Standards on Auditing. Reference was made to the similar assurance to be provided by the Audit Committee for which this report provided supporting evidence (Minute AU 17/22 refers).

RESOLVED: That the report be received and noted.

AU 17/24 INTERNAL AUDIT AND COUNTER FRAUD UPDATE

The report of the Chief Audit Executive provided an update on the work of the Internal Audit and Counter Fraud functions for the period 1 April 2016 to 28 February 2017.

RESOLVED: That the report be received and noted.

AU 17/25 GRANT THORNTON CERTIFICATION WORK 2015/16

The report of the Director of Finance and Transformation provided a summary of the outcomes of certification work carried out in 2015/16 by the Council's external auditors, Grant Thornton.

RESOLVED: That the report be received and noted.

**AU 17/26 GRANT THORNTON PROGRESS REPORT AND UPDATE AND
AUDIT PLAN 2016/17**

The report of the Director of Finance and Transformation referred to the items from Grant Thornton, the Council's external auditors. These included the Audit Plan 2016/17 which set out the proposed approach to the audit of the Council's financial statements. The Committee also received Grant Thornton's report on progress in delivering their responsibilities as the Council's external auditors together with a summary of emerging national issues and developments that might be relevant to the Council.

RESOLVED: That the report be received and noted.

AU 17/27 EXCLUSION OF PRESS AND PUBLIC

The Chairman moved, it was seconded and

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

PART 2 - PRIVATE**MATTERS SUBMITTED FOR INFORMATION****AU 17/28 INSURANCE CLAIMS HISTORY: APRIL 2016 - MARCH 2017**

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

The Director of Finance and Transformation reported on the nature and volume of liability and property damage insurance claims submitted during the period April 2016 to March 2017.

RESOLVED: That the report be received and noted.

The meeting ended at 8.19 pm

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

03 July 2017

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Recommendation to Council

1 TREASURY MANAGEMENT UPDATE AND ANNUAL REPORT FOR 2016/17

The report provides an update on treasury management activity undertaken during April and May of the current financial year. The treasury management outturn position for 2016/17 is also included in this report.

1.1 Introduction

1.1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) issued a revised Code of Practice for Treasury Management in November 2009. The revised Code was adopted by the Council on 18 February 2010 and suggests that Members should be informed of treasury management 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 subsequent updates.

1.2 Economic Background

1.2.1 Despite the recent improvements in public finance data and healthier near term economic outlook the Chancellor's spring budget introduced no major changes in government policy. The main focus areas for support were the NHS and social care, education and additional funds earmarked for businesses to assist with planned changes in business rates.

1.2.2 The budget was supported by updated economic growth and inflation forecasts by the Office for Budget Responsibility (OBR). The GDP forecast for 2016/17 was confirmed at 2.0%, increased to 1.8% for 2017/18 (1.3% last autumn) but reduced in subsequent years (now 1.6% in 2018/19 rising back to 2.0% in 2021/22). The Consumer Price Index forecast was confirmed at 1.0% for 2016/17, rising to 2.6% in 2017/18 and falling back to 2.0% in 2019/20. Since the spring budget, CPI has risen to its highest reading over the last four years to 2.9% for the 12 months ending May 2017.

1.2.3 In the February Inflation Report, the Bank of England moved to a 'neutral' policy position, stating that central bank policy can respond in 'either direction' to changes in the economic outlook, removing its previous view that a rate cut was

likely. At the Bank's March meeting, the minutes noted 'it would take relatively little further upside news on the prospects for activity or inflation for them to consider that a more immediate reduction in policy support might be warranted'. The March meeting also saw one of its nine members vote for an immediate increase in Bank Rate. The June meeting saw three members vote for an increase.

1.2.4 In America the Federal Reserve raised the Fed Rate (equivalent of our Bank Rate) by 0.25% to 0.75% in December 2016. The rise, the second since 2006, was accompanied by an expectation that further rises would follow in 2017. The March meeting saw the Fed Rate increase by a further 0.25% to 1.00% and increase again by a further 0.25% at the June meeting.

1.2.5 The outcome of the General Election has added to market uncertainty surrounding the Brexit negotiations which commenced in June.

1.3 Interest Rate Forecast

1.3.1 The Bank Rate, having remained at an emergency level of 0.5% for over seven years, was reduced to 0.25% in August 2016. Capita, the Council's treasury advisor, provided an updated forecast in May 2017. The forecast anticipates the Bank Rate remaining at 0.25% until June 2019.

Rate	Now	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
	%	%	%	%	%	%	%	%	%	%	%	%
Bank Rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.75	0.75
3 mth LIBID	0.19	0.30	0.30	0.30	0.30	0.30	0.40	0.50	0.60	0.70	0.80	0.90
6 mth LIBID	0.33	0.40	0.40	0.40	0.40	0.40	0.50	0.60	0.70	0.80	0.90	1.00
12 mth LIBID	0.54	0.60	0.70	0.70	0.80	0.80	0.90	1.00	1.10	1.20	1.30	1.40
25yr PWLB	2.60	2.80	2.90	2.90	3.00	3.00	3.10	3.10	3.20	3.20	3.30	3.30

1.4 Investment Performance

1.4.1 In accordance with the CIPFA Code the Council's priorities, in order of importance, are: to ensure security of capital; liquidity; and having satisfied both, to obtain an appropriate level of return which is consistent with the Council's risk appetite.

1.4.2 Funds available for investment comprise two distinct elements, cash flow surpluses and core cash.

1.4.3 Cash flow surpluses are available on a temporary basis and the amount mainly dependent on the timing of council tax and business rates collected and their payment to precept authorities and government. Less significant cash flows relate to receipt of grants, payments to housing benefit recipients, suppliers and staff. Cash flow surpluses build up during the course of a financial year and are spent

by financial year end **[Annex 1]**. Thus far in 2017/18 cash flow surpluses have averaged £10.5m.

1.4.4 The Authority also has £22m of core cash balances. These funds are for the most part available to invest for more than one year, albeit a proportion is usually transferred to cash flow towards the end of the financial year to top-up daily cash balances. Core cash includes the Council's capital and revenue reserves which are being consumed over time to meet capital expenditure and 'buy time' to enable the authority to deliver its revenue savings targets. The core cash balance also includes some £8m to meet business rate appeals which are expected to be resolved in 2017/18 and 2018/19.

1.4.5 A full list of investments held on 26 May 2017 is provided at **[Annex 2]** and a copy of our lending list of the same date is provided at **[Annex 3]**. The table below provides a summary of funds invested and interest earned at 31 May 2017.

	Funds invested on 31 May 2017	Average duration to maturity	Weighted average rate of return	Interest earned to 31 May 2017	Gross annualised return	LIBID benchmark (average from 1 April 2017)
	£m	Days	%	£	%	%
Cash flow	9.3	33	0.43	7,150	0.40	0.11 (7 Day)
Core funds	22.0	137	0.67	25,750	0.67	0.20 (3 Mth)
Total	31.3	106	0.60	32,900	0.59	0.17 (Ave)

1.4.6 Interest earned of £32,900 to the end of May is £12,050 better than the original estimate for the same period. The authority also outperformed the LIBID benchmark by 42 basis points. The additional income is in part due to the higher core fund balance attributed to business rate appeal provisions.

1.5 Benchmarking

1.5.1 The Council takes advantage of Capita's benchmarking service which enables performance to be gauged against Capita's other local authority clients. An extract from the latest benchmarking data is provided in the form of a scatter graph at **[Annex 4]**. The graph shows the return (vertical scale) vs. the credit / duration risk (horizontal scale) associated with an authority's investments. As at 31 March 2017 our return at 0.64% (purple diamond) was above the local authority average of 0.55%. Based on the Council's exposure to credit / duration risk that return was in-line with Capita's predicted return (just below the upper boundary indicated by the green diagonal line). The Council's risk exposure, whilst above average, was not excessive relative to others.

1.6 Compliance with the Annual Investment Strategy

- 1.6.1 Throughout April and May 2017 all of the requirements contained in the 2017/18 Annual Investment Strategy intended to limit the Council's exposure to investment risks (minimum sovereign and counterparty credit rating; durational limits; exposure limits in respect of counterparties, groups of related counterparty and sovereigns; and specified and non-specified investment limits) have been complied with. No borrowing was undertaken during April or May 2017.
- 1.6.2 The Council has also operated within the treasury limits and prudential indicators set out in the Annual Investment Strategy. The Prudential and Treasury Indicators will be included for review as part of the treasury management report to the September 2017 meeting of Audit Committee.

1.7 Long Term Investment Update

- 1.7.1 The availability of cash balances over the longer term (10 years) and the suitability of different types of long term investment (equities, bonds and property) was explored in the report to Audit Committee, January 2017. Of the alternatives, investment in property funds was considered the most appropriate. The use of property funds for both existing cash balances and any new money derived from the sale of assets was subsequently approved by Council in February 2017.
- 1.7.2 There are numerous property funds to choose from. Many have: a track record that precedes the 2008 financial crisis; a diverse **commercial property** portfolio (mix of retail, office and industrial / warehouse premises); a portfolio in excess of £500m; a client base of over 50 investors and; where investment is not classified as capital expenditure. Capita were engaged to assist with the detailed analysis required to identify the most appropriate funds to suit the Council's needs. That assistance included analysis of: fund investment strategies; performance; portfolio composition; liquidity risk and fund management fees.
- 1.7.3 The analysis produced a shortlist of four funds who were invited to attend an interview at the Council's offices in late May. The interviews with fund managers provided the opportunity to probe in more detail their differing investment strategies and portfolio mix. The process culminated in three funds being selected for immediate investment.
- 1.7.4 £2m of the Council's existing cash balance has been identified for long term investment and is to be applied to investment in property funds. A further £1m anticipated from the disposal of existing property assets is also being applied now, bringing the total available for investment to £3m. Applications have been submitted and accepted by each of the: Local Authorities Property Fund; Hermes Property Unit Trust and the Lothbury Property Fund. Investment is to be diversified across the three funds to ensure, as far as is possible, stability of annual income and capital growth overtime. £1m is to be applied to each fund with investment expected to commence at the end of June 2017.

1.8 2016/17 Treasury Management Outturn

- 1.8.1 A detailed report covering treasury management activity for the last financial year was submitted to Cabinet on 28 June 2017 as an annex to the Revenue and Capital Outturn report for 2016/17. That annex is replicated in full and provided at **[Annex 5]** to this report. The role of this Committee is to act as scrutineer on behalf of full Council.
- 1.8.2 A summary of the investment performance included in Annex 5 is as follows:

2016/17 Financial Year	Average investment £m	Gross rate of return %	Interest earned £	Original / revised estimate £
Cash flow	16.0	0.57	91,500	82,000
Core funds	19.8	0.71	140,000	124,000
Total	35.8	0.65	231,500	206,000

- 1.8.3 The combined performance of the Authority's cash flow and core funds bettered the original / revised estimate by £25,500.

1.9 Legal Implications

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

1.10 Financial and Value for Money Considerations

- 1.10.1 Investment income at the end of May 2017 (month two of the financial year) is £12,050 better than budget for the same period. Income for the 2016/17 financial year as a whole exceed budget by some £25,500.
- 1.10.2 The Bank Rate having remained at a historic low of 0.5% for over seven years was cut to 0.25% in August 2016. Capita, our treasury advisors, anticipate the Bank Rate will remain at this level until June 2019.
- 1.10.3 Performance is monitored against a benchmark return and against other local authorities in Kent and the broader local authority pool via Capita's benchmarking service.

- 1.10.4 Whilst the annual income stream from a property fund exhibits stability (circa 4.5% per annum net of management fees) capital values rise and fall with the cyclical nature of economic activity. During a downturn in the economy capital values may fall significantly. As a consequence the duration of a property based investment cannot be determined with certainty.
- 1.10.5 Buying and selling property involves significant costs making property unsuitable for short term investment. Buying and selling costs are reflected in the entry fees (circa 6%) and exit fees (circa 2%) a property fund will charge unit holders. These fees are expected to be recouped overtime through capital appreciation.
- 1.10.6 The money being applied to property fund investment from existing resources is expected to be available in perpetuity. Nevertheless, the Council's cash balances will continue to be monitored and due regard had to the potential for a fund to delay payment of redemption requests by up to 12 months. Funds will seek to minimise their own cash balances in favour of holding property and therefore manage redemption requests for the benefit of all fund participants. The Council is only likely to seek redemption to pursue a higher yielding income opportunity should one be identified.

1.11 Risk Assessment

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

1.12 Equality Impact Assessment

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

1.13 Recommendations

- 1.13.1 Members are invited to **RECOMMEND** that Council:

- 1) Endorse the action taken by officers in respect of treasury management activity for April and May 2017.
- 2) Note the progress being made in respect of property fund investment.
- 3) Note the 2016/17 outturn position.

Background papers:

contact: Mike Withey

Capita interest rate forecast (May 2017)

Capita benchmarking data (March 2017)

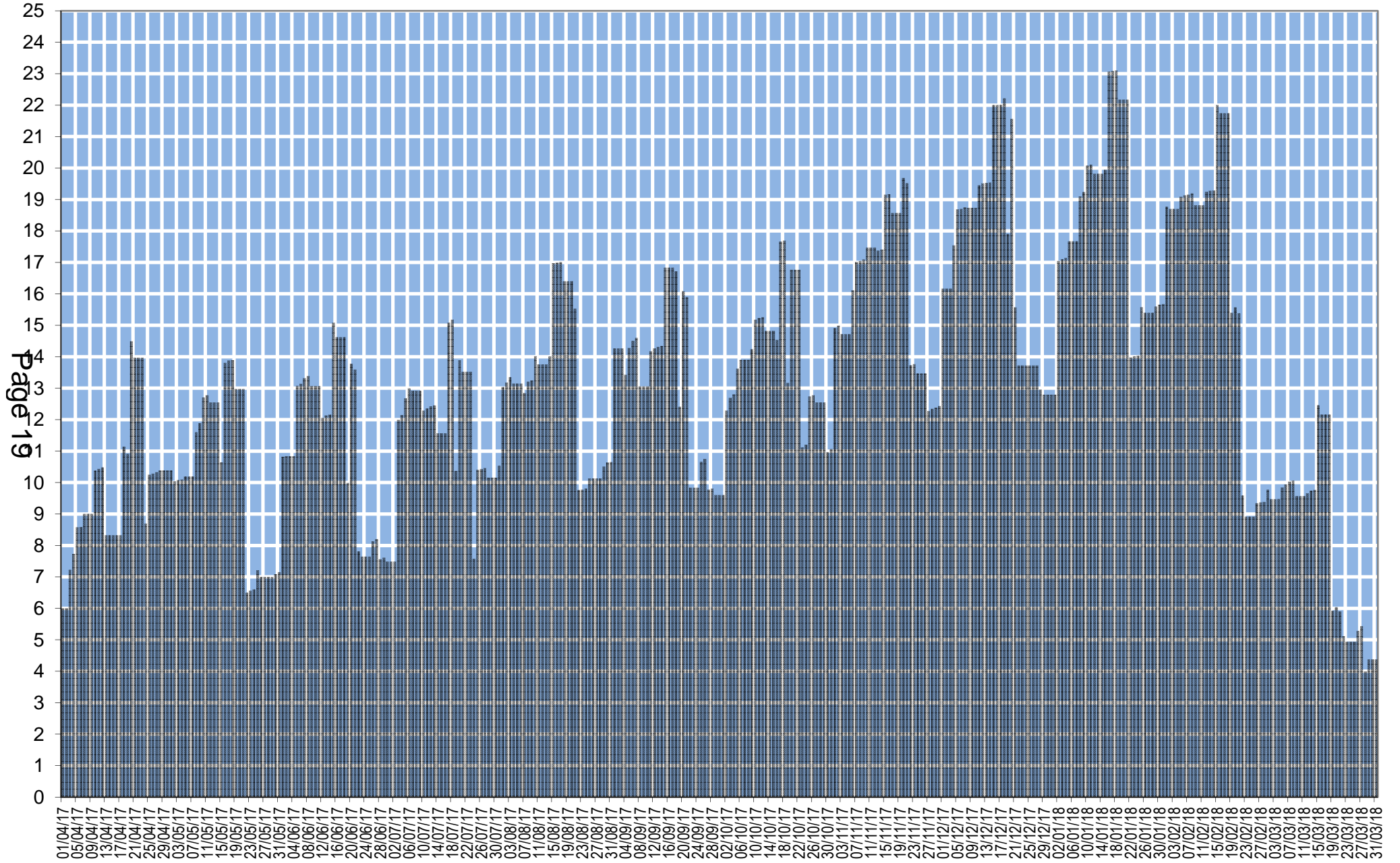
Sharon Shelton

Director of Finance and Transformation

2017-18 Available to Spend Daily Cash Flow Balances At 1/4/2017

Balance £M

i.e excludes all live fixed term cash flow Investments



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Investment Summary as at 26 May 2017

Counterparty	Sovereign	Fitch Credit rating		Capita Suggested Post CDS Duration Limit	Investment						Instrument type	Core Fund £	Cash Flow £
		Long Term	Short Term		Start Date	End Date	Duration	Amount Invested £	Return %	Proportion of total %			
Bank of Scotland	UK	A+	F1	6 months	21/10/2016	21/07/2017	9 months	2,000,000	0.80%	8.15%	Fixed Term	2,000,000	
Bank of Scotland	UK	A+	F1	6 months	23/03/2017	23/03/2018	12 months	500,000	0.80%		Fixed Term	500,000	
Bank of Scotland Total								2,500,000					
Barclays Bank	UK	A	F1	6 months	26/09/2016	26/06/2017	9 months	1,000,000	0.58%	16.29%	Fixed Term	1,000,000	1,000,000
Barclays Bank	UK	A	F1	6 months	30/03/2017	21/03/2018	12 months	1,000,000	0.86%		CD		
Barclays Bank	UK	A	F1	6 months	11/05/2017	27/04/2018	12 months	1,000,000	0.81%		CD	1,000,000	
Barclays Bank	UK	A	F1	6 months	12/05/2017	12/02/2018	9 months	2,000,000	0.51%		Fixed Term	2,000,000	
Barclays Bank Total								5,000,000					
BNP Paribas MMF	n/a	AAA	mmf (Eq)	5 years	26/05/2017	30/05/2017	n/a	3,949,000	0.28%	12.87%	Call - MMF		3,949,000
BNP Paribas MMF Total								3,949,000					
Deutsche MMF	n/a	AAA	mmf	5 years	26/05/2017	30/05/2017	n/a	731,000	0.25%	2.38%	Call - MMF		731,000
Deutsche MMF Total								731,000					
Goldman Sachs Int'l Bank	UK	A	F1	6 months	09/09/2016	09/06/2017	9 months	3,000,000	0.68%	13.03%	Fixed Term	3,000,000	
Goldman Sachs Int'l Bank	UK	A	F1	6 months	20/12/2016	20/09/2017	9 months	1,000,000	0.76%		Fixed Term	1,000,000	
Goldman Sachs Int'l Bank Total								4,000,000					
Lloyds Bank	UK	A+	F1	6 months	14/10/2016	14/07/2017	9 months	1,000,000	0.80%	8.15%	Fixed Term	1,000,000	
Lloyds Bank	UK	A+	F1	6 months	25/01/2017	21/10/2017	9 months	1,000,000	0.70%		Fixed Term	1,000,000	
Lloyds Bank	UK	A+	F1	6 months	23/03/2017	23/03/2018	12 months	500,000	0.80%		Fixed Term	500,000	
Lloyds Bank Total								2,500,000					
NatWest Deposit Account	UK	BBB+	F2	1 year	26/05/2017	30/05/2017	n/a	10,000	0.01%	0.03%	Call		10,000
National Westminster Bank Total								10,000					
Royal Bank of Scotland	UK	BBB+	F2	1 year	28/03/2017	27/03/2018	12 months	2,000,000	0.73%	6.52%	CD	2,000,000	
Royal Bank of Scotland Total								2,000,000					
Santander Deposit Account	UK	A	F1	6 months	26/05/2017	30/05/2017	n/a	6,000,000	0.55%	19.55%	Call	3,000,000	3,000,000
Santander UK Plc Total								6,000,000					
Standard Chartered Bank	UK	A+	F1	6 months	16/02/2017	16/11/2017	9 months	2,000,000	0.76%	13.03%	Fixed Term	2,000,000	
Standard Chartered Bank	UK	A+	F1	6 months	27/04/2017	26/01/2018	9 months	2,000,000	0.54%		Fixed Term	2,000,000	
Standard Chartered Bank Total								4,000,000					
Total invested								30,690,000		100.00%		22,000,000	8,690,000

Number of investments	19	Average investment value £		1,615,000	
Number of counter parties	10	Average counter party investment £		3,069,000	
Group exposures:		Core £	Cash £	Combined £	%
RBS + National Westminster (UK Nationalised 25%)		2,000,000	10,000	2,010,000	6.55
Bank of Scotland + Lloyds (20%)		5,000,000	-	5,000,000	16.29

Total non-specified investments should be less than 60% of Core Funds	0.00%
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CD = Certificate of Deposit

n/c = no colour / no new investment

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Tonbridge and Malling Borough Council Lending List

Checked against Capita Duration Matrix dated 26/05/17									
Minimum investment criteria is Capita Green (100 days) Duration Band (entry point broadly equates to Fitch A-, F1 unless UK nationalised / semi-nationalised).									
Counterparty	Sovereign	Sovereign Rating [1]	Fitch Long Term	Fitch Short Term	Exposure Limits			Capita Duration [2]	
					Cash Flow	Core Fund	Combined	Credit Rating	Post CDS
Bank of Montreal	Canada	AAA	AA-	F1+	£3m	£3m	£6m	12 months	12 months
Toronto Dominion Bank	Canada	AAA	AA-	F1+	£3m	£3m	£6m	12 months	12 months
Deutsche Bank	Germany	AAA	A-	F1	£3m	£3m	£6m	100 days	100 days
Rabobank (Cooperatieve Rabobank U.A.)	Netherlands	AAA	AA-	F1+	£3m	£3m	£6m	12 months	12 months
ING Bank	Netherlands	AAA	A+	F1	£3m	£3m	£6m	6 months	6 months
Nordea Bank AB	Sweden	AAA	AA-	F1+	£3m	£3m	£6m	12 months	12 months
Svenska Handelsbanken AB	Sweden	AAA	AA	F1+	£3m	£3m	£6m	12 months	12 months
Bank of Scotland (Group limit with BOS and Lloyds of £6m)	UK	AA	A+	F1	£2m	£4m	£6m	6 months	6 months
Barclays Bank	UK	AA	A	F1	£2m	£4m	£6m	6 months	6 months
Goldman Sachs Int'l Bank	UK	AA	A	F1	£2m	£4m	£6m	6 months	6 months
HSBC Bank	UK	AA	AA-	F1+	£3m	£3m	£6m	12 months	12 months
Lloyds Bank (Group limit with BOS and Lloyds of £6m)	UK	AA	A+	F1	£2m	£4m	£6m	6 months	6 months
Santander UK	UK	AA	A	F1	£3m	£3m	£6m	6 months	6 months
Standard Chartered Bank	UK	AA	A+	F1	£2m	£4m	£6m	6 months	6 months
Coventry Building Society	UK	AA	A	F1	£3m	£3m	£6m	6 months	6 months
Nationwide Building Society	UK	AA	A+	F1	£3m	£3m	£6m	6 months	6 months
National Westminster Bank [3] (Group limit with Nat West and RBS of £7.6m)	UK	AA	BBB+	F2	£3.8m	£3.8m	£7.6m	12 Months	12 Months
The Royal Bank of Scotland [3] (Group limit with Nat West and RBS of £7.6m)	UK	AA	BBB+	F2	£3.8m	£3.8m	£7.6m	12 Months	12 Months
UK Debt Management Office including Treasury Bills	UK	AA	N/A	N/A	No limit	No limit	No limit	N/A	N/A
UK Treasury (Sovereign Bonds-Gilts)	UK	AA	N/A	N/A	No limit	£7.5 / 15m	£7.5 / 15m	N/A	N/A
UK Local Authorities	UK	AA	N/A	N/A	£3m	£3m	£6m	N/A	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-. Non-UK 20% sovereign limit equals combined limit quoted above (£6m).

[2] All deposits overnight unless otherwise approved in advance by the Director of Finance and Transformation AND Chief Financial Services Officer. If other than overnight, duration for non-UK entities must not exceed Capita's post CDS duration assessment. For UK entities, duration may be extended by up to three months based on credit ratings alone or six months if CDS is below average subject to a maximum combined duration of 12 months.

[3] UK nationalised / semi-nationalised.

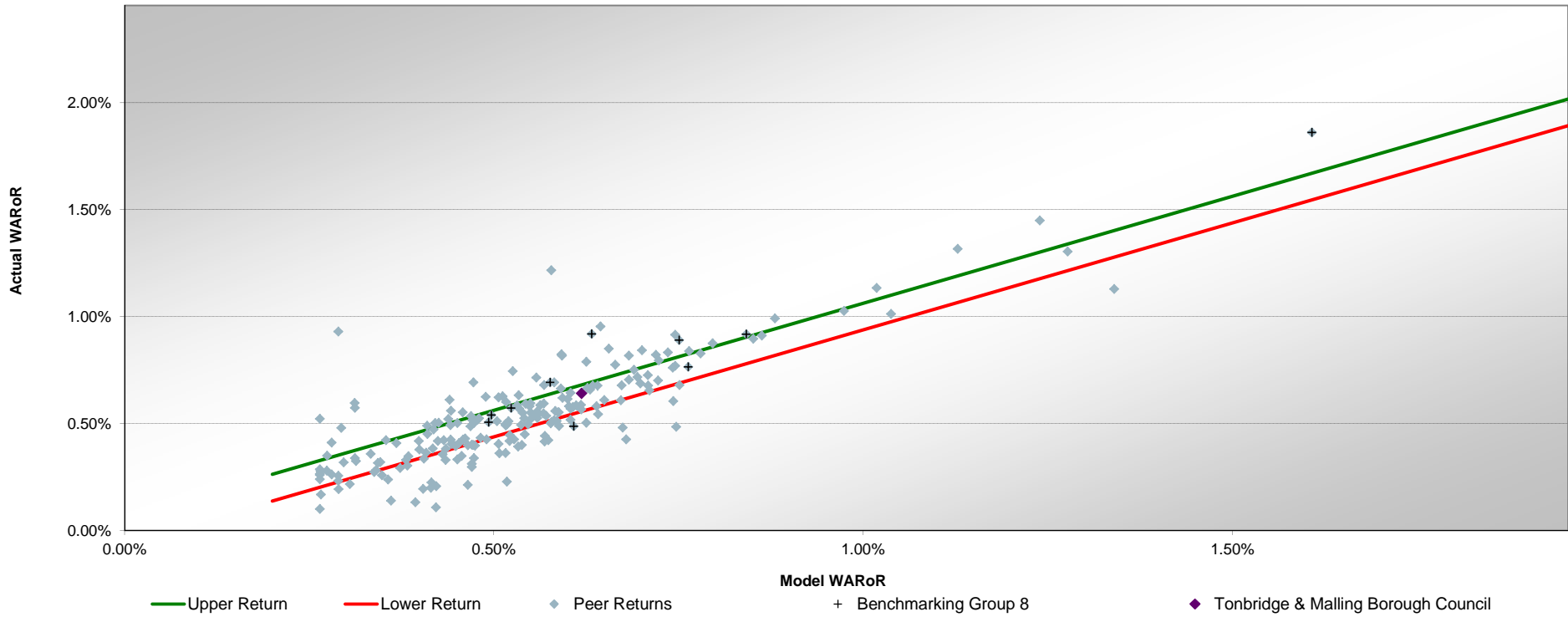
Money Market Funds						
Minimum investment criteria one of AAA-mf, AAmmf or AAAm						
Fund Name	Moody	Fitch	S&P	Exposure Limit		
				Cash Flow	Core Fund	Combined
Blackrock	AAA-mf	-	AAAm	£6m	-	£6m
BNP Paribas	-	-	AAAm	£6m	-	£6m
Goldman Sachs	AAA-mf	AAmmf	AAAm	£6m	-	£6m
Deutsche Fund	AAA-mf	AAmmf	AAAm	£6m	-	£6m
Standard Life (Ignis)	-	AAmmf	AAAm	£6m	-	£6m
Morgan Stanley	AAA-mf	AAmmf	AAAm	£6m	-	£6m
Prime Rate	-	AAmmf	AAAm	£6m	-	£6m
Insight Liquidity Group limit for IL and ILP of £6m	-	AAmmf	AAAm	£6m	-	£6m

Enhanced Cash Funds						
Minimum investment criteria AAA						
Fund Name	Moody	Fitch	S&P	Exposure Limit		
				Cash Flow	Core Fund	Combined
Insight Liquidity Plus Group limit for IL and ILP of £6m	-	-	AAAF/S1	£1.5m	£1.5m	£3m

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Tonbridge & Malling Borough Council

Population Returns against Model Returns 31 March 2017



Page 25

	Actual WARoR	Model WARoR	Difference	Lower Bound	Upper Bound	Performance
Tonbridge & Malling Borough Council	0.64%	0.62%	0.02%	0.56%	0.68%	Inline

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Treasury Management Annual Report 2016/17

1.1 Introduction

1.1.1 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activity and the actual prudential and treasury indicators for 2016/17 [**Appendix 1**]. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

1.1.2 During 2016/17 the minimum reporting requirements were that full Council should receive the following reports:

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

In addition, treasury management updates have been presented to each meeting of the Audit Committee throughout the 2016/17 financial year. Treasury performance was also considered at the Finance, Innovation and Property Advisory Board through the regular Financial Planning and Control reports.

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

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

1.2 The Economy and Interest Rates

1.2.1 The outcome of the June 2016 EU referendum and subsequent action by the Bank of England's Monetary Policy Committee (MPC) in August had a significant impact on interest rate expectations by the financial markets. Forecasts contained in the Bank of England's August inflation report anticipated economic growth in the UK was likely to fall close to zero in the second half of 2016. In response the MPC, at its meeting on 4 August, cut the Bank Rate from 0.5% to 0.25%, restarted the Bank's programme of quantitative easing (buying back Gilts) and introduced Term Funding (cheap financing made available to banks). The MPC also warned that a second cut in Bank Rate may be required later in 2016.

1.2.2 Actual economic activity in the second half of 2016 confounded the Bank's pessimistic August forecast. Whilst GDP grew by only +0.2% in Q1 2016, growth in the following three quarters returned to recent norms with +0.6%, +0.5% and +0.7% respectively. Growth for 2016 as a whole at 1.8%, whilst a

little below the 2.2% produced in 2015, bettered that achieved by the majority of G7 countries.

- 1.2.3 Inflation, however, has risen rapidly following the devaluation of sterling after the referendum. By the end of March 2017, sterling was 17% down against the dollar. In February 2017, CPI inflation had risen above the MPC's 2% inflation target to 2.3%. Markets expect the MPC to set aside near term supply side driven inflation and not raise Bank Rate provided domestically generated inflation (i.e. wage inflation) continues to remain subdued. Current market expectation is for Bank Rate to rise mid-2019.

1.3 Treasury Position at 31 March 2017

- 1.3.1 At the beginning and the end of 2016/17 the Council's debt and investment position was as follows:

	31 March 2016 £m	Rate / Return %	Average duration Days	31 March 2017 £m	Rate / Return %	Average duration Days
Variable rate debt:						
Overdraft	0.00	-	-	0.00	-	-
Total debt	0.00	-	-	0.00	-	-
Fixed rate investments:						
Cash flow	2.00	0.85	204	-	-	-
Core funds	8.75	0.87	139	17.00	0.69	118
Variable rate investments:						
Cash flow	6.62	0.59	1	6.10	0.50	61
Core funds	6.85	0.73	89	7.00	0.65	114
Total investments	24.22	0.75	92	30.10	0.64	105

- 1.3.2 The rise in investment balances between the start and end of the financial year runs counter to the expectation that core cash will be consumed over time as a proportion is used each year to finance capital expenditure and to finance the revenue account deficit until such time as the authority achieves a balanced budget. The rise in investment balances is wholly attributed to provisions under the Business Rates Retention Scheme to meet the cost of appeals which have yet to be determined by the Valuation Office. As at 31st March 2017, the provision to meet business rate appeals was some £7m.

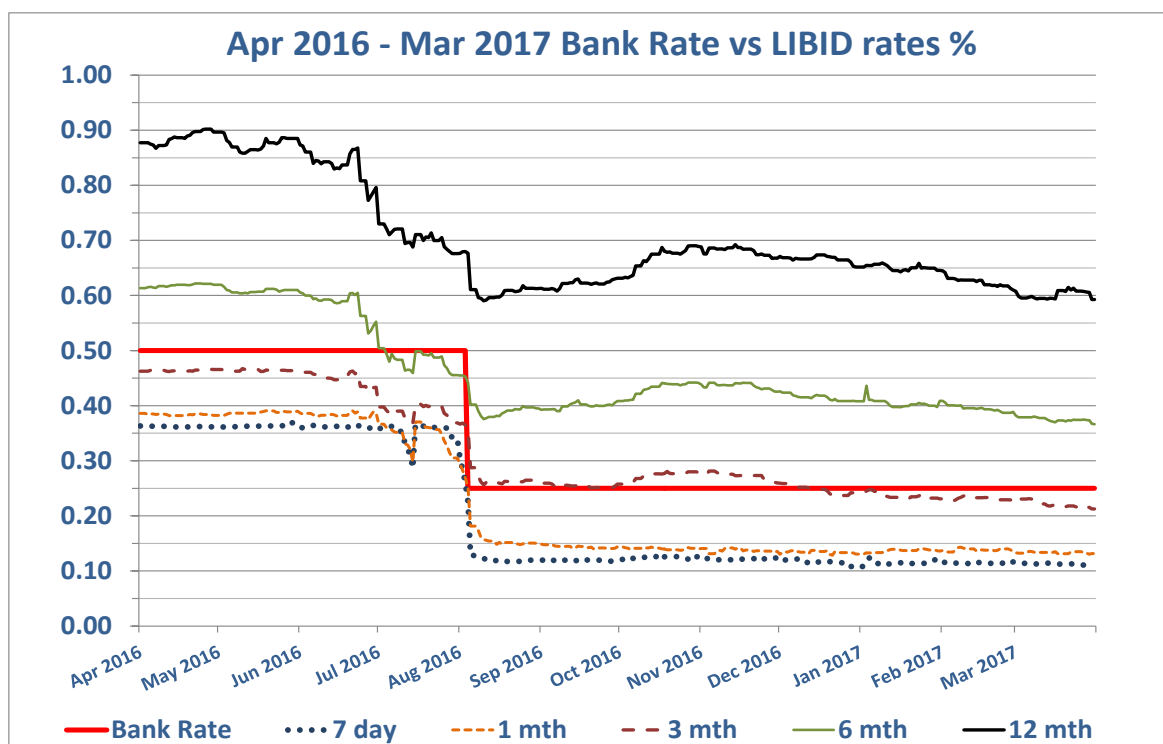
1.4 The Strategy for 2016/17

- 1.4.1 The expectation for interest rates within the treasury management strategy for 2016/17 anticipated a low but rising Bank Rate starting in quarter 2 of 2016. In addition, continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns. Events that have taken place since the Strategy was prepared

(December 2015) have pushed back the anticipated rise in Bank Rate to mid-2019.

1.5 Investment Rates in 2016/17

- 1.5.1 The Bank Rate having remained at a historic low of 0.5% for over seven years was cut to 0.25% in August 2016. The impact the EU referendum and subsequent Bank Rate cut had on investment returns in 2016/17 is demonstrated in the table below.



1.6 Investment Outturn for 2016/17

- 1.6.1 The Council's investment policy sets out the approach for choosing investment counter-parties and is based on credit ratings provided by the three main credit rating agencies. This is supplemented by additional market information including credit rating outlooks and credit default swap data (CDS). The 2016/17 Annual Investment Strategy was approved by Council in February 2016 and was subjected to a mid-year review in September 2016. In undertaking the review, no changes were made to the Council's minimum counter-party credit requirement (Fitch A-, F1 unless UK state owned) or counter-party exposure limits (20% for non-UK state owned financial institutions). Discretion to extend investment duration by up to three months over the Council's external treasury advisor's suggested duration was also retained albeit pending further review. At the January 2017 meeting of Audit Committee Members amended the discretion to six months subject to a number of constraints (only to applicable to UK institutions; overall duration not to exceed twelve months; and the institutions CDS to be below bank average at the time of placing the deposit).
- 1.6.2 The mid-year review was undertaken just after the MPC's August Bank Rate meeting. Provided there was no subsequent action by the MPC, the Council's

investment income forecasts at the time anticipated income for the year as a whole would be in-line with budget. This reflected a combination of higher than expected balances available for investment and action taken in advance of the referendum to invest as much of the Council's cash surpluses in term deposits as was practical. Investment income for 2016/17 was confirmed at £206,000 (as originally estimated) when the revised estimates were subsequently approved by Council in February 2017.

- 1.6.3 **Cash Flow Investments.** The Council maintained an average balance of £16.0m in cash flow funds. These funds earned an average rate of return of 0.57%. The average 7-day LIBID rate, used to compare performance, was 0.20%. The majority of cash flow funds are required to meet our regular payment obligations and as a consequence are invested overnight in bank deposit accounts and money market funds which allow next day access. However, the opportunity to invest for longer durations and generate additional yield is taken when cash flow surpluses permit. Throughout 2016/17 cash balances were higher than budget reflecting a continuation of the beneficial change by Government to the pattern of business rates paid to them, KCC and Kent Fire and Rescue.
- 1.6.4 **Core Fund Investments.** The Council maintained an average balance of £19.8m in core funds. These funds earned an average rate of return of 0.71%. The 3-month LIBID rate used as a comparator was 0.34%. Unlike cash flow, core fund balances are not required to meet our regular payment obligations and are available to invest for longer durations including durations exceeding one year. This added flexibility allows core funds to generate a better return relative to cash flow investments.
- 1.6.5 Performance for the financial year as a whole is summarised in the table below:

	2016/17 Average Balance £m	Return %	2016/17 Interest Earned £	2016/17 Original / Revised Estimate £	Variance Better (worse) £
Cash flow	16.0	0.57	91,500	82,000	9,500
Core funds	19.8	0.71	140,000	124,000	16,000
Total	35.8	0.65	231,500	206,000	25,500

- 1.6.6 The combined performance of the Authority's cash flow and core funds bettered the original / revised estimates by £25,500.

1.7 Compliance with the Annual Investment Strategy

- 1.7.1 The Annual Investment Strategy aims to limit the Council's exposure to investment risks by prescribing: minimum counter-party credit criteria; maximum exposure limits in respect of sovereigns, counter-parties and group of related counter-party; the type of investment instrument that can be used; and investment duration limits. Throughout the period April 2016 to March 2017 the requirements set out in the Annual Investment Strategy for 2016/17, as amended by Council in February 2017, were complied with. No liquidity issues were experienced resulting in nil borrowing throughout 2016/17.

Financial Services
May 2017

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Prudential and Treasury Indicators

1 Prudential Indicators	2015/16 Actual £'000	2016/17 Original £'000	2016/17 Actual £'000
Capital expenditure	3,287	3,314	1,632
Ratio of financing costs to net revenue stream	-1.90%	-2.07%	-2.33%
Net borrowing requirement:			
Brought forward 1 April	nil	nil	nil
Carried forward 31 March	nil	nil	nil
In year borrowing requirement	nil	nil	nil
Capital financing requirement as at 31 March	nil	Nil	nil
Annual change in capital financing requirement	nil	Nil	nil
Incremental impact of capital investment decisions:			
Increase in Council Tax (Band D) per annum	£0.24	£0.10	£0.10

2 Treasury Management Indicators	2015/16 Actual £'000	2016/17 Original £'000	2016/17 Actual £'000
Authorised limit for external debt:			
Borrowing	nil	5,000	nil
Other long term liabilities	nil	nil	nil
Total	nil	5,000	nil
Operational boundary for external debt:			
Borrowing	nil	2,000	nil
Other long term liabilities	nil	nil	nil
Total	nil	2,000	nil
Actual external debt	nil	Nil	nil
Upper limit for fixed rate exposure over one year at year end	nil	0 – 60%	nil
Upper limit for variable rate exposure under one year at the year end	13,468 (55.6%)	40 – 100%	13,098 (43.5%)
Upper limit for total principal sums invested for over 364 days	nil (0%)	60%	nil (0%)

3 Maturity structure of new fixed rate borrowing during 2016/17	Upper limit %	Lower limit %
Under 12 months	100	nil
Over 12 months	nil	nil

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TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

03 July 2017

Report of the Management Team

Part 1- Public

Delegated

1 STRATEGIC RISK REGISTER

This report asks Members to review the updated Strategic Risk Register and to note progress to date prior to receipt of the final version in September for recommendation to Council.

1.1 Introduction

- 1.1.1 The Risk Management Strategy of the Council is to adopt best practices in the identification, evaluation, and cost-effective control of risks. This is intended to ensure that risks are reduced to an acceptable level or, where reasonable eliminated, thereby safeguarding the Council's assets, employees and customers and the delivery of services to the local community. Examples of risk include budget deficit, cyber/data loss, environmental and reputational.
- 1.1.2 The Council endeavours to pursue a forward-looking and dynamic approach to delivering services to the local community and will not be averse to taking a degree of commercial risk. However, it will always exercise a prudent approach to risk taking and decisions will be made within the parameters of the Council's internal control arrangements, i.e. Constitution, Procedural Rules, etc. These arrangements will serve to ensure that the Council does not expose itself to risks above an acceptable level.

1.2 Strategic Risk Register

- 1.2.1 The Strategic Risk Register [**Annex 1**] has been reviewed and updated to align with the new Corporate Strategy. The Register is currently at final draft stage with some fine tuning required and is therefore brought to the Committee at this stage in order to provide an opportunity to comment on risks contained and allow for those comments to be addressed before finalisation.

1.3 Legal Implications

- 1.3.1 There is a Health and Safety requirement for effective risk management to be in place and the strategy supports this requirement.

- 1.3.2 There is also a requirement in the Accounts and Audit Regulations that accounting control systems must include measures to ensure that risk is appropriately managed.

1.4 Financial and Value for Money Considerations

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

1.5 Risk Assessment

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

1.6 Equality Impact Assessment

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

1.7 Recommendations

- 1.7.1 Members are asked to **review** the Strategic Risk Register and to **note** progress to date prior to receipt of the final version in September for recommendation to Council.

Background papers:

contact: Samantha Buckland

Nil

Sharon Shelton

Director of Finance and Transformation on behalf of the Management Team

Strategic Risk Register													
No	Risk Title	Risk Type	Consequences	Date Identified	Current Mitigation	Likelihood score	Impact score	Overall risk score	Desired risk score	Actions required	Links to Corporate Objectives / Strategies	Risk Owner	Review Date
1	Safeguarding and PREVENT	R, S	Significant reputational impact should a child, young person or adult come to harm and TMBC are unable to demonstrate appropriate processes were in place.	01/04/2017	The responsibility for safeguarding has recently moved to the Chief Executive, rather than an individual service and a review implemented. An Audit review was commissioned which identified progress to date. Positive direction of travel noted in majority of areas (policy, training, engagement with other agencies). Areas of weakness identified and an action plan is being developed to address areas/necessary actions with specific reference to review of posts eligible for DBS checks being reviewed by Legal Services and a Central recording system being commissioned. Corporate Safeguarding Policy, DBS checking Staffing/Member training. Attendance at Local Children's Partnership Group. Training delivered to all Hackney Carriage and Private Hire drivers.	4	4	16				Julie Beilby	
2	Financial position/budget deficit	F, R	Failure to deliver a balanced budget, detrimental impact on quality of service, increased intervention. Failure to maximise New Homes Bonus.	01/04/2017	Medium Term Financial Strategy (MTFS) in place and reviewed regularly. Annual review of Treasury Management and Investments strategies. Effective budget setting process and financial monitoring in place; Robustness tested and adequacy of reserves. External Audit review MTFS Savings & Transformation Strategy External audit of Accounts Financial Procedure Rules. Monitor taxbase.	4	3	12	9	Areas of potential savings to be formally identified and prioritised, with commitment to delivery of these selected	Vision- to be a financially sustainable Council. Taking a business like approach	Sharon Shelton	Nov-17
3	Brexit Impact and Economic Stability	F	Financial impact and effect on the economy as well as uncertainty around current EU legislation, i.e. what replaces it, could have a significant financial impact and lead to legislative changes impacting on finance and resources.	01/04/2017	Regular review of MTFS. Kent-wide working to understand, plan for and react to pressures. Regular review of Treasury Management and Investment strategies. Economic factors reflected in MTFS	4	3	12	12			Sharon Shelton	
4	Corporate Strategy and Savings and Transformation Strategy	F, R, S	Failure to meet objectives and/or make savings, including those arising from the planned West Kent Waste Partnership. Impact on quality of service, budget overspends, salami slicing, etc. staff motivation impacted and increased risk of fraud or error.	01/04/2017	Savings and Transformation Strategy reviewed and updated. Corporate Strategy reviewed and updated. Regular update reports to MT and Members Annual review of Savings & Transformation Strategy	3	4	12	9	Areas of potential savings to be formally identified and prioritised, with commitment to delivery of those selected. Commissioning of in service reviews via MT to identify potential areas of transformation and savings	Vision- to be a financially sustainable Council focusing on ensuring good value for money, continuously reviewing how our services are provided and funded, focusing our available resources where they will have most beneficial impact, and maximising commercial opportunities. Taking a business like approach.	Julie Beilby / Sharon Shelton	Nov-17
6	Local Plan	F, R	Lack of sound legal footing for Plan leading to risk of failure at Examination. Risk of challenge from not meeting identified development needs. Reputational risk and widespread public concern arising from decision making on strategic development. Lack of infrastructure to support future development.	01/04/2017	Audit of Local Plan process in hand. Update and review of evidence base underway in advance of Regulation 19 consultation. Specialist consultants engaged where appropriate and counsel briefed. Duty to Cooperate discussions and audit in hand. Clear explanation of local plan process and requirement to Members and through consultation with communities. Liaison with service and infrastructure providers.	4	3	12		Further refinement of evidence and narrowing down of sites to address development needs. Liaison with adjoining authorities and other agencies. Clear communications strategy to enable public understanding of proposals.	Local Plan assists in economic growth, delivering the supply of future housing and addressing affordability. Procedures set by National Government	Steve Humphrey	
7	Organisational development inc staff recruitment and retention/skills mix	F, R, S	Lack of resources or the right skills to deliver required outcomes, reduced staff morale and quality of work, leading to financial loss, reputational damage and detrimental impact on staff wellbeing.	01/04/2017	Review of staff resources and skills via service reviews. Organisational structure review as part of S&TS to achieve efficiency, coordinated service delivery and reflect changing legislative and policy requirements and priorities. Review of training plan	4	4	16				Julie Beilby	
8	Health and Safety	F, R, S	Significant reputational impact should a service user, officer, member or contractor come to harm and TMBC are unable to demonstrate appropriate processes were in place (could be merged with safeguarding although arguably a different thing).	01/04/2017	Health and Safety Policy review. Lone working policy and service based practices to be continuously monitored.	3	4	12		Further dissemination of good practice through staff briefing.	Staff wellbeing and customer care underpin the Council's fundamental service and corporate objectives	Steve Humphrey	

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

03 July 2017

Report of the Management Team

Part 1- Public

Delegated

1 ANNUAL GOVERNANCE STATEMENT 2016/17

This report presents the Annual Governance Statement for the year ended 31 March 2017 for Members' endorsement. The Annual Governance Statement is signed by both the Leader of the Council and the Chief Executive and accompanies the Statement of Accounts 2016/17.

1.1 Introduction

1.1.1 It is seen as good practice for local authorities to prepare and adopt a Local Code of Corporate Governance. The current Local Code of Corporate Governance was adopted by the Council in April 2017 and this has been used for the purposes of the Annual Governance Statement.

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

1.1.3 The Annual Governance Statement for the year ended 31 March 2017 is attached at **[Annex 1]**. The Statement has been prepared by way of a self-assessment questionnaire and supporting evidence **[Annex 2]** and is the same as that received by this Committee in April as part of the Local Code of Corporate Governance agenda item. The Statement is signed by the most senior Member and officer of the Council.

1.2 Legal Implications

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

1.3 Financial and Value for Money Considerations

1.3.1 As set out in the papers.

1.4 Risk Assessment

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

1.5 Equality Impact Assessment

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

1.6 Recommendations

1.6.1 Members are asked to endorse the Annual Governance Statement for the year ended 31 March 2017.

Background papers:

Nil

contact: Neil Lawley
Paul Worden

Julie Beilby
Chief Executive

Sharon Shelton
Director of Finance and Transformation

ANNUAL GOVERNANCE STATEMENT

Purpose of this Statement

The purpose of the Annual Governance Statement is to assess and demonstrate that there is a sound system of corporate governance throughout the organisation.

Scope of responsibility

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

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

The Council has approved and adopted a Local 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 can be obtained from the Legal team. This statement explains how the Council has complied with the Code and also meets the requirements of the Accounts and Audit (England) Regulations 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 2017 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 under seven main headings.

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

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

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

All staff are required to read and understand the Officer Code of Conduct available through the Council's intranet and are bound by it as detailed in employee contracts. The Council has an appraisal scheme in place for all staff that seeks to ensure staff achieve agreed levels of performance

and the monitoring and management of performance is the responsibility of line managers. In addition the Council's statutory Officers are subject to Continuing Professional Development 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.

Ensuring openness and comprehensive stakeholder engagement

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. Notices of Key Decisions are published in advance via a monthly bulletin on the Council's website. 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 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 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.

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 has established arrangements to communicate and consult with stakeholders on the Council's work and key policy changes and this consultation allows the development of strategic priorities and the Corporate Strategy. In addition, the Council uses its complaints procedure to understand where services can be improved.

Defining outcomes in terms of sustainable economic, social and environmental benefits

The Council has published a new Corporate Strategy. The Strategy sets out Our Vision: To be a financially sustainable Council that delivers good value services, provides strong and clear leadership and, with our partners, addresses the needs of our Borough guided by the following core values: Taking a business-like approach; Promoting fairness; Embracing effective partnership working; and Valuing our environment and encouraging sustainable growth.

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 Strategy on redesigning services and further improving efficiency across all services.

The Council's Medium Term Financial Strategy (MTFS) covers both revenue and capital budgets, and it is this strategy that underpins the budget setting process for the forthcoming year and over the strategy period. The aim of the MTFS is to give us a realistic and sustainable plan that reflects the Council's priorities and takes us into the future. Alongside the MTFS sits a Savings and Transformation Strategy. Its purpose, to provide structure, focus and direction in addressing the significant financial challenge that lies ahead.

Value for money considerations are set out in all Member reports where relevant. The social impact of decisions is considered throughout the decision making process, including the carrying out of an Equalities Impact Assessment. Where relevant, policies are subject to Strategic Environmental Impact Assessment prior to adoption.

Determining the interventions necessary to optimise the achievement of the intended outcomes

Decision making mechanisms are set out in detail in the Council's Constitution. Whether a decision is at Council, Cabinet or Committee level it is informed by a report encompassing advice from relevant services across the Council. Where relevant, alternative options are provided within Member reports, with an assessment of the advantages and disadvantages of those options.

The Corporate Strategy provides a reference point for the actions we take to maintain and improve the services which are most important to the local community whilst taking into account a much reduced level of funding. The delivery of the Corporate Strategy is supported by 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 monitored and measured by services and their respective Service Management Teams and subsequently Members. Individual services are accountable to the Corporate Management Team for operational performance monitoring and measurement and are responsible for taking action to correct any adverse performance, in the first instance, as appropriate.

Developing the entity's capacity, including the capability of its leadership and the individuals within it

The Council works towards improving value for money through exploration of innovative ways of working including potential for joint working and shared services; robust budgeting and financial monitoring arrangements including detailed reviews of budgets and potential savings opportunities and the work of internal and external audit.

The Council has a training programme for Members and holds regular training sessions (both on a programmed and ad hoc basis) on a variety of topics including induction training for all new Members and Committee specific training, e.g. Audit Committee.

The Council has an extensive training programme for officers including mandatory and voluntary training. Staff have access to appropriate induction training, and ongoing training (both on a programmed and ad-hoc basis) relevant to their roles. The annual appraisal process reviews staff performance and also identifies training needs.

Managing risks and performance through robust internal control and strong public financial management

The core functions of an audit committee as defined by *CIPFA's Audit Committees: Practical Guidance for Local Authorities* is fulfilled by the Council's Audit 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 Members and Officers 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 Members and Officers 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 2016/17 this is governed by the Public Sector Internal Audit Standards and the CIPFA application note to the Standards. The Chief Audit Executive role 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 whistleblowing. The Chief Audit Executive is responsible for the maintenance of the Council's Anti-Fraud & Corruption Policy and Whistleblowing Policy and has arrangements and resources in place to investigate any allegations made under either document.

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. The Council's financial information and reporting arrangements are sound and the external auditor following the 2015/16 audit concluded that the Council continues to have an effective framework of financial control and robust arrangements for financial governance; and a structured approach to addressing financial pressures within a strong medium term planning framework.

Implementing good practices in transparency, reporting, and audit to deliver effective accountability

The Council has implemented the mandatory and (where cost effective) recommended principles set out in the Local Government Transparency Code.

All reports (save those which are exempt) for both historic and prospective meetings of the Council and its Committees and Boards are made available to the public through the Council's website. Where possible, reports are written in a public-facing and non-technical manner.

The annual Statement of Accounts reports the Council's financial performance and is prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the UK and is subject to external audit. Included within the Accounts is an opinion given by the Council's external auditors on value for money through economic, efficient and effective use of resources.

The Review of Effectiveness of the System of Internal Audit for the year 2016/17 concluded that a good system of internal audit is in place within 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 principles of the CIPFA/SOLACE document, *Delivering Good Governance in Local Government Framework 2016*.

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

Local Code of Corporate Governance	Supporting Evidence
1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.	
1.1 Behaving with Integrity	
<p>Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organization</p>	<p>The Council has a Code of Conduct for Members, which is founded upon the Principles of Public Life (the Nolan Principles). This is enforced (where necessary) through the Council's Joint Standards Committee.</p> <p>In addition the Council has:</p> <ul style="list-style-type: none"> • An Equalities Policy • A Code of Conduct for staff and a protocol for member/ officer relations • A Declaration of Interest Register for Members and for staff • A Register of Gifts and Hospitality offered to Members and staff • Financial Procedure Rules • Contracts Procedure Rules • A publicised complaints procedure • A fraud-aware culture, and an anti-fraud and corruption policy which is reviewed and updated annually.
<p>Ensuring members take the lead in establishing specific standard operating principles or values for the organization and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life</p>	<p>The Council's constitution sets out clearly the standard operating procedures, and any delegation of responsibility from Council (and Cabinet) and the decision making powers of the Council, cabinet and its committees and boards.</p>
<p>Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively</p>	<p>The Council's constitution clearly sets out the process for holding the executive to account through the debate of items at committees, and a system of reporting to the Council's Overview & Scrutiny committee.</p>

1.2 Demonstrating Strong Commitment to Ethical Values

<p>Seeking to establish, monitor and maintain the organisation's ethical standards and performance</p>	<p>The Council has a number of policies and Codes which officers and members are expected to adhere to:</p> <ul style="list-style-type: none"> • a Code of Conduct for Members and Officers • An Equalities Policy • A Declaration of Interest Register for Members and for staff • A Register of Gifts and Hospitality offered to Members and staff • Financial Procedure Rules • Contracts Procedure Rules • an anti-fraud and corruption policy • a Standards Committee to promote and maintain high standards of conduct by Members
<p>Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation</p>	<p>The Code of Conduct for Members is enforced through the Standards process. Where members of staff depart from the Council's policies, these may be enforced through disciplinary measures.</p>
<p>Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values</p>	<p>The Council has robust arrangements in place to ensure that it does the right things, for the right people in a timely, inclusive, open, honest and accountable manner. These are monitored and publicized through:</p> <ul style="list-style-type: none"> • The Council's performance reporting arrangements • Procedures for recruitment and training • Decision making practices • Data transparency arrangements, such as • publication of decisions and committee meeting minutes • Partnership governance arrangements
<p>Ensuring that external providers of services on behalf of the organization are required to act with integrity and in compliance with ethical standards expected by the organisation</p>	<p>The Council's Contracts Procedure Rules require standard terms to be included in all contracts, including provisions relating to bribery, equalities and fraud.</p>

1.3 Respecting the Rule of Law	
<p>Ensuring members of staff demonstrate a strong commitment to the rule of law as well as adhering to relevant laws and regulations</p>	<p>The Council actively recognises the requirements and responsibilities placed on it by law and will act to observe all specific legal requirements placed upon it when taking decisions. Training is provided to new members of staff, and ongoing training (in particular in relation to regulatory functions) is also provided on both an ad hoc and programmed basis.</p> <p>This is underpinned by a series of policies and processes to ensure that staff adhere to legal requirements including:</p> <ul style="list-style-type: none"> • a Code of Conduct for Members and Officers • A Declaration of Interest Register for Members and for staff • A Register of Gifts and Hospitality offered to Members and staff • Financial Procedure Rules • Contracts Procedure Rules • an anti-fraud and corruption policy
<p>Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements</p>	<p>Training is provided to new members upon election, and ongoing training (in particular in relation to regulatory functions) is also provided on both an ad hoc and programmed basis.</p> <p>The Council's Monitoring Officer and Deputy Monitoring Officers are responsible for ensuring that the Council acts in accordance with the law and that decisions made by the Council, however made, are made lawfully.</p>
<p>Striving to optimize the use of the full powers available for the benefit of citizens, communities and other stakeholders</p>	<p>All departments are encouraged to work closely with the Council's legal team and where necessary to consult the Monitoring Officer to ensure that the most effective use is made of the Council's powers.</p> <p>Legal staff receive regular training and updates when new powers become available to the Council.</p> <p>The Council also strives to utilise its statutory powers to work in the public interest and to the full benefit of its citizens, particularly in relation to regulatory activity.</p> <p>All committee reports include a section to ensure any legal implications are fully analysed when making decisions.</p>

	<p>In addition, many committees (in particular where the Council is carrying out regulatory functions) sit with a legal advisor.</p>
<p>Dealing with breaches of legal and regulatory provisions effectively</p>	<p>Staff in enforcement roles are appropriately trained and (where necessary) professionally qualified in the relevant field.</p> <p>The Council has individual service enforcement policies which set out how breaches are to be investigated and enforced. Investigations are carried out with the assistance of legal advice where needed. Any prospective prosecution is assessed in accordance with the Code for Crown Prosecutors and considered by a senior lawyer before a decision is made.</p> <p>Enforcement staff are encouraged to work closely with the Council's legal team to ensure that the most effective use is made of the enforcement powers available to the Council.</p> <p>In committees where the Council is carrying out a regulatory function, the committee usually sits with a legal advisor.</p>
<p>Ensuring corruption and misuse of power are dealt with effectively</p>	<p>The Council takes corruption and misuse of power very seriously. The Council has an anti-fraud and corruption strategy and a whistleblowing policy in place.</p> <p>In addition, the Council has a Joint Standards Committee and Code of Conduct for Members which investigates complaints against members.</p> <p>The Council's The Council's Monitoring Officer and Deputy Monitoring Officers are responsible for ensuring that the Council acts in accordance with the law.</p> <p>All staff are required to confirm their acceptance of all policies, including the anti-fraud and corruption and whistleblowing policies through netConsent. Such policies are ultimately enforceable through disciplinary measures.</p>

2. Ensuring openness and comprehensive stakeholder engagement

2.1 Openness

Ensuring an open culture through demonstrating, documenting and communicating the organization's commitment to openness

The Council follows both the mandatory and (where cost effective) recommended provisions of the Local Government Transparency Code for publication of information held by the Council, and has a detailed scheme of publication under the Freedom of Information Act. In addition, in relation to certain decisions made at officer level, the Council is implementing the requirements of the Openness in Local Government Regulations 2014.

Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided

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 Strategy.

The Council's Constitution sets out clearly the decision-making powers of:

- The Council
- The Cabinet (including the Executive Leader and delegated decision-making to the Cabinet Portfolio Holders),
- Other Council committees; and
 - powers delegated to officers and the limits of such delegation

The Overview and Scrutiny Committee is responsible for reviewing and scrutinizing decisions made by and performance of the cabinet, committees and officers. Decisions made by cabinet, committee or a cabinet member can be subjected to scrutiny via a call-in procedure allowing challenge within five working days of the decision being taken. Feedback from the Overview and Scrutiny Committee, Cabinet, Committees and Advisory Boards is taken into account and given due consideration in the decision-making process.

Forthcoming key decisions are published in advance at regular 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 may include staffing and legal matters and those of a contractual nature. Where such an exemption applies, it is recorded in the relevant report and minute.

Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear.	Reports to members set out all relevant considerations in order to ensure that any decision taken is rational and lawful. In addition, reports of certain officer level decisions are required to be published under the Openness in Local Government Regulations 2014.
Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action.	The Council carries out consultation where this is a legal requirement.
2.2. Engaging comprehensively with institutional stakeholders	
Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are successfully achieved and sustainably.	The Council's Corporate Strategy 2016/19 outlines the means by which local stakeholders (including institutional stakeholders) will be engaged and how constructive, challenging relationships will be built. The Council has put in place Committees / Boards with cross-party representation to ensure effective and robust discussion of issues. The Council also has an Overview and Scrutiny Committee to scrutinise decisions made by Cabinet.
Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively	The Council has a number of partnerships, such as Shared Service and Joint Working arrangements which are intended to share resources with neighbouring authorities to improve efficiency and economic sustainability.
Ensuring that partnerships are built on trust, a shared commitment to change, a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit	The Council is in the process of developing a partnership policy to guide these principles and ensure that any partnership adheres to these values.

2.3 Engaging with individual citizens and services users effectively.	
<p>Establishing a clear policy on the type of issues that the organization will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes</p>	<p>The Council is clear that it is ultimately accountable to the citizens of Tonbridge & Malling. The Council has a good understanding of who lives, works and plays in the borough and has mechanisms to listen to and respond to their needs, aspirations and concerns.</p> <p>All consultations are published on the Council's website. When considering consultation responses, the Council's decision considers the merit of the responses being made, regardless of the nature of the stakeholder group. The Council carries out consultation when legally required to do so.</p> <p>All reports and decisions include an equalities impact assessment which takes into account whether a decision would have a disproportionate impact on a certain section of society.</p>
<p>Ensuring communication methods are effective and that members and officers are clear about their roles with regard to community engagement</p>	<p>All consultations are published on the Council's website.</p> <p>The Council's constitution sets out the roles of members, and (in particular) cabinet members and their roles with regard to community engagement.</p> <p>Public-facing staff receive training relevant to their roles to ensure that their community engagement roles are clear.</p>
<p>Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.</p>	<p>The Council has taken action to develop and support effective engagement opportunities with all groups of the local community:-</p> <ul style="list-style-type: none"> • The Council promotes the TM Youth Forum that represents the views of young people living in Tonbridge and Malling • The Council supports the Tonbridge & Malling Seniors' Forum (TAMS) which promotes and the needs of the older resident. • The Council engages with other key stakeholders through a number of partnerships that the Council has embarked upon. • The Council actively uses complaints received to learn and improve services, whether through the internal complaints system or via the Ombudsman.
<p>Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account.</p>	<p>Consultation responses are reported upon to the relevant committee or board where Members have an opportunity to consider feedback received and how best to respond to such feedback.</p>

	The Council also has in place a complaints procedure.
Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity	When considering consultation responses, the Council's decision considers the merit of the responses being made, regardless of the nature of the stakeholder group.
Taking account of the impact of decisions on future generations of tax payers and service users.	All reports and decisions include an equalities impact assessment which takes into account whether a decision would have a disproportionate impact on a certain section of society.
3. Defining outcomes in terms of sustainable economic, social and environmental benefits.	
3.1 Defining Outcomes	
Having a clear vision, which is a clear formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy planning and other decisions	There is a clear statement of the organisation's purpose in the Tonbridge & Malling Borough Council Corporate Strategy 2016/19. This document sets out the key priorities for the authority and how the Council will work with a range of partners and the local communities towards achieving the objectives.
Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer	Committee reports all contain an assessment of risk of the options being presented for a decision. Additionally, the Audit Committee has a role in scrutinizing corporate risk. Where any decision is recommended, reports contain an analysis of the intended impact or changes for stakeholders and the timescale on which that is anticipated to happen. Decisions which may have a disproportionate impact on a certain section of society are subject to an Equalities Impact Assessment.
Delivering defined outcomes on a sustainable basis within the resources that will be available	The Council's Medium Term Financial Strategy covers both revenue and capital budgets, and it is this strategy that underpins the budget setting process for the forthcoming year and over the strategy period. The aim of the MTFS is to give us a realistic and sustainable plan that reflects the Council's priorities and takes us into the future. Alongside the MTFS sits a Savings and Transformation Strategy. Its purpose, to provide structure, focus and direction in addressing the significant financial challenge that lies ahead.
Identifying and managing risks to the achievement of outcomes	The Council has arrangements in place to effectively monitor and manage risks to its business through the risk management strategy and strategic and service risk registers. Committee reports all contain an assessment of risk of the options being presented for a

	decision. Additionally, the Audit Committee has a role in scrutinizing corporate risk.
Managing service users' expectations effectively with regard to determining priorities and making the best use of the available resources	The Council is accountable to the citizens of Tonbridge and Malling in delivering its duties and responsibilities. The Council manages relationships with partners and consults the public through a number of mechanisms, including regular reporting to members, partnership arrangements (supported by partnership agreements) and the provisions of the Council's constitution.
3.2. Sustainable economic, social and environmental benefits.	
Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision	Value for money considerations are set out in all committee reports. The social impact of decisions is considered throughout the decision-making process, including the carrying out of an Equalities Impact Assessment where it is considered that a recommendation may have a disproportionate impact on a particular section of society. Where relevant, policies are subject to Strategic Environmental Impact Assessment prior to adoption.
Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints.	The Corporate Strategy, together with the Medium Term Financial Strategy and supported by the Savings and Transformation Strategy set out the long term high level objectives of the Council.
Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs	Committee reports set out all relevant considerations to enable members to make decisions which are appropriate and lawful.
Ensuring fair access to services	The Council has an equalities policy which seeks to ensure fair access to the Council's services by all sections of society.

4. Determining the interventions necessary to optimize the achievement of the intended outcomes	
4.1. Determining interventions.	
<p>Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks, therefore ensuring best value is achieved however services are provided.</p>	<p>Decision making mechanisms are set out in detail in the Council's constitution. Whether a decision is at council, cabinet or committee level it is informed by a report encompassing advice from relevant services across the Council.</p> <p>Where relevant, alternative options are presented within committee reports, with an assessment of the benefits and disadvantages of those options.</p> <p>The Council's enforcement policies will inform a decision where legal or regulatory action is an option and reports will detail the legal implications of such action.</p>
<p>Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts</p>	<p>Where appropriate, the Council carries out consultation with stakeholders, which is taken into account in the decision –making process. Consultations are published on the Council's website.</p> <p>In addition, the Council uses its complaints procedure to understand where services can be improved.</p>
4.2 Planning Interventions	
<p>Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets</p>	<p>Strategic and operational plans (such as the Corporate Plan) are reviewed on a regular basis.</p> <p>Feedback from consultations is taken into account in the decision making process and reported to the relevant committee, cabinet or Council meeting.</p> <p>The Savings & Transformation Strategy (STS) has been prepared in order to support the achievement of the Council's Medium-Term Financial Strategy and direct resources in line with the Council's Corporate Strategy. The STS recognizes that there is no one simple solution to addressing the financial challenges, and that the Council needs to embrace transformation in a multitude of ways in order to deliver savings within an agreed timetable. The STS sets out a measured structure and framework for delivering the necessary savings through a series of themes; each theme having a deliverable target.</p>

<p>Engaging with internal and external stakeholders in determining how services and other courses of action should be delivered</p>	<p>The Corporate Strategy, medium term financial strategy and other key policies are set by cabinet or the Council following input from all service directors and the Chief Executive.</p>
<p>Considering and monitoring risks facing each partner when working collaboratively, including shared risks</p>	<p>Reports on proposals for shared services contain a risk assessment, and risks are mitigated through the shared service agreements.</p>
<p>Ensuring arrangements are flexible and agile so that mechanisms for delivering goods and services can be adapted to changing circumstances</p>	<p>The Council's Contract Procedure Rules and standard contract terms are reviewed regularly to ensure they are up to date with current best practice.</p>
<p>Establishing appropriate Key Performance Indicators as part of the planning process in order to identify how the performance of services and projects is to be measured.</p>	<p>Performance indicators are monitored within each service and reported to Management Team where appropriate.</p>
<p>Ensuring capacity exists to generate the information required to review service quality regularly</p>	<p>It is the responsibility of service directors and Management Team to ensure sufficient capacity exists.</p>
<p>Preparing budgets in accordance with objectives, strategies and the medium-term financial plan</p>	<p>The Council's Medium Term Financial Strategy (MTFS) covers both revenue and capital budgets, and it is this Strategy that underpins the budget setting process for the forthcoming year and over the strategy period.</p> <p>Budgetary control is undertaken on a monthly basis by services, who report known variations to Financial Services. These variations along with detailed monitoring of the Councils Salary Budget and Major Income Streams are reported to the Corporate Management Team and then onto Members via the Finance, Innovation and Property Advisory Board as part of the cycle of Councils meetings programme.</p>
<p>Informing medium and long-term resource planning by drawing up realistic estimates for revenue and capital expenditure aimed at developing a sustainable funding strategy</p>	<p>The Council's Medium Term Financial Strategy (MTFS) covers both revenue and capital budgets, and it is this Strategy that underpins the budget setting process for the forthcoming year and over the strategy period.</p> <p>The Strategy sets out the high level financial objectives the Council wishes to fulfil over the agreed time span. The Strategy also sets out, based on current financial information, not only the projected budgets for the period, but also the levels of council tax that are projected to be required to meet the Council's spending plans.</p> <p>The aim of the MTFS is to give us a realistic and sustainable plan that reflects the Council's priorities and takes us into the future. Underneath the Strategy sits detailed</p>

	estimates formulated in conjunction with Services taking into account past outturn, current spending plans and likely future demand levels / pressures. It is acknowledged that circumstances will change and for this reason the Strategy needs to, and will, be kept under regular review.
4.3 Optimising achievement of intended outcomes	
Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints	The medium-term financial strategy is aligned with the Corporate Strategy. Service priorities are aligned to the Corporate Strategy.
Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term	<p>The budget monitoring process considers both revenue and capital budgets.</p> <p>Budget for the following financial year and longer term financial planning through the MTFS takes account of the impacts for service delivery through potential changes in client base, housing need and levels.</p> <p>The MTFS takes into account changes in Government Funding where these are known. Where these factors are unknown these are judged by officers and shared and confirmed with Members.</p>
Ensuring the medium-term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimizing resource usage	In considering the preparation of the Budget for the current and future financial years, Chief Officers are asked to identify potential growth issues and savings for future years that can be assessed and included with the MTFS. This may include changes in demand for services, including the growth in property, and proposed changes in fees and charges.
Ensuring the achievement of “social value” through service planning and commissioning	The Council has a Social Value Policy Statement. Whilst the issues of cost and quality remain of key concern, the concept of social value means that where appropriate, the Council can seek to achieve added social benefits in its procurement processes that may otherwise not have been achieved by other means.
5. Developing the entity’s capacity, including the capability of its leadership and the individuals within it	
5.1. Developing the entity’s capacity	
Improving resource use through appropriate application of techniques such as benchmarking and other options to determine	<p>The Council works towards improving value for money through:</p> <ul style="list-style-type: none"> • Exploration of innovative ways of

<p>how resources are allocated so that defined outcomes are achieved effectively and efficiently</p>	<p>working including potential for joint-working and shared services</p> <ul style="list-style-type: none"> • Robust budgeting and financial monitoring arrangements including detailed reviews of budgets and potential savings opportunities • Internal and external audit • Publication of annual budget and accounts information
<p>Recognizing the benefits of partnerships and collaborative working where added value can be achieved</p>	<p>The Council works in partnerships with other authorities in Kent. A commitment to working in partnership is one of the Council's stated Corporate Objectives.</p>
<p>Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources</p>	<p>The Council has an extensive training programme for council officers including mandatory and voluntary training.</p> <p>The Council actively engages with its staff through:</p> <ul style="list-style-type: none"> • Team meetings • Regular performance management meetings • The Joint Employee Consultative Committee
<p>5.2. Developing the capability of the entity's leadership and other individuals.</p>	
<p>Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained</p>	<p>The Council examines the capability of its people with governance responsibilities through appraisals, identifying any training gaps – the relevant training programmes are updated accordingly.</p>
<p>Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body</p>	<p>The Council's constitution sets out clearly the decision-making powers of the Council and its bodies and officers.</p>
<p>Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for the other's authority</p>	<p>The 2017 review of the Constitution will seek to make recommendations to the Overview & Scrutiny committee to ensure that the roles of the Leader of the Council and Chief Executive are clearly defined.</p>
<p>Developing the capabilities of members and senior management to achieve effective leadership and to enable the organization to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks.</p>	<p>The Council has undertaken steps through the "Peer Review Challenge" to review the effectiveness of the organization.</p> <p>The Council has a training programme for Members and holds regular training sessions</p>

	<p>(both on a programmed and ad hoc basis) for Members on a variety of topics:</p> <ul style="list-style-type: none"> • Induction training for all new members • Service-specific training, e.g. Community Safety • Committee-specific training, e.g. Audit Committee
Ensuring that there are structures in place to encourage public participation	Consultations are published on the Council's websites. In relation to decisions taken by the Council on planning matters, and certain matters under the Licensing Act 2003, members of the public are able to make both written and oral representations to the committee. The Council also operates a petition scheme.
Holding staff to account through regular performance reviews which take account of training or development needs	<p>Staff have access to appropriate induction training, and ongoing training on both an ad hoc and programmed basis relevant to their roles.</p> <p>The annual appraisal process reviews staff performance and also identifies training needs.</p> <p>Staff training takes place both through internal and external provision as appropriate.</p>
Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing	<p>The council has a Health and Wellbeing statement of intent recognizing that the Council's staff are its most valuable asset. The HR Strategy also recognizes the same. The Council has a Joint Employee Consultative Committee which enables employees to raise matters of concern, including health and wellbeing.</p>
6. Managing risks and performance through robust internal control and strong public financial management	
6.1. Managing risk	
Recognizing that risk management is an integral part of all activities and must be considered in all aspects of decision making	<p>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</p>

	cover to protect the interests of the Council.
Implementing robust and integrated risk management arrangements and ensuring that they are working effectively	<p>The Council has arrangements in place to effectively monitor and manage risks to its business through the:</p> <ul style="list-style-type: none"> • Risk Management Strategy • Corporate Risk Register (Note: this is in the process of being developed and will be reported to Audit Committee in June/July) • Service Risk Registers • Audit Committee role in scrutinising corporate risk • Consideration of risk in all Committee reports • Annual Governance Statement <p>The corporate and service risk registers are updated regularly.</p> <p>Risks associated with decisions are set out on relevant committee, cabinet or council reports.</p> <p>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.</p>
Ensuring that responsibilities for managing individual risks are clearly allocated.	The service risk registers clearly identify responsibilities for managing individual risks.
6.2. Managing performance.	
Making decisions based on relevant, clear and objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook	The performance of the Council and its partners in achieving its objectives is monitored and measured by services and their respective Service Management Teams and subsequently Management Team and Members. Individual services are accountable to the Corporate Management Team for operational performance monitoring and measurement and are responsible for taking action to correct any adverse performance, in the first instance, as appropriate.
Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organization for which it is responsible (or for a committee system) encouraging effective and constructive	The overview and scrutiny committee is responsible for reviewing and scrutinizing the decisions made by and performance of the Cabinet and/ or Committees/ Advisory Boards and Council Officers. Decisions made by Cabinet, a Committee or by a Cabinet Member acting on the recommendation of an Advisory

challenge and debate on policies and objectives to support balanced and effective decision making	Board can be subjected to scrutiny via a call-in procedure allowing challenge within 5 working days of the decision being taken.
Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement	The Council has in place committees & boards with cross-party representation to ensure effective and robust discussion of issues. Relevant boards, committees and the executive are provided with information reports on a regular basis to provide progress reports on service delivery and outcomes.
Ensuring there is consistency between specification stages (such as budgets) and post-implementation reporting (e.g. financial statements)	<p>The medium-term financial strategy is aligned with the Corporate Strategy. Service priorities are aligned to the Corporate Strategy, which ensures consistency between budget setting and service delivery.</p> <p>Capital schemes are subject to evaluation prior to the approval for implementation; the criteria of the evaluations are set by Council.</p> <p>Following the schemes completion a post implementation review will be prepared and shared with members in order to determine the accuracy of the initial evaluation and identify lessons to be learned and considered in future evaluations.</p>
6.3 Robust internal control	
Ensuring effective counter-fraud and anti-corruption measures are in place	The Council has an effective Internal Audit service and Anti-Fraud service in place. The Council also has an Anti-Fraud and Corruption Policy and Whistleblowing Policy.
Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor	<p>The Council has in place arrangements to effectively monitor and manage risks to its business through the:</p> <ul style="list-style-type: none"> • Risk management strategy • Corporate risk register • Service risk registers
Establishing an audit committee or equivalent group/function which is independent of the executive and accountable to the governing body	The core functions of an audit committee as defined by <i>CIPFA's Audit Committees: Practical Guidance for Local Authorities</i> are fulfilled by the Council's Audit Committee. The Council's

	<p>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.</p>
<p>6.4 Managing Data</p>	
<p>Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data</p>	<p>The Council maintains a number of local policies which support and embed information processes. These include</p> <ul style="list-style-type: none"> • Data Protection policy • Information Security policy • Records Management policy • Use of removable media policy • Remote access policy • Social media policy • Information Asset register • Information Governance Policy
<p>Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies</p>	<p>The Council is a signatory to the Kent & Medway Information Sharing Agreement, which prescribes the procedures that are to be followed when sharing data with other public sector bodies in Kent.</p>
<p>Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring</p>	<p>An annual risk-based Internal Audit Plan is prepared to determine the priorities of the internal audit activity, consistent with the organisation's goals. The Plan aims to ensure that sufficient audit assurance work is carried out to enable the Chief Audit Executive to deliver an opinion regarding the adequacy and effectiveness of the internal control arrangements within the Council. Each audit review will cover data quality and accuracy relevant to the subject area.</p>
<p>6.5 Strong public financial management</p>	
<p>Ensuring financial management supports both long-term achievement of outcomes and short-term financial and operational performance</p>	<p>The Council's Financial Procedure Rules support the provision of high quality financial advice. The Council also acts in consultation with stakeholders. The Council's Internal Audit Service provides assurance on the quality of financial and performance data reported.</p> <p>The ongoing budget setting and monitoring process together with the Medium Term Financial Strategy supports the long-term achievement of outcomes and short-term financial and operational performance.</p>

Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls	Annual budgets are set with involvement from budget holders across all council services. The MTFS is set considering longer-term risks.
7. Implementing good practices in transparency, reporting, and audit to deliver effective accountability	
7.1 Implementing good practice in transparency	
Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.	<p>The Council has implemented the mandatory and (where cost effective) recommended principles set out in the Local Government Transparency Code. The Council has set up a steering group which meets to discuss changes to the code and its ongoing implementation.</p> <p>Reports for both historic and prospective meetings of the Council and its committees and boards are made available to the public through the Council's website.</p> <p>Where possible, reports are written in a public-facing and non-technical manner. All reports (save those which are exempt as discussed above) are made public and can be accessed through the Council's website.</p>
Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand	Where possible, reports are written in a public-facing and non-technical manner. All reports (save those which are exempt as discussed above) are made public and can be accessed through the Council's website.
7.2 Implementing good practice in reporting	
Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way	<p>Annual Statement of Accounts report the Council's financial performance against the original estimate set for that financial year. The statement is prepared in accordance with the CIPFA Code for Local Authority Accounting.</p> <p>Included within the financial statements will be a judgement from the Council's external auditors on value for money and adequate use of resources.</p> <p>Included within the financial statements is the Annual Governance Statement this, is approved by Members and signed by the Chief Executive and Leader of the Council and provides evidence on the Councils adherence to the Code of Corporate Governance.</p>
Ensuring members and senior management own the results reported	The Annual Governance Statement is approved by the leader and Chief Executive,

	and the financial statements are considered and approved by Management Team and the Audit Committee.
Ensuring robust arrangements for assessing the extent to which the principles contained in the framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement)	Compliance is reviewed on an annual basis and reported to Audit Committee.
Ensuring that the framework is applied to jointly managed or shared service organisations as appropriate	Where appropriate, the principles will be applied to shared services.
Ensuring that performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparisons with other, similar, organisations.	Performance information is included as part of the budget setting process.
7.3 Assurance and effective accountability	
Ensuring that recommendations for corrective action made by external audit are acted upon	Responsibility for acting upon recommendations from external audit rests with the relevant service, and is monitored through individual service management teams and the corporate management team.
Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon	The Council has an effective internal audit service, and an Audit Committee.
Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations	The Council takes an active part in Peer Reviews.
Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement	Risks are picked up through the contract monitoring process and reported through Audit Committee or a relevant advisory board
Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognized and met	Such arrangements are subject to public reports to each authority in the partnership. The Contracts Procedure Rules also ensure that standard contract terms are imposed ensuring proper accountability.

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TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

03 July 2017

Report of the Director of Finance and Transformation

Part 1- Public

Delegated

1 STATEMENT OF ACCOUNTS 2016/17

This report presents an unaudited set of Accounts for 2016/17 in the format specified by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 for consideration and approval. The Accounts include the adjustments in light of the outturn position set out in the Revenue and Capital Outturn 2016/17 report to Cabinet on 28 June 2017.

1.1 Introduction

1.1.1 An audited set of Accounts for 2016/17 must be approved by the Council or a Committee of the Council by 30 September 2017 (and from 2017/18 by 31 July). Under the Council's Constitution responsibility for the approval of the Statement of Accounts is delegated to this Committee. The Committee has a meeting scheduled for the 4 September to approve an audited set of Accounts.

1.1.2 This report presents an unaudited set of Accounts for 2016/17 for consideration and approval. Owing to the bringing forward of when the accounts must be approved in future the Committee will receive an audited set of Accounts towards the end of July for approval only.

1.2 Statement of Accounts

1.2.1 The Accounts are to be prepared in accordance with International Financial Reporting Standards. The Code of Practice on Local Authority Accounting in the United Kingdom is issued by the Chartered Institute of Public Finance and Accountancy and is reviewed and as appropriate updated at least annually. There have been a few changes to the presentation of the accounts most notably the introduction of an Expenditure and Funding Analysis and the cost of services reported on basis of the Council's organisational structure rather than the Service Reporting Code of Practice.

1.2.2 An unaudited set of Accounts for 2016/17 is enclosed with this agenda. It consists of the following individual financial statements and associated notes.

- 1) Comprehensive Income and Expenditure Statement – this Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The taxation position is shown in the Movement in Reserves Statement.
 - 2) Movement in Reserves Statement – this Statement shows the movement in the year on the different reserves held by the Council, analysed into ‘usable reserves’ (those that can be applied to fund expenditure and or reduce local taxation) and other reserves (those that the Council is not able to use to provide services, for example, the revaluation reserve).
 - 3) Balance Sheet – sets out the financial position of the Council at 31 March 2017. It shows the value of the Council’s assets and liabilities, and its balances and reserves.
 - 4) Cash Flow Statement – this summarises the inflows and outflows of cash and cash equivalents for both revenue and capital purposes.
 - 5) Notes to the financial statements.
 - 6) Collection Fund and Associated Notes – shows the total local taxation transactions in relation to business rates and council tax.
- 1.2.3 At **[Annex 1]** is a more detailed overview of the Statement of Accounts and at **[Annex 2]** a checklist certified by the Director of Finance and Transformation in support of the assertions made in the Statement of Responsibilities for the Statement of Accounts.
- 1.2.4 Members will note in accordance with the Accounts and Audit Regulations and in my role as the Council’s responsible financial officer, I have certified that the Statement of Accounts present a “true and fair view” of the financial position of the local authority at the end of the year and its income and expenditure for the year.
- 1.2.5 The Statement of Accounts is subject to external audit and our external auditors commenced the audit of the Accounts in mid-June.

1.3 Accounts and Audit Regulations

1.3.1 The Accounts and Audit Regulations require:

- The Council’s responsible financial officer to certify an unaudited set of accounts for issue that present a “true and fair view” of the financial position of the Council as at 31 March 2017 and its income and expenditure for the year ended 31 March 2017 by no later than 30 June (and from 2017/18 by 31 May).
- The responsible financial officer and Members to certify / approve an audited set of accounts for publication by no later than 30 September (and

from 2017/18 by 31 July) and that following approval both the responsible financial officer and Chairman of the receiving Committee sign and date the Statement of Accounts.

- Authorities to have in place a sound system of corporate governance and that an Annual Governance Statement is to accompany, but is not part of the Accounts.

1.4 Statement of Auditing Standards

1.4.1 Our External Auditor (Grant Thornton) is required to issue a report to those charged with governance covering, amongst other things, the outcome of the audit of the Accounts. Under the Council's Constitution it is the Audit Committee that will receive this report. The report is expected to be presented to the Audit Committee meeting on 4 September 2017.

1.5 Revenue and Capital Outturn 2016/17

1.5.1 Cabinet, at its meeting on 28 June, received a report on the Revenue and Capital Outturn for the year 2016/17. That report and the associated Outturn Booklet contain details of variations between the 2016/17 revised estimates and outturn.

1.5.2 Members were advised at this meeting that overall, the revenue outturn is within budget to the sum of £43,153 with a contribution to the General Revenue Reserve of £908,903 compared with the Revised Estimate figure of £865,750.

1.5.3 The favourable variance can in part be attributed to management savings on the salary bill and better than budgeted performance in our major operational income streams offset by the contribution to two specific earmarked reserves detailed below.

1.5.4 Members were also advised that we had as part of the closedown process undertaken a review of the specific earmarked reserves held by the Council. As a result of this review and in liaison with Management Team Cabinet was asked to note and endorse that:

- The sum of £200,000 is added to the Invest to Save reserve to fund initiatives to reduce costs and or generate income.
- The sum of £120,000 is added to the Tonbridge & Malling Leisure Trust reserve established in recognition of obligations on the Council that could be called on under the agreement with the Trust.

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

1.6 Annual Governance Statement

- 1.6.1 The Annual Governance Statement can be found elsewhere on this agenda. The Statement accompanies the Statement of Accounts, but is not part of the Accounts. The purpose of the Annual Governance Statement is to assess and demonstrate that there is a sound system of corporate governance throughout the organisation. Governing is about how local government bodies ensure they are doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner.
- 1.6.2 The Statement is prepared by way of a self-assessment questionnaire and supporting evidence. The Statement is to be signed by both the most senior Member and officer of the Council.

1.7 Legal Implications

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

1.8 Financial and Value for Money Considerations

- 1.8.1 As set out above.

1.9 Risk Assessment

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

1.10 Equality Impact Assessment

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

1.11 Recommendations

- 1.11.1 To note the Statement provided by the Director of Finance and Transformation **[Annex 2]** in support of assertions made in the Statement of Responsibilities for the Statement of Accounts.
- 1.11.2 To note the recommendations detailed at paragraph 1.5.4 following a review of the specific earmarked reserves held by the Council.
- 1.11.3 To receive and approve the enclosed unaudited set of Accounts for 2016/17 and request that the Chairman sign the Accounts in the appropriate place.

Background papers:

Investment information provided by King & Shaxson
Pension information provided by Barnett Waddingham
Valuation/Impairment information provided by BPS
Chartered Surveyors

contact: Neil Lawley
Paul Worden

Sharon Shelton
Director of Finance and Transformation

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Overview of Statement of Accounts 2016/17

The Statement of Accounts 2016/17 consists of, amongst other things, the following financial statements and associated notes; the Comprehensive Income and Expenditure Statement; the Movement in Reserves Statement; the Balance Sheet; the Cash Flow Statement; and the Collection Fund.

1) Narrative Report (Pages 1 to 15)

The report provides, amongst other things, an overview of the Borough Council; a brief explanation of the financial aspects of the Council's activities for the year 2016/17; a review of the year; and possible issues for the future.

2) Statement of Responsibilities for the Statement of Accounts (Page 16)

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

3) Expenditure and Funding Analysis (Page 17)

The Expenditure and Funding analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

4) Comprehensive Income and Expenditure Statement (Page 18)

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

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

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

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

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

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

The total comprehensive income and expenditure for the year is -£3.1m compared to -£8.0m for 2015/16. The movement of £4.9m is largely due to:

- Gain on sale of non-current assets and in the fair value of investment properties of £0.8m in 2015/16.
- Actuarial loss of £3.3m in respect of the Pension Fund. This compares to actuarial gain of £5.0m in 2015/16.
- Offset by gains of £7.7m following the revaluation of the Council's land and buildings compared to a gain of £3.5m in 2015/16.

5) Movement in Reserves Statement (Page 19)

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

6) Balance Sheet (Page 20)

This sets out the financial position of the Council as at 31 March 2017. The Balance Sheet is fundamental to the understanding of the Council's year-end financial position. It shows the Council's assets and liabilities, and its balances and reserves.

As at 31 March 2017 the total value of the Council's non-current assets was £82.1m (£76.1m at 31 March 2016). Movements in non-current assets

reflect the Council's capital programme and revaluation, depreciation, impairment and disposal of assets.

In accordance with the rolling programme car parks were the subject of revaluation. In addition to car parks, council offices and leisure premises were also the subject of revaluation. The resulting revaluation was a net gain of £8.1m, of which £7.7 is recognised in the revaluation reserve and a net £0.4m, representing largely the reversal of revaluation losses in previous years, is recognised in cost of services in the Comprehensive Income and Expenditure Statement.

The upward movement in the gross value of debtors of £0.1m is spread across all classes rather than one or more specific classes.

The upward movement in creditors of £4.4m is largely due to the amount owed to central government in respect of housing benefit subsidy paid on account, the decrease in the net deficit on business rates to be recovered from central government and local authorities under the Business Rates Retention Scheme and an increase in the prepayments by business ratepayers.

The downward movement in provisions of £0.2m is largely due to the decrease in the provision to meet our share of the cost arising from successful appeals by business ratepayers.

The Pensions Liability as at 31 March 2017 was £63.1m and as at 31 March 2016 £58.4m. The change in the pension fund deficit over the year is mainly dependent on asset returns, corporate bond yields and market expectations of inflation which when taken together has resulted in an increase in the pension fund deficit compared to the previous year.

The Council's Reserves stand at £16.5m at 31 March 2017 comprising:

Revenue Reserve for Capital Schemes	£6.7m
Building Repairs Reserve	£0.3m
Other Specific Earmarked Reserves	£3.6m
General Revenue Reserve	£5.9m

7) Cash Flow Statement (Page 21)

This summarises the inflows and outflows of cash and cash equivalents for both revenue and capital purposes. The statement shows that there was a net cash outflow of £3.4m largely as a result of an increase in short term deposits offset by monies held for the outcome of future appeals by business ratepayers and a net cash inflow on operating activities.

8) Notes to the Accounts (Pages 22 to 66)

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

9) Collection Fund and Associated Notes (Pages 67 to 70)

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

10) Annual Governance Statement (Pages 71 to 74)

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

11) Independent Auditor's Report (Pages 75 to 76)

The Council's external auditors provide an independent opinion on whether the financial statements present a "true and fair view" of the financial position of the Council as at 31 March 2017 and its income and expenditure for the year ended 31 March 2017, and review the Annual Governance Statement.

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

This statement is given in respect of the Statement of Accounts 2016/17.

I acknowledge my responsibility for preparation of the Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17; and that the Accounts present a “true and fair view” of the financial position of the Council and of its income and expenditure for the year ended 31 March 2017.

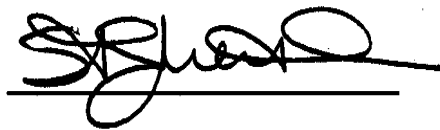
In doing so, the following have been done:

- A detailed closedown timetable (final accounts working paper 34) was prepared and approved by the Corporate Management Team, and communicated to all Services.
- Detailed Year-End Service Guidance Notes (final accounts working paper 36) were prepared and issued to all Services.
- Recommendations made by our external auditors following the audit of the 2015/16 Statement of Accounts have been reviewed and actioned where appropriate.
- Reconciliations have been carried out between the Council’s financial ledger (Integra) and the Revenues & Benefits system (iWorld).
- The trial balance (final accounts working paper 32) has been balanced.
- The total for each accountant as per the trial balance (final accounts working paper 32) has been agreed to the net total as per the ledger control sheets.
- The Total Service Expenditure as per the General Fund (final accounts working paper 20) has been agreed to the movement in the General Fund on the Integra General Ledger (final accounts working paper 21).
- The non-current assets entries in the Balance Sheet are in line with valuations and other known transactions.
- The entries within the Collection Fund have been agreed with other financial statements in the Statement of Accounts and the Council Tax set by the Council on 16 February 2016 and other major precepting authorities.
- The total expenditure chargeable to the general fund and reserve balances shown in the Expenditure and Funding Analysis (final accounts

working paper 19) agrees to the net increase/decrease in general fund and reserve balances shown in the Movement in Reserves Statement (final accounts working paper 17).

- The total comprehensive income and expenditure for the year as shown in the Comprehensive Income and Expenditure Statement (final accounts working paper 15) has been agreed to the Total Reserves movement reflected in the Balance Sheet (final accounts working paper 9).
- The movement in cash and cash equivalents as per the Cash Flow Statement has been agreed with the movement in the cash and cash equivalents balances as per the Balance Sheet (final accounts working paper 9).
- An Analytical Review with explanatory notes of significant variations between 2015/16 and 2016/17 will be prepared prior to the commencement of the audit of the accounts.

Signed:

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

Dated: 25 May 2017

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

TABLE 1

Special Projects Reserve	2016/17		
	Revised £	Outturn £	Variance £
Contribution to/(from) in Year			
Crime & Disorder Initiatives	-	(5,893)	(5,893)
Housing Survey	(5,000)	(5,000)	0
Repossessions Prevention Fund	(2,000)	(798)	1,202
Social Housing Fraud Initiative	(1,900)	(1,875)	25
Movement in Year	(8,900)	(13,566)	(4,666)

TABLE 2

Other Earmarked Reserves	2016/17		
	Revised £	Outturn £	Variance £
Contribution to/(from) in Year			
Election Expenses	25,000	36,561	11,561
Housing Assistance	(10,000)	0	10,000
Invest to Save	281,150	278,256	(2,894)
Local Development Framework	45,850	76,063	30,213
Transformation	62,000	70,000	8,000
Asset Review	(21,000)	(39,605)	(18,605)
Business Rates Retention Scheme	(2,000,000)	(1,620,000)	380,000
Community Development	(35,450)	(31,024)	4,426
Democratic Representation	(2,000)	(1,868)	132
Economic Development	(21,000)	(8,544)	12,456
Flood Recovery and Defence	(25,000)	(25,000)	0
Housing and Welfare Reform	(18,450)	(18,430)	20
Planning Inquiries	(20,000)	(20,200)	(200)
Public Health	-	(603)	(603)
Approved by Management Team			
Invest to Save	-	200,000	200,000
Tonbridge & Malling Leisure Trust	-	120,000	120,000
Movement in Year	(1,738,900)	(984,394)	754,506

TABLE 3

Revenue Adjustments	2016/17		
	Revised £	Outturn £	Variance £
Expenditure / (Receipts) in Year			
Public Rights of Way	-	3,039	3,039
Residual Balances held over from Prior Years	-	2,278	2,278
Rechargeable Works Overheads	-	124	124
Miscellaneous Cash	-	(268)	(268)
Insurance	-	(3,657)	(3,657)
Movement in Year	-	1,516	1,516

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TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

03 July 2017

Report of the Chief Audit Executive

Part 1- Public

Delegated

1 REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

This report informs Members of the findings of the annual review of the effectiveness of the Internal Audit function for the year 2016/17.

1.1 Introduction

- 1.1.1 It is considered good practice for local authorities to conduct an annual review of the effectiveness of the Internal Audit function. The Chief Audit Executive has conducted the review of effectiveness for the year 2016/17 and a summary of the findings of this review is attached at **[Annex 1]**.
- 1.1.2 It is important to note that the review is about effectiveness, not process. The focus of the review should be on the delivery of internal audit to the standard required by the Council in order for the Council to be able to place reliance on its work.
- 1.1.3 The findings of the review of effectiveness are reported to Management Team. Management Team following consideration of the outcome of the review then agree an opinion as to whether the review demonstrates that the Internal Audit function in place for the year 2016/17 was effective, using the opinion definitions set out below.

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

1.1.4 It was concluded by Management Team that the opinion on the effectiveness of the Internal Audit function in place for the year 2016/17 was Good.

1.2 Legal Implications

1.2.1 The Accounts and Audit Regulations place a statutory requirement on authorities to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. Proper practice is defined as that contained within the Public Sector Internal Audit Standards (PSIAS) and CIPFA's Local Government Application Note to the PSIAS.

1.2.2 The Regulations also require the Council to conduct, at least once a year, a review of the effectiveness of its Internal Audit function. The review conducted gives due consideration to proper practice.

1.3 Financial and Value for Money Considerations

1.3.1 An adequate and effective Internal Audit function provides the Council with assurance on the proper, economic, efficient and effective use of Council resources in delivery of services, as well as helping to identify fraud and error that could have an adverse effect on the finances of the Council.

1.4 Risk Assessment

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

1.5 Equality Impact Assessment

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

1.6 Recommendations

- 1.6.1 Members are asked to consider the findings of the review and endorse the opinion that the effectiveness of the Internal Audit function for the year 2016/17 was Good.

Background papers:

contact: Samantha Buckland

Nil

Samantha Buckland
Chief Audit Executive

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Summary of Measures to demonstrate the effectiveness of Internal Audit – 2016-17 Review

Measure	Finding
Review of the Internal Audit team against proper practice, as defined as the <i>Public Sector Internal Audit Standards and the CIPFA Local Government Application Note to the Public Sector Internal Audit Standards</i> .	The Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note to the Public Sector Internal Audit Standards were introduced as proper Practice from 1 April 2013. An independent External Quality Assessment was undertaken in the 2016/17 financial year. This confirmed that the team are considered to be working in conformance with the PSIAS overall, achieving general conformance with 43 Standards and eight partial conformances. No non-conformance was identified. An action plan has been put in place to address the areas for development.
The internal audit planning process, demonstrating that audit planning is risk-based and reflects the business objectives of the Council.	The annual audit planning exercise for the 2016/17 financial year used a risk-based methodology to ensure the most effective use of Internal Audit resource. This exercise reflects the business objectives of the Council.
Customer Satisfaction survey results.	Customer satisfaction surveys are sent to all client managers on publication of a final internal audit report. The results of surveys returned for 2016-17 to date gave an overall satisfaction measure of 100% against a target of 100%.
Key performance indicator outturns.	A set of six performance measures was developed to assess the effectiveness of the Internal Audit team in achieving a quality Internal Audit Service. As reported in the Annual Internal Audit Report 2016-17, during the year the team met six of the six performance measures.
The extent to which reliance can be placed on the work of internal audit by the external auditor.	In the Update to the July 2017 Committee for TMBC Grant Thornton will publish their conclusion and have confirmed this will be a positive statement concluding that the arrangements for internal audit contribute to an effective internal control environment.

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TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

03 July 2017

Report of the Chief Audit Executive

Part 1- Public

Matters for Information

1 OPINION OF THE CHIEF AUDIT EXECUTIVE ON THE INTERNAL CONTROL ENVIRONMENT, TOGETHER WITH THE ANNUAL INTERNAL AUDIT REPORT AND ANNUAL COUNTER FRAUD REPORT FOR 2016/17

This report informs Members of the opinion of the Chief Audit Executive on the Council's internal control environment, together with the Internal Audit work completed during 2016/17 to support that opinion. In addition, the report also informs Members of the work carried out by the Counter Fraud function in 2016/17.

1.1 Introduction

1.1.1 The Accounts and Audit Regulations require the Council to *undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control*. Proper practice is defined by the Public Sector Internal Audit Standards (PSIAS) and CIPFA's Local Government Application Note to the PSIAS.

1.1.2 The PSIAS requires Internal Audit to *report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan*. The PSIAS also require the Chief Audit Executive to *deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement*.

1.2 Opinion of the Chief Audit Executive on the Internal Control Environment

Purpose of the system of internal control

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

1.2.2 The system of internal control should:

- Set out clear responsibility for policy and decision-making.
- Establish the Council's priorities and objectives.
- Identify, evaluate and manage the risks which may impact on the Council's ability to meet its objectives.
- Ensure compliance with law, regulations, policies and procedures.
- Ensure the economic, efficient and effective use of resources.
- Ensure the accuracy and reliability of financial statements and other published information.

Basis of the opinion on the internal control environment

1.2.3 The opinion on the internal control environment is based on the work of the Internal Audit function during 2016/17, full details of which are provided in this report.

1.2.4 Opinion of the Chief Audit Executive on the Internal Control Environment:

In my capacity as the Chief Audit Executive, with responsibility for the provision of Internal Audit services to the Council, it is my opinion that Tonbridge & Malling Borough Council's system of internal control adequately contributes to the proper, economic, efficient and effective use of resources in achieving the Council's objectives during 2016/17.

Whilst it has been identified that the authority has established adequate internal controls within the areas subject to Internal Audit review in 2016/17, there are areas where compliance with existing controls should be enhanced or strengthened, or where additional controls should be introduced. Where such findings have been made by Internal Audit, recommendations have been made to management to improve the controls within the systems and processes they operate. The results of all audit work completed are reported to the Audit Committee in accordance with the Internal Audit Charter.

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

1.3 Internal Audit Staff Establishment

1.3.1 The Internal Audit and Fraud Team report to the Audit and Assurance Manager (Chief Audit Executive) and consist of two Internal Auditors, one of which is currently a vacant post, and two (1.6 FTE) Fraud Officers subject to any requirements for specialist skills. Additional days are currently being sourced

through use of a contractor pending a decision on recruitment to the vacant post. Since May 2015 the Audit and Assurance Manager (Chief Audit Executive) post has been secured by way of a shared management arrangement with Kent County Council.

- 1.3.2 The Internal Auditor or Fraud Officer assigned to each audit/fraud review is selected by the Audit and Assurance Manager based on their knowledge, skills, experience, discipline and any declared conflicts of interest to ensure that the review is conducted effectively. If a review calls for specialist skills/experience beyond that within the team, arrangements would be put in place to secure specialist skills from KCC as part of the partnership arrangement or from an external contractor if that is not possible.

1.4 Annual Audit Plan

- 1.4.1 The Internal Audit Plan for 2016/17 was endorsed by Management Team on 8 March 2016 and approved by the Audit Committee on 5 April 2016. The Plan set out the proposed work of the Internal Audit team for the year which can be summarised into two key work types:
- 1.4.2 *Assurance Work* – this relates to audit work which informs the opinion of the control environment given to the Committee by the Chief Audit Executive. This work focuses on planned audit review of key financial systems, other financial systems, operational audits and control environment reviews and also picks up on the follow up of audit recommendations made.
- 1.4.3 *Consultancy Work* – this relates to Internal Audit team members involvement in corporate and other known projects, requests received by the team for consultancy or responsive work, advice or information and involvement in fraud investigation work. While not directly proving assurance the results of this work are also considered when arriving at the opinion of the control environment given to the Committee by the Chief Audit Executive.
- 1.4.4 Of the original total of 26 audits on the 2016/17 Plan one was cancelled and the team has completed all of the remaining audits, this represents 100% of the plan against a target of 95%. The audit cancelled was of Project and Programme Management however significant work has been undertaken on audits that covered elements of project and programme management through the year, including the audits of Capital Programme Monitoring, Partnerships and IT Strategy. As a result it is felt that there is now limited value in undertaking a separate piece of work. Two of three audits originally carried forward from 2015/16 have now been carried forward to 2017/18 as follows:
- Corporate Policy Maintenance – much of the scope was covered by the 2014/15 audit of Standards of Officer Conduct which was not finalised until September 2015 therefore the 2015/16 audit was delayed to allow time for implementation of recommendations made in the September report. Due to

resources this has now been carried forward to 2017/18 and incorporated in the audit of Corporate Governance as a key work stream.

- Licensing – it was agreed with the service to delay the 2015/16 audit in order to focus on fraud risk as part of the 2016/17 fraud work plan. This was not completed in 2016/17 due to resource availability, although some pro-active fraud work has been undertaken, including assistance on a taxi licence enforcement day. A full audit is now commencing as part of the 2017/18 Plan.

1.5 Assurance Work

- 1.5.1 The Internal Audit team has primarily focused on assurance work in 2016/17 with 20 of 25 audits providing an assurance level and five undertaken as consultancy (see below). Further detail of all planned audit work completed during the year is shown in **[Annex 1]**. Definitions of assurance levels were revised during 2016/17 and we are now piloting the revised version. This review was undertaken because the previous three ratings of red, amber, green were proving restrictive and it was felt a broader range would provide better flexibility and a more accurate assessment. For ease definitions of both sets in use during 2016/17 are detailed at **[Annex 2]** of this report.
- 1.5.2 Where an audit review identifies opportunities to introduce additional controls or improve compliance with existing controls, recommendations are made and agreed with client management prior to finalising the report. Internal Audit follow-up on recommendations agreed and have an escalation process in place that would ultimately result in reporting to Management Team and this Committee should a key control weakness remain; this has not been required for 2016/17.
- 1.5.3 In line with the Public Sector Internal Audit Standards, Internal Audit has arrangements in place to follow up on all recommendations agreed with management and to report to the Audit Committee on a regular basis with the responses received. 58 recommendations were due for implementation in 2016/17; of these eight will be followed up through re-audits in 2017/18. Of the remaining 50, 35 have been implemented and we have agreed revised implementation dates for the remaining 15; having assessed the risk of extending these dates there are no concerns to raise at this time. **[Annex 3]**.
- 1.5.4 Audit recommendations made from assurance work undertaken in 2016/17 demonstrate that internal audit continues to make a significant number of recommendations for change within the organisation as a contribution to improving the internal control arrangements of the Council. It is also important to recognise that the number of recommendations made does not include all system and procedural enhancements implemented during the course of audits as a direct result of the audit process or recommendations coming from consultancy work undertaken by the team.

- 1.5.5 The assurance work of the team conducted during the year has contributed to the internal control environment of the Council being maintained and improved, Council resources being more effectively used and a reduction in waste from fraud or error.

1.6 Consultancy Work

- 1.6.1 The Internal Audit team's consultancy work in 2016/17 included support to corporate projects and provision of ad hoc advice and information as and when requested by Council officers. During the 2016/17 year, in addition to this ad hoc advice on controls, the team has provided advice and support on Development Control, Complaints Policy, Resourcing Strategies and Corporate Governance. In addition, we have revised the Risk Management Strategy and Guidance and have facilitated development of a Strategic Risk Register for the Council. Consultancy/advisory work is considered to be a fundamental service provided by the team, enabling officers to consult with Internal Audit and address control concerns and issues as they arise, helping to maintain the internal control arrangements of the Council. Detail of significant consultancy work is included in **[Annex 1]**.

1.7 Training

- 1.7.1 One auditor is currently being supported to undertake a professional qualification and has successfully completed two of four modules to date. Recognising the need to ensure more training fraud side it is hoped that external funding will be sourced through the Kent Intelligence Network to support professional training for Fraud Officers in 2017/18.
- 1.7.2 In addition to formal training, the Chief Audit Executive continues to provide each team member with specific training during the course of each audit or investigation undertaken in response to each officer's particular needs. It is considered that this approach has been effective in practice and has contributed to the continuation of the quality of audit reviews carried out by the team.

1.8 Quality Assurance and Improvement Programme including Performance Measures

- 1.8.1 The Quality Assurance and Improvement Programme summarises all of the measures in place to enable an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.
- 1.8.2 The Internal Audit team is measured against a set of six performance measures which are intended to assess the effectiveness and efficiency of the team in achieving a quality Internal Audit Service.

- 1.8.3 For 2016/17 the team has achieved or exceeded the target set for all six indicators measured. Actual performance of the team against these measures is provided at **[Annex 4]**.
- 1.8.4 It is good practice to review performance measures periodically to ensure the right things are measured and that targets remain achievable but appropriately challenging. It is considered following such a review that the previous performance measure in relation to a biannual survey to Management Team repeats the work of the annual review of the effectiveness of internal audit, the results of which are reported as a separate paper to this meeting. As a result this measure has been deleted.
- 1.8.5 In addition to the annual measures above Internal Audit was subject to an independent External Quality Assessment during 2016/17, this will be undertaken ongoing every five years in line with requirements. The overall opinion was that Internal Audit Generally Conforms to the Public Sector Internal Audit Standards.

1.9 Conformance with Public Sector Audit Standards

- 1.9.1 The Public Sector Internal Audit Standards (PSIAS) set out the required practice for the Internal Audit Service. An annual assessment of the effectiveness of Internal Audit is carried out (reported to this Committee meeting under separate cover) which confirms audit work undertaken complies with the PSIAS.
- 1.9.2 The PSIAS require an independent External Quality Assessment (EQA) be undertaken every five years. The results of the EQA undertaken in May 2016 were reported to the September 2016 Committee meeting. Of 56 areas reviewed the Assessment found no areas of non-conformance and only 8 areas of partial conformance. An action plan was prepared to address the 8 areas assessed as partially conforms and an update on progress was reported to the April 2017 Committee meeting. Regular updates will be reported through the Internal Audit and Counter Fraud updates to this Committee, the next of these will be to the September meeting.
- 1.9.3 For information some amendments to the PSIAS have recently been implemented with effect from 1 April 2017. The revised standards have been reviewed and there is nothing deemed significant that would require a change to our current practice however some minor enhancements to meet wording changes will be incorporated into any relevant audit documentation.

1.10 Partnership Working

- 1.10.1 Since May 2015 the Audit and Assurance Manager (Chief Audit Executive) post has been secured by way of a shared management arrangement with Kent County Council.

1.11 Internal Audit Summary

- 1.11.1 The team has provided the Council with an effective internal audit service during the year and responded well to the evolving needs of the Council. The work of the team during the year has been appropriately managed to ensure that the limited resources of the team are used effectively and focused on the areas that will have most impact. The team have played a key role in maintaining the governance and internal control arrangements of the Council whilst maintaining professional and productive relationships with clients.
- 1.11.2 Individual team members continue to be exposed to a variety of work requests and have responded enthusiastically and positively to this whilst ensuring that a high standard of audit work is completed by the team. This enabled the Chief Audit Executive to deliver the opinion that Tonbridge and Malling Borough Council's system of internal control makes a positive contribution to the proper, economic, efficient and effective use of resources in achieving the Council's objectives.
- 1.11.3 During the forthcoming year the team will continue to develop internal working practices as necessary and remain flexible to respond to the needs of the Council.

Annual Counter Fraud Report 2016/17

1.12 Prevention and Detection of Fraud and Corruption

- 1.12.1 This section of the report provides details of the Council's activity in preventing and detecting fraud and corruption in the year 2016/17.
- 1.12.2 The Council proactively takes part in the National Fraud Initiative (NFI), a biennial nationwide data matching exercise comparing computer records held by the Council against those held by other councils and other bodies. Where a match is found it does not necessarily indicate fraud in all instances; it does however highlight an inconsistency in the information held which requires further investigation and could be attributed to either fraud or error. The result of the exercise completed in October 2016 was that 1,768 matches were received in January 2017. To date 314 have been closed with no further action and 1 has been closed with errors found. A further 114 are currently subject to further investigation leaving 1,339 yet to be reviewed.
- 1.12.3 Annual data matching is undertaken between the electoral roll and Council Tax Single Person Discount; the most recent results were received in January 2017. There were 842 matches received, 273 have been closed with no further action and 10 have been closed with errors found. A further 93 have been opened to undertake further enquiries leaving 466 yet to be reviewed. There are currently 13 matches from the January 2016 exercise that remain subject to investigation.
- 1.12.4 The Kent Intelligence Network, a government funded partnership led by Kent County Council, went live in September 2016. The partnership delivers a data

matching function across Kent designed to address key fraud risks identified by the partners allowing a more bespoke approach and broader scope than the NFI. The first round of data matching was undertaken in September with the results made available in October. This matched the Housing Register to Single Person Discount and five data matches were received, of which three were closed with no further action required and two were referred for compliance work. Two further data matches have now been received, the first matches businesses in receipt of Small Business Rate Relief across the county while the second matches data from the Charities Commission to businesses in receipt of charitable relief. The matches received are currently being reviewed to assess action required. Data is being gathered for one further match, Licensing data to Business Rates, and more are planned for 2017/18. It is very early days for the KIN and the benefits, financial and other, should become more apparent in the current financial year as more matches are investigated and savings can be assessed.

- 1.12.5 The team have continued to play a key role in the Council's corporate approach to the prevention and investigation of allegations of fraud, corruption and misconduct where appropriate. In addition the fraud team has delivered a fraud awareness training programme to Revenues and Benefits staff and assisted on a taxi licence enforcement day as well as undertaking Fraud risk reviews on Grants, Housing Benefit Assessments and Business Rates (NNDR) **[Annex 1]**.

1.13 Investigating Fraud

- 1.13.1 The Fraud Team is responsible for investigating allegations of fraud and corruption, whether this is through internal fraud or external stakeholders or customers, as well as assisting with disciplinary investigations as and when required. The Team works closely with a number of external agencies including the Department for Work and Pensions (DWP), the UK Border Agency, Kent Police and NHS Fraud to progress investigations.
- 1.13.2 In 2016/17 the Investigation Team closed 300 cases. There are currently 10 ongoing investigations, excluding those relating to NFI or KIN matches shown above. **[Annex 5]** summarises the results of investigations concluded in 2016/17 including savings made either through repayments due, increased annual liability or penalty charges applied with a total value of £116,089.94.

1.14 Legal Implications

- 1.14.1 The Accounts and Audit Regulations place a statutory requirement on authorities to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. Proper practice is defined as that contained within the Public Sector Internal Audit Standards (PSIAS) and CIPFA's Local Government Application Note to the PSIAS.

1.14.2 The Council has a legal duty under s151 of Local Government Act 1972 and the Accounts and Audit Regulations to ensure that there are appropriate systems in place to prevent and detect fraud.

1.14.3 The Local Government Act 1972 provides the Council with the ability to investigate and prosecute offences committed against them.

1.15 Financial and Value for Money Considerations

1.15.1 An adequate and effective Internal Audit function provides the Council with assurance on the proper, economic, efficient and effective use of Council resources in delivery of services, as well as helping to identify fraud and error that could have an adverse effect on the finances of the Council.

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

1.16 Risk Assessment

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

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

Background papers:

contact: Samantha Buckland

Nil

Samantha Buckland
Chief Audit Executive

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2016-17 Internal Audit Assurance Reviews

Audit Review Title	Planned Quarter	Current Status	Audit Opinion	Scope of Audit and Findings
Refunds	1	Complete	Green	<p>This audit reviewed the Council's arrangements in respect of the following risk management objectives (RMOs):</p> <p>RMO1 - Procedures are in place to process genuine refunds and manage fraudulent or erroneous refunds. Documented procedure notes are in place with some minor updates required. Testing established that all refunds had been processed correctly and appropriately authorised.</p> <p>RMO2 - Procedures are in place to ensure that refunds are paid timely and the Authority's accounting systems are accurate following refunds made.</p> <p>Refund reports reviewed showed that the values were correct and reconciled to each stage of the process. Testing identified some anomalies in relation to separation of duties and authorisation limits however all refunds checked as part of the audit appeared to be genuine with no evidence of suspicious activity identified.</p>

Public Health	1	Complete	Amber	<p>This audit reviewed the Council's arrangements in respect of the following risk management objectives (RMOs):</p> <p>RMO1 - TMBC deliver the outcomes from the core service specifications from KCC and actively work towards achieving the set targets of the funding agreement.</p> <p>The Healthy Living team fulfil the requirements of the Service Level Agreements from KCC's Public Health Team. However the performance of commissioned providers should be reviewed to ensure the accuracy and quality of the performance figures submitted.</p> <p>RMO2 - The spend for Public Health is adequately monitored against the Budget.</p> <p>The funding received from KCC is spent appropriately with the contingency of a reserve built up from consistent underspend in previous years.</p> <p>RMO3 - Delivery and outcomes of Public Health initiatives are accurately and consistently reported to management and KCC.</p> <p>The Healthy Living team fulfil the required reporting arrangements to KCC Public Health and appropriate internal and external boards and committees. Figures and statements reported are accurate and relevant.</p>
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Debtors inc debt recovery	1	Complete	Amber	<p>This audit reviewed the Council's arrangements in respect of the following risk management objectives (RMOs):</p> <p>RMO1 - Invoiced income is appropriately managed to ensure that all income due is received, banked and reconciled timely. Procedure notes require review and updating. Some duplicate debtor accounts and invoices were identified and some credit notes had not been authorised. Invoices had been paid correctly and allocated to the correct ledger codes.</p> <p>RMO2 - The finance system is appropriately reconciled to ensure that any discrepancies are quickly identified and addressed.</p> <p>Gaps were identified with the monthly reconciliation between the sales and general ledgers due to staff absence and IT issues. Other reconciliations were completed appropriately.</p> <p>RMO3 - Refunds are effectively managed to ensure that monies owed are paid promptly to maintain good customer relationships.</p> <p>Refunds were effectively managed.</p> <p>RMO4 - Effective processes are in place to identify and manage debts and write-offs (including aged debts), with appropriate reporting to management.</p> <p>Recovery and write-off has been disjointed for the past financial year due to a change of debt collection agency. A new debt recovery agency was appointed in July 2016.</p>
Recruitment Strategy	1	Complete	N/A	<p>This was undertaken as consultancy work to support current resourcing approaches and identify areas for development.</p>
Risk Management	2	Complete	N/A	<p>Consultancy work involving development of a revised Risk Management Strategy and accompanying guidance as well as working with Management Team to facilitate development of a strategic risk register, which will be brought to this Committee under separate cover for assurance.</p>

Demand Management	2	Draft Report	TBC	Currently at draft report stage although this is likely to be somewhat superseded by the current review of customer services and we are liaising on how the results of this work can feed into the outcomes from that review.
Financial Planning & Budget Monitoring	2	Complete	Green	<p>This audit reviewed the Council's arrangements in respect of the following scope areas:</p> <p>Financial Planning: - The annual budget, Medium Term Financial Strategy, and Savings & Transformation Strategy all aligned and had been authorised. Known and anticipated risks were identified and assessed during the planning process and subsequent periodic reviews, and included in the Section 151 officer's annual statement. Management Team and Members are provided with regular updates of the Council's financial planning.</p> <p>Budget Monitoring: - Changes of budget holders had not been reported to accountancy and therefore records updated. Guidance on use of budget monitoring systems and reports is available. There was no uniformity in how budgets are reviewed by budget holders; although our work showed that such reviews were proportionate to the size of budget. Chief Officers sign a Summarised Budgetary Control Report to confirm budgets have been checked by their, although half the reports were not returned timely to Accountancy. Variances are appropriately checked by Accountancy.</p>

Capital Programme Monitoring	2	Complete	Green	<p>This audit reviewed the Council's arrangements in respect of the following scope areas:</p> <p>Alignment of the Capital Programme with Capital Strategy:- All business cases reviewed had clear links to the key criteria for Capital Projects detailed in the Capital Strategy, and were appropriately approved. Income and expenditure was accurately recorded in the Medium Term Financial Strategy. Standard templates for potential projects were completed and generally adequate although a number of additions were recommended for inclusion, e.g. milestones, key risks, and measurable criteria.</p> <p>Monitoring & Delivery of the Capital Programme:- Members were advised of budgets for projects. However, other than the Communities and Housing Advisory Board, progress against key milestones is not normally reported alongside budget information. Comprehensive records were maintained. There were a number of overdue and outstanding post-implementation reviews. Notable variances between approved budgets and final post budget completion were being reported.</p>
Asset Management of IT equipment, inc acquisitions and disposals	2	Complete	Amber	<p>This audit reviewed the controls in place in relation to procuring, managing and disposing of IT hardware assets.</p> <p>The IT department follow the Council's procedural guidance for the procurement of assets. An asset register is maintained as the central record for managing all IT assets within the Council. Our review of this found that the register was not fully complete, including whether the electrical PAT (portable appliance testing) was up to date, although each individual item will have a visual inspection noted on the asset itself. Annual assets checks are completed and we were able to verify that the assets in our sample had been checked in the previous 12-months. Disposal of assets is well managed, with data being wiped and a 3rd party used for physical disposal.</p>

Council Tax and Business Rates Recovery	2	Complete	Green	<p>This audit reviewed the Council's arrangements in respect of the following scope areas:</p> <p>Documented procedures were in line with the Corporate Debt Recovery Policy and identification of accounts in arrears was timely with reminders sent at appropriate intervals.</p> <p>Assistance is offered to tax payers who seek help. Payment arrangements were fair and equitable with signposting to independent advice services.</p> <p>Recovery rates and arrears are accurately reported.</p> <p>There was appropriate use of legal proceedings and Debt Recovery Agents. Reasonable attempts to recover debts were made before being passed for write-off, including those returned by the Debt Agency. Appropriate segregation of duties and authorisation was in place.</p>
Corporate Governance – Phase 1	2	Complete	no opinion	Consultancy work, with a gap analysis undertaken between the previous and revised versions of the CIPFA / SOLACE Good Governance framework to assist development of the new Corporate Governance Framework for the Council.
Review of controls to prevent fraud in Business Rates	3	Draft Report	TBC	

Review of controls to prevent fraud in relation to grants and financial support	3	Complete	N/a – Fraud Risk Assessment	<p>This review identified all grants administered by TMBC and assessed these specifically in relation to the risk of fraud.</p> <p>Overall we confirmed that the likelihood, significance and impact of inherent fraud risks in the majority of Grants and Financial Assistance is currently low risk. However there are two Grants and Financial Assistant payments that have been rated as medium risk, namely Discretionary Housing Payments and Private Sector Housing Renewal, due to the large volume of applications and the amounts paid for each type.</p> <p>The assessment was used to inform the 2017/18 Audit and Fraud Plan and, as a result, this includes Fraud focused audits specifically in relation to the Discretionary Housing Payment (DHP) and Housing Assistance Grant payments.</p>
Partnerships	3	Complete	Amber	<p>This audit reviewed whether the Council has effective arrangements in place to manage risks in relations to partnership arrangements and ensure delivery of required outcomes.</p> <p>Overall the Council makes good use of a wide variety of partnerships to assist in delivery of services, make cost savings and improve the borough for its residents, businesses and visitors. There is an increasing pressure on Local Authorities to work in partnership to deliver further savings and efficiencies and the Council is exploring possibilities in this area.</p> <p>While there is some guidance on contracts over £5,000 within the Council's constitution, and a few guiding principles, there are insufficient frameworks in place to help Management and Officers make best use of partnerships. Such a framework is essential to help gain maximum benefit and minimise the risk of financial loss, poor delivery and reputational damage should a partnership fail or not meet required outcomes.</p>

Payroll	3	Complete	Green	<p>This audit reviewed the Council's arrangements in respect of the following scope areas:</p> <p>Procedure notes require review and updating.</p> <p>Access rights to the Payroll system were appropriate; however there are no regular reviews to ensure that erroneous profiles or access rights have been granted.</p> <p>All allowances, deductions, amendments and variations were processed timely, accurately, and appropriately authorised. Relevant and required evidence of changes was retained.</p>
Business Continuity Planning – Emergency	3	Complete	Green	<p>The objective of this audit was to provide assurance over the Council's resilience to cope with an emergency.</p> <p>Overall there were good procedures in place for dealing with an emergency in the Borough. The Major Emergency Plan gives detailed guidance and information to Senior Management responsible for the operation of the Emergency Control Centre, to officers responsible for dealing with the partner agencies, and those affected by the emergency.</p> <p>Officers at all levels were well trained, but less practiced in the procedures which need to be implemented to enable the Council to provide an effective response to an emergency. The Council should ensure that all aspects of the Emergency Plan are tested annually so that lessons learnt can be applied before rather than during an actual emergency.</p>

Housing Benefits Overpayments	3	Complete	Green	<p>The objective of this audit was to provide assurance that the Council has effective arrangements in place to manage housing benefit overpayments.</p> <p>Overall the service is performing well with only minor improvements identified to further strengthen the processes. Compared to the previous first half financial year, 2016/17 saw a decrease in Housing Benefit overpayments (HBOP) and increase in recovery.</p>
Project and Programme Management	3	Cancelled		<p><i>Significant work has been undertaken on audits that covered elements of project and programme management, including the audits of Capital Programme Monitoring, Partnerships and ongoing work on IT Strategy. As a result it is felt that there is now limited value in undertaking a separate piece of work.</i></p>
Complaints	3	Complete	N/a	<p>This was undertaken as consultancy to support development of a revised Complaints Policy and to review alignment with LGO guidance and any possible efficiencies in the current process. This established that overall the current policies, and draft policies, are in accordance with LGO requirements or best practice. Advice was given on some potential areas for improvement in process.</p>

Safeguarding	3	Complete	Limited	<p>The overall objective of the audit was to provide assurance on the adequacy and effectiveness of the procedures and controls in place to safeguard children and adults at risk from abuse, neglect or exploitation.</p> <p>Approximately 18 months ago it was recognised that safeguarding did not have sufficient corporate profile. A number of changes were made as a result including designation of a corporate safeguarding lead reporting direct to the Chief Executive, review and amendment of existing policies into a joint children and adult's policy, implementation of mandatory eLearning and creation of a corporate Safeguarding Task Group. Roles and responsibilities for Safeguarding were found to be suitably detailed within officer job descriptions and the new Policy was properly approved, is sufficiently detailed and is mandatory reading on Net consent.</p> <p>Areas for development identified included that no time limit was enforced for reading the Policy on Net consent and that not all staff have access to Net consent. There was also no evidence to confirm that Elected Members, outside of the approving Committee, have read the policy. A number of officers had not completed the Safeguarding training at the time of the audit and no Safeguarding training has been provided to Elected Members. Officers interviewing for posts where safeguarding is considered relevant to the role had not completed Safer Recruitment training.</p> <p>A Safeguarding Register was developed to document those roles requiring a DBS check however the risk assessments undertaken to identify those roles were not documented and the register is out of date; as a result some officers requiring a DBS may not have a check undertaken. It was also identified that proof of ID was not available for all appointments. There is no centralised mechanism in place to record safeguarding concerns and referrals; information contained on safeguarding referral forms is considered to be extremely sensitive and access to the location used to store completed referral forms was not appropriately restricted.</p>
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IT Strategy & Infrastructure	4	Complete	Adequate	<p>The overall objective of the audit was to provide assurance that the objectives of the 2016- 17 IT Strategy have been met and that the 2017-20 Strategy is being developed on lessons learned, is in line with Corporate Objectives and supports an infrastructure that is fit for purpose and responsive to organisational change</p> <p>Overall there have been recent and significant improvements in the modernisation of various IT systems such as the new telephony system and Outlook. Servers have been upgraded and there is significant investment allocated via the Capital Programme for the introduction of a Virtual Desktop Infrastructure which will centralise computing power and extend the lifespan of desktops. However it was noted that the Strategy was deliberately high level and the formation of the 2017-20 Strategy could be used as an opportunity to enhance consultation and provide more information on the projects, implementation timescales, interdependencies, and prioritisation of each project.</p> <p>Updates on the Strategy and progress were periodically provided to Management Team and Members; this could be formalised and occur more frequently. In addition a report on accomplishments and problems was taken to Management Team and we reviewed this for accuracy. We established that it was generally a fair representation of progress, although some items advised to be completed are still in progress and there were difficulties obtaining sufficient evidence to support some statements made. This would be assisted by a more formally document project management processes for major projects, with smaller projects needing a proportionate level of management.</p>
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Leisure Development – external provision (Holiday Activity Programme)	4	Complete	Green	<p>The aim of the audit was to provide assurance that the Council has effective arrangements in place to manage risks in relation to the external delivery of the Holiday Activities Programme.</p> <p>Overall the objectives for outsourcing the Holiday Activity Programme following the Members’ review were successfully met. A number of teething problems were identified which can be easily resolved by implementing extra controls, for example reconciliation of invoices against Leisure Passes to ensure that the Council is paying the correct figures. Future provision of the service is subject to further review by Members and therefore longer term provision cannot currently be explored by Leisure Services.</p>
Development Control	4	Complete	N/a	<p>This was undertaken as consultancy to support a review of the service including potential options in terms of staff structure and costings.</p>

Housing – Empty Property Follow Up	4	Complete	Limited	<p>The overall objective of the audit was to provide assurance on the adequacy and effectiveness of the procedures and controls in place to reduce the number of empty properties in the Borough.</p> <p>The Terms of Reference for the Corporate Empty Properties Group makes roles and responsibilities clear and lists the key objectives for the group, but those objectives are not outcome based and therefore there are no measurable targets in place for the Group. There is no specific Empty Homes Policy or Action Plan and there has been limited reporting to date to both Management Team and the Communities and Housing Advisory Board. However we understand that from April 2017 minutes of the Group now go to Management Team and there is an intention going forward to do an annual report to the Board with regular updates through the generic housing report. In October 2009, there were 308 empty properties across the Borough; in October 2016 it was 346 while in March 2017 the figure had risen to 447. TMBC is the only authority in Kent to report an increase in empty properties over that period and we therefore need to understand what others are doing differently.</p> <p>The Working Group opted to focus on around 120 properties which have been empty for more than 2 years. This means that properties empty for 6 months - 2 years which may be more likely to be 'quick wins' and make up around 70% of empty properties may receive far less attention from officers.</p> <p>There is a potential to receive additional New Homes Bonus should the Council decrease its number of empty properties and the risk of losing money if we do not.</p>
Parking Income	4	Draft Report	TBC	

Local Plan	4	Complete	Substantial	<p>The overall objective of the audit was to provide assurance over the Council's arrangements in place to ensure that the Local Plan is produced on time and complies with the National Planning Policy Framework.</p> <p>Overall we found that detailed work has been undertaken to ensure that the proposed Local Plan identifies and addresses the challenges in terms of housing need, economic development and habitat protection. Information used to arrive at the Objectively Assessed Needs (OAN) for the number of new houses required in the Borough over the duration of the Local Plan has been suitably calculated and updated as newly published information has become available. The methodology used has been consistently applied at each update. Similarly the OAN has considered the effects on population from a changing age profile and also migration into and out of the Borough over the duration of the Local Plan.</p> <p>The Council has a legal duty to evidence that it has engaged constructively, actively and on an ongoing basis on strategic cross boundary matters. If the Council cannot demonstrate that it has complied with the duty then the Local Plan will not be examined. Meetings and discussions have been taking place on an ongoing basis; however officers need to start compiling a database to use as evidence that the Council has met its legal duty to cooperate. In addition Gypsy and Traveller needs across the Borough were last assessed in 2014 and therefore should be reviewed to ensure that legislation since 2014 has been considered.</p>
Corporate Policy Maintenance	CF from 15/16	To be carried forward to 17/18	TBC	Not completed in 16-17 due to resource availability. This work will be incorporated into the scope of the 2017/18 audit of Corporate Governance.
Licensing	CF from 15/16	To be carried forward to 17/18	TBC	Not completed in 16-17 due to resource availability, although some pro-active fraud work has been undertaken, including assistance on a taxi licence enforcement day. A full audit is commencing as part of the 2017/18 Plan.

2015-16 Internal Audit Assurance Reviews completed in 2016/17

Audit Review Title	Planned Quarter	Current Status	Audit Opinion	Scope of Audit and Findings
Housing Benefit Assessments	4	Complete	Amber	<p>The objective of this audit was to provide assurance on the adequacy of arrangements to manage the risk of fraud through ensuring all new claims are legitimate, the right level of evidence is obtained with fraud risk considered and that the correct benefit is being paid to the correct person.</p> <p>Overall we found that adequate measures exist in order to ensure new claims are legitimate; however training needs to be made available on a more regular basis. With regard to evidence obtained testing established that existing processes could be enhanced, for example through sample management checks of new claims and follow up with a review form once the claim has been in payment for an agreed period of time, to ensure that evidence obtained can be verified as still being applicable. Benefits Assessors and Customer Service staff would benefit from fraud training when processing new claims or when provided with documents, for example on verification of key documents and what 'flags' to look out for on bank statements, etc.</p>

Empty Properties	4	See 16/17 follow-up	see 16/17 follow-up	<p>This audit reviewed the Council's arrangements in respect of the following risk management objectives (RMOs):</p> <p>RMO1 - The role of Housing as corporate lead is clearly defined and there is evidence that the role is proactively fulfilled. Although the corporate lead role was not formally defined Housing has been providing an appropriate level of oversight and facilitation, including acting as Chair of the Empty Homes Group.</p> <p>RMO2 - The Corporate Working Group to tackle the issue of Empty Homes has been established with a clear terms of reference. It meets regularly and has clear action plans, monitoring and escalation processes in place. The Working Group has been established and a number of meetings have been held. The Terms of Reference has been drafted however further embedding is needed in relation to action plans and monitoring as the baseline number of properties was only recently agreed.</p> <p>RMO3 - Public awareness has been raised through appropriate marketing strategies and the reporting process is simple and accessible. The impact/success of both is monitored. Public awareness campaigns have been undertaken, however monitoring of the impact/success links to the further embedding needed at RM02.</p>
Section 106 Developer Contributions	4	Complete	Red	<p>This audit reviewed the Council's arrangements in respect of s106 agreements.</p> <p>At the time of the audit it was not possible to identify the volume or the materiality of all Planning Applications that have been subject to a planning obligation (s106 Agreement), due to the lack of data being retained in one location such as a Single Monitoring System (SMS). As a result, following issue of the final report, the findings were discussed with Management Team (MT) and, in addition to some minor amendments to the report, it was agreed that timely action would be taken and that audit would follow up the outcomes of this. A report on progress from the service was taken to MT in November 2016 and a Developer Contributions Monitoring Group was set up and now meets regularly. A full follow-up audit has been included in the 2017/18 Plan.</p>

Definitions of Audit Opinions

Previous

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.

Revised

High	There is a sound system of control operating effectively to achieve service/system objectives. Any issues identified are minor in nature and should not prevent system/service objectives being achieved.
Substantial	The system of control is adequate and controls are generally operating effectively. A few weaknesses in internal control and/or evidence of a level of non-compliance were noted during the audit that may put a system/service objective at risk.
Adequate	The system of control is sufficiently sound to manage key risks. However there were weaknesses in internal control and/or evidence of a level of non-compliance with some controls that may put system/service objectives at risk.
Limited	Adequate controls are not in place to meet all the system/service objectives and/or controls are not being consistently applied. Certain weaknesses require immediate management attention as if unresolved they may result in system/service objectives not being achieved.
No Assurance	The system of control is inadequate and controls in place are not operating effectively. The system/service is exposed to the risk of abuse, significant error or loss and/or misappropriation. This means we are unable to form a view as to whether objectives will be achieved.

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Internal Audit and Counter Fraud Update – Annex 3. Follow up of recommendations

Service	Audit Title	Recommendation	Priority	Date due	Audit opinion on client response	Revised Target Date
Central	Audit Follow Up - Mobile Phones	The TMBC Mobile Phones Policy should be drafted with mention being made to the Unified Communications System and the impact mobiles have on the Emergency Plan.	High	31/07/2015	Completed	
Central	Audit Follow Up - Recruitment Vetting	Ensure that a full review of all posts against DBS requirements is carried out appropriately	Medium	01/09/2015	Completed	
Central	Community Safety Unit	Invoices should either be authorised by the Community Safety Manager or annotated by him as evidence of being suitable for payment, before passing to another officer with delegated authority.	Medium	30/06/2016	Completed	
Central	Community Safety Unit	The Partnership should include a section in their Terms of Reference regarding the use and level of reserve funds, including the criteria in the event that a contributing partner withdraw from the Partnership, ceases to exist, or the membership of the Partnership changes.	Medium	31/10/2016	Not yet implemented (Revised date agreed)	31/07/17
Central	Complaints Handling	Ensure all relevant employees are aware of the complaints procedures and requirements, including a complainant's right to escalate their complaint	Medium	30/09/2015	Completed	
Central	Complaints Handling	Use the implementation of the new complaints handling system to perform a review of both the Corporate Complaints Policy and Procedure in line with LGO guidance	Medium	30/09/2015	Completed	

Internal Audit and Counter Fraud Update – Annex 3. Follow up of recommendations

Service	Audit Title	Recommendation	Priority	Date due	Audit opinion on client response	Revised Target Date
Central	Complaints Handling	Update as part of the complaints review, the Council's policy and procedures on compensation arising from complaints, ensuring that doing so complies with any requirements for Committee approval	Medium	30/11/2015	Not yet implemented (revised date agreed)	30/06/17
Central	Members' Allowances	Seek advice from Legal as to whether the Council needs to advertise in a local newspaper as per Part 3, para 16 (2) of The Local Authorities (Members' Allowances) (England) Regulations 2003, or whether the information being available online and, by request, at Council offices is acceptable.	Medium	30/04/2016	Not yet implemented (revised date agreed)	30/04/2017
Central	Procurement	Staff should be reminded that original contract documents should be passed to Legal Services for retention in a secure fire-proof location. (Directors to cascade via SMT)	Medium	31/08/2015	Completed	
Central	Tonbridge Castle	Risk assessment(s) should be drawn up for all facilities hire activities at the Castle using the current format. Existing risk assessments should be converted to the current format.	High	30/04/2016	Superseded	
Central	Tonbridge Castle	A reconciliation control should be implemented to ensure that all invoices for the hire of the Council Chamber are paid to avoid financial loss.	Medium	30/04/2016	Superseded	
Finance	Building Control	Implement a process to ensure that all income, including VAT, is complete and accurate through reconciliation and has been paid to TMBC in a timely manner	High	30/09/2016	Completed	

Internal Audit and Counter Fraud Update – Annex 3. Follow up of recommendations

Service	Audit Title	Recommendation	Priority	Date due	Audit opinion on client response	Revised Target Date
Finance	Council Tax and NNDR Recovery	Accounts with an active open ended suppression should be reviewed to see if it is still required. Northgate notes should be updated when reviewed	Medium	31/12/2016	Completed	
Finance	Creditors	Exchequer Services should enquire as to the availability of a reporting function to changes made to supplier details. The service should maintain an appropriate audit trail to demonstrate changes to bank accounts, including any authorisation/verification process.	High	31/03/2016	Completed	
Finance	Creditors	Reinforce the message that all purchases made outside of the exemptions stated in the Financial Procedure Rules should be made through the purchase ordering procedure.	Medium	31/03/2016	Completed	
Finance	Insurance	Evidence of the status of claims should be obtained and retained on file. Create a claim summary front sheet for use on all claims to demonstrate the current status.	Medium	01/06/2016	Completed	

Service	Audit Title	Recommendation	Priority	Date due	Audit opinion on client response	Revised Target Date
Finance	IT Disaster Recovery Plan	All aspects of the IT Disaster Recovery Plan should be reviewed in liaison with officers from across the organisation, updated in line with current IT industry standards, and should take into account all issues raised within this report. The Plan should then be approved by Management Team. Consideration should be given to the format and presentation for ease of accessibility and reference, ensuring that the versions in use are up to date and all systems used by the Council are captured. Version dates should appear on all sections of the plan.	High	30/09/2016	Follow-up audit	
Finance	IT Disaster Recovery Plan	The IT Manager should liaise with the Council's Data Protection Officer regarding security of back-up tapes taken off site and take any action required.	Medium	30/06/2016	Follow-up audit	
Finance	IT Disaster Recovery Plan	A log of IT disaster incidents and testing of the plan should be maintained detailing what went wrong, what corrective action was taken and any lessons learned. This information should feed into amendments to the Disaster Recovery Plan.	Medium	30/06/2016	Follow-up audit	
Finance	IT Help Desk	Key Performance Indicators need to be regularly reported to the Director of Finance and Transformation to enable performance to be monitored and managed. It is suggested that this is via FSMT on a monthly and annual basis.	High	31/05/2016	Follow-up audit	

Internal Audit and Counter Fraud Update – Annex 3. Follow up of recommendations

Service	Audit Title	Recommendation	Priority	Date due	Audit opinion on client response	Revised Target Date
Finance	IT Help Desk	An exercise should take place to review all open calls that have exceeded their target dates and take necessary action to facilitate progression or closure, ensuring that notes adequately describe action taken and that the call has been reviewed.	High	31/07/2016	Follow-up audit	
Finance	IT Help Desk	Call notes should adequately describe what action has been taken to enable other officers to deal with the same call and to maintain a complete management trail. This should include explanations of why calls are still open if closure dates have been extended and any and all contact with service users. Officers should ensure that priority set is in line with published guidance.	Medium	30/06/2016	Completed	
Finance	IT Help Desk	In addition to officers monitoring their own workload, open calls should be monitored by the Administrator, Technical Support Manager and/or Duty Officer. This is especially important for calls which are approaching or have exceeded their target closure date. Where necessary assigned officers should be reminded to take action necessary to progress the call and update the service user. Notes should be entered to adequately explain reasons and action taken.	Medium	31/07/2016	Follow-up audit	

Service	Audit Title	Recommendation	Priority	Date due	Audit opinion on client response	Revised Target Date
Finance	IT Help Desk	Before implementation of the new system a review of the controls should be undertaken to ensure an audit trail exists for all changes made, including, but not limited to, request details being changed by “super users”.	Medium	30/09/2016	Completed	
Finance	IT Network and System User Access	Ensure that line managers are aware of their responsibility to arrange the closure of open accounts within the 90 day limit. Include temporary and agency staff in the current leaver notification process and ensure all relevant system administrators are notified.	High	30/11/2016	Completed	
Finance	IT Network and System User Access	Introduce regular monitoring of network and application access to ensure the Council’s systems continue to be effectively protected.	High	30/11/2016	Not yet implemented (revised date agreed)	01/10/17
Finance	IT Network and System User Access	Maintain formal records for new accounts granted for all applications.	High	30/11/2016	Not yet implemented (revised date agreed)	01/10/17
Finance	IT Network and System User Access	Include responsibilities of the system administrator within the Information Security Policy.	Medium	30/11/2016	Completed	
Finance	IT Network and System User Access	Remind officers that they must not amend or cancel the ‘time out’ function for locked screens.	Medium	30/11/2016	Completed	

Internal Audit and Counter Fraud Update – Annex 3. Follow up of recommendations

Service	Audit Title	Recommendation	Priority	Date due	Audit opinion on client response	Revised Target Date
Finance	IT Network and System User Access	System administrators should to review the security features of their system and/or seek assurance from the software provider that the current software is compliant with our own policy and PSN Code of Connection. Where requirements cannot be built into the system all officers with access should be made aware of requirements, for example if a change of password every 90 days cannot be enforced. The report facility to view passwords for the Adelante system should be disabled.	Medium	30/11/2016	Not yet implemented (revised date agreed)	01/10/17
Finance	IT Network and System User Access	Ensure all staff are reminded that personal emails should not be used to send or receive work related information or sensitive data.	Medium	30/11/2016	Completed	
Finance	Refunds (Council Tax & NNDR)	In relation to mitigating fraud risk, the Revenue Benefits Team should: - Seek guidance on identifying potential fraudulent activity, and update their procedural documentation to reflect this. - Seek advice from the Fraud Team as to whether the standard refund form should include an anti-fraud declaration, and update and implement as necessary.	Medium	31/10/2016	Partially implemented (revised date agreed)	30/06/17

Internal Audit and Counter Fraud Update – Annex 3. Follow up of recommendations

Service	Audit Title	Recommendation	Priority	Date due	Audit opinion on client response	Revised Target Date
Finance	Refunds (Council Tax & NNDR)	Introduce a management control to check that where system administrators need to self-authorise, these are for bona fide reasons and suitable evidence is retained. The Section 151 officer must be advised of any issues regarding separation of duties for key financial controls.	Medium	31/10/2016	Not yet implemented (revised date agreed)	31/06/2017
Finance	Sickness Absence Monitoring	Management Team should review feedback received to consider what action is required. The issues identified above (with the exception of R1) could be addressed through adopting an integrated electronic sickness absence monitoring system such as HR21 and used for the whole process including recording, monitoring and reporting. This would require a cost/benefit analysis. Should the current e-form procedure for sickness absence recording and monitoring be retained, consider streamlining the process to improve efficiency, for example through merging the self-certification and return to work forms	Medium	31/10/2016	Not yet implemented (revised date agreed)	30/09/2017
Management Team	Sickness Absence Monitoring	All managers should be reminded of the current process and requirements.	Medium	30/04/2016	Completed	
PHEH	Building Control	Formalise Building Control Project Board meetings and ensure that minutes are taken to ensure that identified actions are identified and actioned	Medium	31/07/2016	Completed	

Internal Audit and Counter Fraud Update – Annex 3. Follow up of recommendations

Service	Audit Title	Recommendation	Priority	Date due	Audit opinion on client response	Revised Target Date
PHEH	Building Control	Establish Contingency plans which would define a clear exit strategy should the partnership no longer be in the best interests of the Council	Medium	31/07/2016	Not yet implemented (revised date agreed)	31/07/2017
PHEH	Cemetery Memorials	Ensure that the Health and Safety Inspection of the Cemetery for 2015 is completed and that a record of actions taken is held	High	15/02/2016	Completed	
PHEH	Homelessness	Update the Strategy as published on the Homelessness Prevention page on the TMBC website.	Medium	30/06/2016	Not yet implemented (revised date agreed)	01/09/2017
PHEH	Homelessness	Review our own performance against the strategy and lessons learnt to help formulate the revised strategy from 2016 onwards. In addition, to inform review and revision of the Strategy contact the partners involved to engage in a West Kent Homelessness Strategy Group meeting to obtain an up to date position on the strategy overall and agree any carried forward actions.	Medium	30/06/2016	Not yet implemented (revised date agreed)	31/07/17

Service	Audit Title	Recommendation	Priority	Date due	Audit opinion on client response	Revised Target Date
PHEH	Housing and Financial Assistance	Improve and streamline the customer experience when applying for Housing Financial Assistance and / or Discretionary Housing Payments; consider amending the Housing financial assistance application form to include a section for eligible applicants are able to request Discretionary Housing Payment where applicable, and instigate a joined-up approach where the teams share information to conduct one set of checks and source of client contact.	Medium	31/10/2015	Not implemented	
PHEH	Statutory Nuisance Complaints	Noise boxes and other specialist equipment owned by or hired by the Council should be accurately logged in and out. Calibration should be planned for quieter times of the year to ensure the maximum number of machines are available. Use of devices with expired calibration dates should be avoided.	Medium	30/04/2016	Completed	
PHEH	Statutory Nuisance Complaints	When performing monthly checks of open cases a note should be created to advise that the case has been reviewed and why it is still open to evidence that reviews are taking place. If there is no reason to keep the case open it should be closed within the timescales in the procedure note and not left open “just in case”.	Medium	30/04/2016	Completed	

Internal Audit and Counter Fraud Update – Annex 3. Follow up of recommendations

Service	Audit Title	Recommendation	Priority	Date due	Audit opinion on client response	Revised Target Date
PHEH	Statutory Nuisance Complaints	Completed note books should be checked by the Team Manager to ensure that they are correctly completed, without blank pages, including numbering and date range on the dedicated section of the cover.	Medium	30/04/2016	Completed	
SSLTS	Cemetery Memorials	Discuss the ongoing schedule of inspections with the Health and Safety Officer and amend the Operational Risk Register accordingly	Medium	15/04/2016	Completed	
SSLTS	Cemetery Memorials	Amend the notification letter to require a response from all contactable grave owners	Medium	15/01/2016	Completed	
SSLTS	Cemetery Memorials	Amend notification letter to include a time period for independent repairs to be completed by.	Medium	15/01/2016	Completed	
SSLTS	Cemetery Memorials	Consider reviewing the permit procedure for authorising memorial masons to conduct the work, in particular their access to work at the cemetery	Medium	15/04/2016	Completed	
SSLTS	Cemetery Memorials	Consider the introduction of a review of memorials after their completion to ensure that they comply with the authorised design and finished to a satisfactory standard	Medium	15/04/2016	Completed	
SSLTS	IT Disaster Recovery Plan	Business Impact Assessments should be updated for all business areas and reviewed by the Business Continuity Manager to ensure that the IT Disaster Recovery Plan is based on up to date priorities and criticality.	High	31/07/2016	Follow-up audit	

Internal Audit and Counter Fraud Update – Annex 3. Follow up of recommendations

Service	Audit Title	Recommendation	Priority	Date due	Audit opinion on client response	Revised Target Date
SSLTS	Refuse and recycling contract management	Ensure local records of defaults are kept up to date with financial penalties applied as relevant.	Medium	01/04/2016	Completed	
SSLTS	Refuse and recycling contract management	Ensure any new contract/agreement contains contingency plans detailing arrangements in place regarding termination of the contract or inability of the provider to continue to deliver the service. This should align to any additional contingency plans provided by the contractor and exit strategies within the contract such as performance bonds.	Medium	01/08/2016	Follow-up audit	
SSLTS	Tonbridge Cemetery Services	Confirm the Council's electronic-only storage meets the legal requirement to hold a Register of Burials.	High	09/11/2015	Completed	
SSLTS	Tonbridge Cemetery Services	Introduce procedures to serve customers requesting to view the Registers of Burial under Article 11 of the Local Authorities Cemeteries Order 1977, including access to information only stored on the BACAS system.	High	09/11/2015	Completed	
SSLTS	Write Offs	Service reports of write offs to be approved by Director of Finance should evidence approval at service manager level.	Medium	10/09/2015	Not yet implemented (revised date agreed)	30/06/2017
Finance	Refunds (Council Tax & NNDR)	Update relevant Council Tax and NNDR procedural documentation for the Revenues Team to ensure that: - Any and all evidence required to action a change of particulars is clearly listed, also noting where no	Medium	31/03/2017	Not yet implemented (revised date agreed)	30/06/17

Internal Audit and Counter Fraud Update – Annex 3. Follow up of recommendations

Service	Audit Title	Recommendation	Priority	Date due	Audit opinion on client response	Revised Target Date
		evidence is required. - It is clearly stated who is able to authorise such refunds.				
Finance	HBOP	PGP software should be provided to at least one other appropriate officer in the Revenues and Benefits Team, to ensure that RTI and HBMS data can be extracted in the absence of the Benefit Office Supervisor, so that those deputised are able to import the data.	Medium	28/02/2017	Complete	
Finance	HBOP	The Compiled Stats (HBRF) report which shows overpayments generated and recovered should be corrected, ensuring that figures/periods are included only once.	Medium	31/03/2017	Not yet implemented (revised date agreed)	30/06/17

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Internal Audit Performance Measures

Performance Measures	Actual Performance 2016-17	Opinion	Performance in 2015-16 for comparison
At least 80% of staff time (excluding holidays, sickness etc.) to be spent on productive audit activity providing client services. (Target of 80 per cent)	90% of available audit resources spent on productive audit activity during 2016/17.	Target achieved	87% Target achieved
Delivery of the Annual Audit Plan. (Target of 95 per cent)	100% of the 2016-17 annual audit plan completed.	Target achieved	96% Target achieved
Effectiveness of Internal Audit gaining commitment (1) based on the number of recommendations made against the number of recommendations accepted by Management. (Target of 90 per cent)	98% (59 of 60) of all recommendations made were accepted by Management.	Target achieved	98% Target achieved
Effectiveness of Internal Audit gaining commitment (2) based on the number of recommendations revisited in the period where Management have confirmed implementation. (Target of 90 per cent)	Management assurance of implementation (or revised dates agreed) was obtained for 98% (49 of 50) of recommendations revisited in the period.	Target achieved	98% Target achieved
Client Satisfaction with Internal Audit (2) based on post audit feedback. (Target of 80 per cent)	Responses received post audit returned a 100% satisfaction rating.	Target achieved	100% Target achieved
Positive statement by the External Auditor regarding satisfaction with the work of Internal Audit.	Grant Thornton has confirmed that the arrangements for internal audit contribute to an effective internal control environment.	Target achieved	Target achieved

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Fraud Type	Cases Closed	No Evidence of Fraud	Customer Error / Incorrect Discount	Fraud Proven	Reduction In Weekly Benefit	Total due to be repaid to TMBC	Increase In liability (annual amount)	No of Penalty Charges	Total £ Penalty charge
Housing	9	8	1	0	£0.00	£0.00	£0.00	0	£0.00
Council Tax Reduction	16	3	12	1	£182.63	£14,048.49	£9,748.44	3	£210.00
SPD	265	165	98	2	£741.29	£44,625.46	£38,853.96	69	£4,830.00
SPD & CTR	4	2	2	0	£11.46	£1,562.18	£0.00	1	£70.00
NNDR	2	2	0	0	£0.00	£0.00	£0.00	0	£0.00
DHP	1	1	0	0	£0.00	£0.00	£0.00	0	£0.00
Council Tax Liability	3	1	2	0	£8.83	£2,141.41	£0.00	0	£0.00
	300	182	115	3	£944.21	£62,377.54	£48,602.40	74	£5,110.00

Sanctions as follows:

- £70 Penalty Under CTRS regs x 3
- 2 x SPD Caution

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TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

03 July 2017

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Information

1 WORK PROGRAMME AND SCALES OF FEES 2017/18

Following consultation, Public Sector Audit Appointments Limited has published the Work Programme and Scales of Fees for the audit of the 2017/18 accounts.

1.1 Introduction

- 1.1.1 Public Sector Audit Appointments Limited (PSAA) an independent company set up by the Local Government Association is responsible for setting fees, appointing auditors and monitoring the quality of auditors' work on a transitional basis. This is the final year for which PSAA will set fees under the transitional arrangements.
- 1.1.2 The Work Programme and Scales of Fees 2017/18 can be found at the following link:
<http://www.psaa.co.uk/wp-content/uploads/2016/10/2017-18-work-programme-and-scales-of-fees-for-local-government-and-police.pdf>
- 1.1.3 There are no changes to the overall work programme for 2017/18 and scale fees remain at the same level as the scale fees applicable for 2016/17. Indicative fees for 2017/18 housing benefit subsidy certification work will be based on final 2015/16 certification fees.
- 1.1.4 In addition, following completion of the Audit Commission's accounts, PSAA received a payment in respect of the Audit Commission's retained earnings. This and other surpluses from audit fees are to be distributed to audited bodies in 2017/18. The amount is likely to be in the order of 15% of scale audit fees.
- 1.1.5 From 2018/19, the provisions of the Local Audit and Accountability Act 2014 in relation to local appointment of auditors will apply. The Secretary of State has specified PSAA as an appointing person for principal local government and police bodies and, in accordance with the Act, PSAA will therefore appoint auditors and set scale audit fees for bodies that have opted into its national scheme. By way of an update Tonbridge and Malling is one of 483 eligible local bodies to have opted into the national scheme.

1.2 Legal Implications

- 1.2.1 Legally, we have no choice but to accept the final version of the Work Programme and Scales of Fees for 2017/18 and will continue to cooperate with our external auditors who serve us.

1.3 Financial and Value for Money Considerations

- 1.3.1 Both the audit fee for 2017/18 and the indicative fee for grant certification work can be met from within existing budget provision.

1.4 Risk Assessment

- 1.4.1 None.

Background papers:

contact: Neil Lawley

Nil

Sharon Shelton
Director of Finance and Transformation

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

03 July 2017

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Information

1 AUDIT FEE LETTER 2017/18

Report to inform Members of the receipt of the Audit Fee Letter 2017/18.

1.1 Introduction

1.1.1 I have received from Grant Thornton the Audit Fee Letter for 2017/18 [**Annex 1**] which sets out details of the audit fee for the Council along with the scope and timing of audit work and the audit team.

1.1.2 The fee represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes. The audit fee for 2017/18 is the same as that for 2016/17 at £45,776. Indicative fees for 2017/18 housing benefit subsidy certification work will be based on final 2015/16 certification fees.

1.2 Legal Implications

1.2.1 None.

1.3 Financial and Value for Money Considerations

1.3.1 As set out above.

1.4 Risk Assessment

1.4.1 None.

Background papers:

contact: Neil Lawley

Nil

Sharon Shelton

Director of Finance and Transformation

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20 April 2017

Dear Julie,

Planned audit fee for 2017/18

The Local Audit and Accountability Act 2014 provides the framework for local public audit. Under these provisions the Secretary of State for Communities and Local Government delegated some statutory functions from the Audit Commission Act 1998 to Public Sector Audit Appointments Limited (PSAA) on a transitional basis.

PSAA will oversee the Audit Commission's audit contracts for local government bodies until they end in 2018, following the announcement by the Department for Communities and Local Government (DCLG) that it will extend transitional arrangements until 2017/18. PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

From 2018/19 PSAA has been specified by the Secretary of State as an appointing person for principal local government and police bodies, and will make auditor appointments and set fees for bodies that have opted into the national auditor appointment scheme it is developing.

Scale fee

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timescales'.

There are no changes to the overall work programme for local government audited bodies for 2017/18, following the recent CIPFA/LASAAC announcement that their planned introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities in 2017/18 will no longer proceed. PSAA have therefore set the 2017/18 scale audit fees at the same level as the scale fees applicable for 2016/17. The Council's scale fee for 2017/18 has been set by PSAA at £45,776.

The audit planning process for 2017/18, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors from April 2015. Audits of the accounts for 2017/18 will be undertaken under this Code, on the basis of the [2017/18 work-programme and scales of fees](#) set out on the PSAA website. Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

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

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

Value for Money conclusion

The Code requires us to consider 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.

The NAO issued its guidance for auditors on value for money work in November 2016. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Certification of grant claims and returns

At the request of the Department for Work and Pensions, auditors appointed by PSAA will continue to certify local authority claims for housing benefit subsidy for 2017/18.

The Council's indicative fee for this certification work has yet to be set by PSAA. We will write to you to confirm the fee when this has been confirmed.

Assurance engagements for other schemes will be subject to separate arrangements and fees agreed between the grant-paying body, the Council and ourselves.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2017	11,444
December 2017	11,444
March 2018	11,444
June 2018	11,444
Total	45,776

Housing Benefit Certification	
March 2018	TBC

Outline audit timetable

We will undertake our audit planning and interim audit procedures in December 2017 to January 2018. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in May to June 2018 and work on the whole of government accounts return in June 2018.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	December 2017 to January 2018	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	July 2018	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	July 2018	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	July 2018	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	November 2018	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	November 2018	Grant certification report	A report summarising the findings of our housing benefit certification work

Our team

The key members of the audit team for 2017/18 are:

	Name	Phone Number	E-mail
Engagement Lead	Sarah Ironmonger	44 (0)1293 554 072	sarah.l.ironmonger@uk.gt.com
Engagement Manager	Richard Lawson	07766 442038	richard.lawson@uk.gt.com

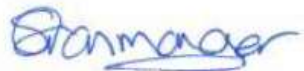
Additional work

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

Quality assurance

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

Yours sincerely



Sarah L Ironmonger

Engagement Lead

For Grant Thornton UK LLP

Agenda Item 12

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

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Agenda Item 13

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

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

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Agenda Item 14

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

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