

TONBRIDGE & MALLING BOROUGH COUNCIL



EXECUTIVE SERVICES

Chief Executive

Julie Beilby BSc (Hons) MBA

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

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

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

22 March 2018

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

Dear Sir/Madam

Your attendance is requested at a meeting of the Audit Committee to be held in the Civic Suite, Gibson Building, Kings Hill, West Malling on Tuesday, 3rd April, 2018 commencing at 7.30 pm

Yours faithfully

JULIE BEILBY

Chief Executive

A G E N D A

PART 1 - PUBLIC

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

3. Minutes 9 - 14

To confirm as a correct record the Minutes of the meeting of Audit Committee held on 22 January 2018

Matters for Recommendation to the Council

4. Audit Committee Annual Report 15 - 22

The report is produced to inform the Council of how the Audit Committee has provided 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.

5. Local Code of Corporate Governance 23 - 44

The report provides information on the outcome of the annual review of the Local Code of Corporate Governance.

Matters for Recommendation to the Cabinet

6. Treasury Management Update 45 - 56

The report provides an update on treasury management activity undertaken during the 2017/18 financial year within the context of the national economy and invites Members to endorse the action taken by officers and note the treasury position at the end of February 2018.

Decisions to be taken under Delegated Powers

7. Internal Audit and Fraud Plan 2018/19 57 - 62

The report seeks approval of the Internal Audit and Fraud Plan for the year 2018/19.

8. Members Assurance on Compliance with International Standards on Auditing 63 - 68

Under International Standards on Auditing the external auditor asks those charged with governance, which for this purpose is the Audit Committee, to consider and formally respond to a set of questions.

Matters submitted for Information

9. Management Team Assurance on Compliance with International Standards on Auditing 69 - 74

Under International Standards on Auditing the external auditor asks Management Team to consider and formally respond to a set of questions. The report provides supporting evidence for the Audit Committee's consideration of the matter.

10. Internal Audit and Counter Fraud Update 75 - 94
- The report provides an update on the work of both the Internal Audit function and the Counter Fraud function for the period April 2017 to February 2018.*
11. Grant Thornton - External Audit Plan 95 - 112
- The report presents the External Audit Plan for year ending 31 March 2018.*
12. Scale of Audit Fees for 2018/19 113 - 114
- The report advises of the scale of audit fees for the audit of the 2018/19 accounts.*
13. Urgent Items 115 - 116
- Any other items which the Chairman decides are urgent due to special circumstances and of which notice has been given to the Chief Executive.

Matters for consideration in Private

14. Exclusion of Press and Public 117 - 118
- The Chairman to move that the press and public be excluded from the remainder of the meeting during consideration of any items the publication of which would disclose exempt information.

PART 2 - PRIVATE

Matters submitted for Information

15. Insurance Claims History: April 2017 - March 2018 119 - 124
- LGA 1972 Sch 12A Paragraph 3 – Financial or business affairs of any particular person
- The report informs Members of the nature and volume of liability and property damage insurance claims submitted during the period April 2017 – March 2018.*
16. Urgent Items 125 - 126
- 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

Apologies for absence

This page is intentionally left blank

Declarations of interest

This page is intentionally left blank

TONBRIDGE AND MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 22nd January, 2018

Present: Cllr V M C Branson (Chairman), Cllr M C Base (Vice-Chairman), Cllr T Bishop and Cllr S C Perry

Grant Thornton, External Auditors: Ms S Ironmonger (former Engagement Lead) and Mr C McLaughlin (Engagement Lead)

Councillors P F Bolt, Mrs A S Oakley and H S Rogers were also present pursuant to Council Procedure Rule No 15.21.

Apologies for absence were received from Councillors B T M Elks, Mrs F A Kemp and B W Walker

PART 1 - PUBLIC

AU 18/1 DECLARATIONS OF INTEREST

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

AU 18/2 MINUTES

RESOLVED: That the Minutes of the meeting of the Audit Committee held on 4 September 2017 be approved as a correct record and signed by the Chairman.

MATTERS FOR RECOMMENDATION TO THE CABINET

AU 18/3 RISK MANAGEMENT STRATEGY

The report of the Management Team invited Members to review the Risk Management Strategy which set out the Council's risk management objectives and detailed the roles and responsibilities of officers, Members and partners in the identification, evaluation and cost-effective control of risks. Attention was drawn to the resourcing pressures in respect of 'Emergency Planning' and the addition of a new strategic risk in relation to potentially contaminated land.

RECOMMENDED: That

- (1) the updated Risk Management Strategy be commended to Cabinet for adoption by Council;

- (2) the impact of ongoing resourcing pressures to respond in respect of the identified risk 'Emergency Planning' and the intention to report resourcing requirements to the next meeting of the General Purposes Committee be noted; and
- (3) the emergence of a new strategic risk in respect of the monitoring of potentially contaminated land be noted.

**AU 18/4 TREASURY MANAGEMENT UPDATE AND TREASURY
MANAGEMENT AND ANNUAL INVESTMENT STRATEGY 2018/19**

The report of the Director of Finance and Transformation provided an update on treasury management activity undertaken during April to December of the current financial year. The report explored the use of diversified income funds for medium term investment and recommended their inclusion in the 2018/19 Annual Investment Strategy.

RECOMMENDED: That the following be commended to the Council

- (1) the treasury management position as at 31 December 2017 and the higher level of income incorporated in the 2017/18 revised estimates be noted;
- (2) the Council's exposure to property funds in 2018/19 as additional long term funds become available, e.g. from selling property, be increased;
- (3) the limited use of diversified income funds for medium term investment be endorsed; and
- (4) the Annual Investment Strategy for 2018/19, as set out at Annex 4 to the report, be adopted.

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

**AU 18/5 ANNUAL REVIEW OF ANTI-FRAUD POLICIES AND
WHISTLEBLOWING POLICY**

The report of the Director of Finance and Transformation set out details of the outcome of the annual review of the Anti-Fraud, Bribery and Corruption Policy, the Housing Benefit Anti-Fraud Policy, the Council Tax Reduction, Discounts and Exemptions Anti-Fraud Policy and the Whistleblowing Policy. Members noted that, following approval, the policies would be circulated to all staff with computer access via Netconsent and would be available on the Council's internal and external websites.

RESOLVED: That

- (1) the Anti-Fraud Policies, as set out at Annexes 1, 2 and 3 to the report, be approved; and
- (2) the General Purposes Committee be invited to approve the Whistleblowing Policy as set out at Annex 4 to the report.

AU 18/6 INTERNAL AUDIT CHARTER

The report of the Chief Audit Executive provided details of the outcome of the review of the Internal Audit Charter.

RESOLVED: That the Internal Audit Charter, set out at Annex 1 to the report, be approved.

AU 18/7 ANTI-MONEY LAUNDERING POLICY

The report of the Director of Finance and Transformation set out details of a recent review of the Council's Anti-Money Laundering Policy and associated guidance following the introduction of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 in June of last year. Members were advised that, in anticipation of the planned retirement of the Exchequer Services Manager on 31 March 2018, the designated Money Laundering Reporting Officer would be the Financial Services Manager. Members noted that, following approval, the policy would be circulated to all staff with computer access via Netconsent and would be available on the Council's internal and external websites.

RESOLVED: That the Anti-Money Laundering Policy and associated documentation, as set out at Annexes 1 and 2 to the report, be approved and the change of designated Money Laundering Reporting Officer be noted.

AU 18/8 ACCOUNTING POLICIES

The report of the Director of Finance and Transformation set out details of the proposed Accounting Policies to be used in the preparation of the 2017/18 Financial Statements and made particular reference to a change to be made in respect of componentisation.

RESOLVED: That the Accounting Policies to be used in the preparation of the 2017/18 Financial Statements, as set out at Annex 1 to the report, be approved.

AU 18/9 SCALE OF AUDIT FEES FOR 2018/19

The report of the Director of Finance and Transformation set out details of the proposed scale of audit fees for the work to be undertaken by appointed auditors in respect of the 2018/19 financial statements.

RESOLVED: That the proposed scale of audit fees for 2018/19 be endorsed.

MATTERS SUBMITTED FOR INFORMATION**AU 18/10 INTERNAL AUDIT AND COUNTER FRAUD UPDATE**

The report of the Chief Audit Executive provided an update on the work undertaken by the Internal Audit and the Counter Fraud functions for the period April to December 2017.

RESOLVED: That the report be received and noted.

AU 18/11 GRANT THORNTON - AUDIT COMMITTEE UPDATE

The report of the Director of Finance and Transformation provided an update and progress report on work undertaken by the external auditors, Grant Thornton. The committee welcomed the new Engagement Lead, Mr Ciaran McLaughlin, and thanked Sarah Ironmonger for her contribution to the work of the Audit Committee.

RESOLVED: That the report be received and noted.

AU 18/12 GRANT THORNTON CERTIFICATION LETTER FOR 2016/17

The report of the Director of Finance and Transformation summarised the outcomes of certification work undertaken by the Council's external auditors, Grant Thornton, for 2016/17.

RESOLVED: That the report be received and noted.

AU 18/13 ANNUAL AUDIT LETTER

The report of the Director of Finance and Transformation informed Members of the receipt of the Annual Audit Letter for the year ended 31 March 2017 and set out details of the key messages arising from audit and performance assessment work.

RESOLVED: That the report be received and noted.

AU 18/14 EXCLUSION OF PRESS AND PUBLIC

There were no items considered in private.

The meeting ended at 8.33 pm

This page is intentionally left blank

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

03 April 2018

Report of the Chair of the Audit Committee

Part 1- Public

Matters for Recommendation to Council

1 AUDIT COMMITTEE ANNUAL REPORT

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

1.1 Introduction

- 1.1.1 The Accounts & Audit (England) Regulations impose a responsibility on a local authority “for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body’s functions and which includes arrangements for the management of risk.”
- 1.1.2 The Chartered Institute of Public Finance & Accountancy (CIPFA) sets out the role of Audit Committees in their Practical Guidance for Local Authorities 2013. This states that “*the purpose of the Audit Committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.*”
- 1.1.3 The Audit Committee comprises nine Members. The Committee has four meetings each year at which reports submitted by Officers and the External Auditors are considered. By consideration of these reports and matters raised within them it is considered that the Audit Committee fulfils the core functions of an Audit Committee as set out in the CIPFA Guidance and is able to give independent assurance to the Council to meet the requirements of the Accounts & Audit Regulations.
- 1.1.4 The core functions of the Audit Committee are dealt with in the following paragraphs.

1.2 Assurance Statements

- 1.2.1 In April 2017 the Committee endorsed the revised Local Code of Corporate Governance that sets out how the council will comply with the principles of the 2016 CIPFA/SOLACE (Society of Local Authority Chief Executives) “Framework for Delivering Good Governance in Local Government”.
- 1.2.2 The Committee is required to consider and approve the contents of the Annual Governance Statement (AGS), which took place in July 2017. The AGS explains how the council complies with the Local Code of Corporate Governance and the Accounts & Audit Regulations.
- 1.2.3 The AGS is supported by signed Assurance Statements provided by members of the core Management Team and the three statutory officers and is prepared by way of a self-assessment questionnaire and supporting evidence. No significant concerns were raised as a result of this exercise.
- 1.2.4 At the April 2017 Audit Committee meeting there was confirmation from both Management Team and Audit Committee that the council had complied with International Standards on Auditing.

1.3 Internal Audit Function

- 1.3.1 The Audit Committee has a role in relation to the council’s Internal Audit function to: -
- Oversee its independence, objectivity, performance and professionalism.
 - Support the effectiveness of the internal audit process.
 - Promote the effective use of internal audit within the assurance framework.
- 1.3.2 The Audit Committee received a number of reports to oversee the role of the Internal Audit function.
- 1.3.3 The Annual Internal Audit Plan for 2017/18 was presented to the Audit Committee in April 2017 and they were able to consider the content prior to recommending approval.
- 1.3.4 In July 2017 the Audit Committee was presented with a report from the Chief Audit Executive as a summary of supporting evidence to the AGS. This report gave the Chief Audit Executive’s opinion that the council had maintained an adequate and effective internal control environment.
- 1.3.5 The Audit Committee is required to consider the effectiveness of Internal Audit on an annual basis. This review was based upon evidence produced and the view of Management Team. A report was submitted to the Audit Committee in July 2017 which reported that Management Team opinion on the effectiveness of Internal

Audit was "Good". Members considered the findings of this review and endorsed the opinion that the effectiveness of Internal Audit was "Good".

- 1.3.6 In accordance with the Public Sector Internal Audit Standards Internal Audit are required to have an independent External Quality Assessment every five years, this was last undertaken by the Chartered Institute of Internal Auditors in June 2016. The overall assessment was that ‘the internal audit function “generally conforms to the IIA’s professional standards” (the highest rating given) although, of a total of 56 Standards, 8 were found to be partially conforming, with recommendations made accordingly. To provide assurance on progress made the Committee received updates on the implementation of actions to address those findings during 2017/18.
- 1.3.7 The Audit Committee was given a report in July 2017 on the work completed by Internal Audit in the previous year that detailed how resources had been used. The report also covered a number of performance measures to assist the Audit Committee to assess the performance and effectiveness of the function.
- 1.3.8 The Internal Audit Charter is a key document in the delivery of Internal Audit setting out the purpose, authority and responsibilities of the service which was subject to review at the January 2018 meeting of the Audit Committee.
- 1.3.9 The Internal Audit Charter gives the Audit and Assurance Manager (as Chief Audit Executive) the right to raise issues directly with the Chair of the Audit Committee if considered necessary. This would only occur in circumstances where the Audit and Assurance Manager considered that the Chair of the Audit Committee needed to be made aware of significant assurance concerns. There have not been any instances where this has been considered necessary.
- 1.3.10 Throughout the year the Audit Committee received a number of reports updating Members of the progress of work carried out by Internal Audit against the Audit Plan. These reports informed the Audit Committee of internal audit’s opinion on the audits undertaken and gave additional information where a limited or no assurance was given.

1.4 Audit Committee Responsibilities

- 1.4.1 The responsibilities of the Audit Committee are set out in the Constitution of the Council.
- 1.4.2 The Council meeting of 17 February 2015 agreed to a number of Constitutional changes to reflect the alignment of the Audit Committee to new CIPFA guidance on the role of the Audit Committee. This led to the Audit Committee having areas of delegated responsibility transferred to them and this report summarises how these have been effectively discharged in 2017/18.

1.5 Risk Management Arrangements and Control Environment

- 1.5.1 The Audit Committee is required to consider the effectiveness of the council's risk management arrangements and the control environment. The Members are required to review the risk profile for the council and seek assurances that action is being taken on risk-related issues, including partnerships with other organisations.
- 1.5.2 The risk profile for the council is undertaken as part of the audit needs assessment to identify those areas where Internal Audit is most effective.
- 1.5.3 The Risk Management Strategy is the framework for setting out the responsibilities for ensuring that a sound risk management process is in place. The strategy is reviewed by the Audit Committee on an annual basis and this review took place in January 2018.
- 1.5.4 The Risk Management Strategy requires Management Team to escalate any relevant risks to the Strategic Risk Register for reporting to this Committee. In 2017/18 the Committee received the Strategic Risk Register in September 2017 for recommendation to Council and an update in January 2018 when two new risks had been identified in relation to contaminated land and emergency planning resilience.
- 1.5.5 The strategy states that Audit Committee Members will receive risk management training during their term of office. This training was undertaken in April 2017.
- 1.5.6 The Insurance Officer maintains a record of all claims made against the council which are reported to the Audit Committee half-yearly. These reports also inform Members of the steps being taken to minimise similar claims being made.
- 1.5.7 All reports to Council require a risk assessment of the issues involved to be reported as part of the consideration of the report.

1.6 Assurance Framework and Planning

- 1.6.1 The assurance framework is the overall process that provides evidence to support the AGS. The Audit Committee has a responsibility to understand what assurance is available to support the AGS.
- 1.6.2 The AGS was presented to Members at the meeting of July 2017. The supporting evidence to the AGS consisted of a document setting out the areas of the assurance framework to be considered with an explanation of evidence that supported the conclusions of the AGS.

1.7 Value for Money and Best Value

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

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

- 1.7.2 The External Auditor, Grant Thornton, produced their Annual Audit Letter relating to the year ended 31 March 2017 which was presented to the Audit Committee at their meeting of January 2018.
- 1.7.3 The report concluded that the external auditor was satisfied that in all significant respects the council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.
- 1.7.4 As part of the embedded system for achieving value for money all Council reports contain a section where value for money is considered.

1.8 Countering Fraud and Corruption

- 1.8.1 The Audit Committee role is defined as having an oversight of the strategy to counter fraud and to assess whether or not it meets recommended practice and standards.
- 1.8.2 The Audit Committee is responsible for the review of the policies relating to countering fraud, bribery and corruption. In January 2018 it reviewed the Whistleblowing Policy and recommended that it was endorsed by the General Purposes Committee. In the same meeting the anti-fraud policies were reviewed and, subject to any amendments, subsequently approved.
- 1.8.3 The Audit Committee also receives updates on the progress of the National Fraud Initiative results and other work undertaken by the Fraud Team as part of the audit and fraud updates to every meeting. The work of the Fraud Team reported to the Committee in 2017/18 to end of February included amounts to be repaid to the Council due to fraud and error of £52,311.30 with an increased annual liability of £45,842.80; a total of 68 civil penalties were issued in the amount of £4,760.
- 1.8.4 The Whistleblowing Policy requires the Audit Committee to be informed of the outcome of any investigations arising from concerns raised under it. No such matters have been drawn to the attention of the Committee in the period covered by the report.

1.9 External Audit

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

1.10 Financial Reporting

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

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

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

1.10.3 The Audit Committee received the Statement of Accounts at the meeting of July 2017. This report gave the Audit Committee assurance that the accounts were presented in compliance with required legislation and best practice guidance. Following consideration of the accounts and a detailed report giving evidence of how compliance is achieved the Audit Committee agreed to endorse the Statement of Accounts and supporting documents.

1.11 Partnership Governance

1.11.1 The latest CIPFA Guidance identifies that the Audit Committee should review assurances over partnerships to ensure that arrangements are satisfactorily established and are operating effectively.

1.11.2 The arrangements for significant partnerships are covered as part of the audit planning process and covered within individual audits as appropriate. The last overall audit of Partnership arrangements was undertaken in 2016/17, there have

been no substantial new partnerships entered into since the findings of this report were presented to the Committee in January 2017.

1.12 Treasury Management

1.12.1 Although it is not included as a core objective of the Audit Committee, the CIPFA Guidance recognises that Treasury Management scrutiny may be a function of some Audit Committees to meet the requirements of the CIPFA Treasury Management Code of Practice.

1.12.2 The Committee receive regular updates on Treasury Management including the treasury management mid-year review and annual report. At the meeting of January 2018 Members of the Audit Committee reviewed the Treasury Management Strategy Statement and Investment Strategy for 2018/19 and recommended it be adopted by Cabinet and full Council.

1.13 Training

1.13.1 The Chair and Members of the Audit Committee receive in-house and or external training at varying intervals to assist with the understanding of the issues considered.

1.13.2 Training needs identified include Treasury Management and Risk Management and these commenced with Risk Management training in April 2017. Further training needs identified are addressed as and when required.

1.14 Conclusion

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

As stated at 1.1.2 the CIPFA Guidance identifies that the purpose of the Audit Committee 'is to provide those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.' This report acts to provide that independent assurance to Council.

1.15 Legal Implications

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

1.16 Financial and Value for Money Considerations

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

1.17 Risk Assessment

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

1.18 Equality Impact Assessment

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

1.19 Recommendations

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

Background papers:

contact: Vivian Branson

Nil

Councillor Vivian Branson
Chair of Audit Committee

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

03 April 2018

Report of the Chief Executive and Director of Central Services

Part 1- Public

Matters for Recommendation to Council

1 LOCAL CODE OF CORPORATE GOVERNANCE

This report informs Members of the outcome of the annual review of the Local Code of Corporate Governance.

1.1 Introduction

- 1.1.1 In April 2017 we reported that the Framework document “Delivering Good Governance in Local Government Framework 2016” had resulted in a requirement for the Local Code of Corporate Governance to be largely rewritten, and the Local Code was amended in light of that revised framework.
- 1.1.2 Members will recall that as part of the exercise in bringing up to date the Local Code, it was noted that a number of changes would also be required to the Council’s Constitution as highlighted in the gap analysis which was carried out. Work on the Constitution is well under way, with a view to reporting a proposed revised Constitution to Overview & Scrutiny Committee in Spring 2018.
- 1.1.3 The 2016 CIPFA/SOLACE framework document is still the current version. However, at the time of adoption of the new Local Code, the corporate risk register and subsequently renamed the strategic risk register was the subject of review. A Strategic Risk Register was adopted and approved by Audit Committee in September, and this should now be reflected in the Local Code. The Council has also now put in place procedures to record officer level decisions in accordance with the Openness in Local Government Regulations 2014. These minor changes are reflected in the amended draft Local Code of Corporate Governance attached to this report at **[Annex 1]**.
- 1.1.4 Audit Committee will be aware of the forthcoming changes in Data Protection legislation, through the General Data Protection Regulation (GDPR) in May, and the Data Protection Bill currently making its way through parliament. Once in force, this new legislation will affect how the Council holds and processes data. Whilst there are a number of new processes and policies in the process of being written in anticipation of GDPR, these are not yet finalised. The adoption of new

procedures may require the “Managing Data” section of the Local Code to be updated in 2019, but no changes are proposed in this regard this year.

1.2 Legal Implications

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

1.3 Financial and Value for Money Considerations

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

1.4 Risk Assessment

- 1.4.1 Adoption of a Local Code of Corporate Governance is seen as good practice in that it demonstrates how the Council ensures it operates in a proper way and in accordance with the law and as such is subject to annual review to ensure it remains fit for purpose. Not to do so may attract criticism.

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 **approve** the revised Local Code of Corporate Governance set out at **[Annex 1]** and **commend** its adoption by the Council. Audit Committee is also requested to note the position with regard to work on the Council's Constitution.

Background papers:

contact: Kevin Toogood

CIPFA/SOLACE – “Delivering Good Governance in Local Government Framework 2016”

Julie Beilby
Chief Executive

Adrian Stanfield
Director of Central Services

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 Codes of Conduct for both Members and Officers. The Members Code is founded upon the seven Principles of Public Life (the Nolan Principles). This is enforced (where necessary) through the Council's Joint Standards Committee. The Officers Code is enforced (where necessary) through disciplinary procedures. In addition the Council has:</p> <ul style="list-style-type: none"> • An Equalities Policy • 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, bribery 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

	<ul style="list-style-type: none"> • Financial Procedure Rules • Contracts Procedure Rules • An anti-fraud, bribery and corruption policy • A Standards Committee to promote and maintain high standards of conduct by Members
Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation	The Code of Conduct for Members is enforced through the Standards process. Where members of staff depart from the Officers Code of Conduct or other policies, these may be enforced through disciplinary measures.
Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values	<p>The Council has robust arrangements in place to ensure that it does the right things, for the right people in a timely, inclusive, open, honest and accountable manner. These are monitored and publicised through:</p> <ul style="list-style-type: none"> • The Council's performance reporting arrangements • Procedures for recruitment and training • Decision making practices • Data transparency arrangements, such as publication of decisions and Committee meeting minutes • Partnership governance arrangements
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	The Council's Contracts Procedure Rules require standard terms to be included in all contracts, including provisions relating to bribery, equalities and fraud.
1.3 Respecting the Rule of Law	
Ensuring members of staff demonstrate a strong commitment to the rule of law as well as adhering to relevant laws and regulations	<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

	<p>Members and for staff</p> <ul style="list-style-type: none"> • A Register of Gifts and Hospitality offered to Members and staff • Financial Procedure Rules • Contracts Procedure Rules • An anti-fraud, bribery 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. The Council is also due to adopt a Corporate Enforcement Policy.</p> <p>Investigations are carried out with the assistance of legal advice where needed.</p> <p>Any prospective prosecution is assessed in accordance with the Code for Crown</p>

	<p>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>
Ensuring corruption and misuse of power are dealt with effectively	<p>The Council takes corruption and misuse of power very seriously. The Council has an anti-fraud, bribery and corruption policy 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 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, bribery and corruption and whistleblowing policies through netConsent. Such policies are ultimately enforceable through disciplinary measures. Internal Audit also carry out programmed audits on matters such as corporate crime.</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	<p>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 has implemented the requirements of the Openness in Local Government Regulations 2014.</p>
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	<p>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</p>

<p>decision confidential should be provided</p>	<p>the Corporate Strategy.</p> <p>The Council's Constitution sets out clearly the decision- making powers of:</p> <ul style="list-style-type: none"> • The Council • The Cabinet (including the Executive Leader and delegated decision-making to the Cabinet Portfolio Holders) • Other Council Committees; and • Powers delegated to officers and the limits of such delegation <p>The Overview and Scrutiny Committee is responsible for reviewing and scrutinising 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.</p> <p>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.</p>
<p>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.</p>	<p>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.</p>
<p>Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action.</p>	<p>The Council carries out consultation where this is a legal requirement.</p>
<p>2.2. Engaging comprehensively with institutional stakeholders</p>	
<p>Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that</p>	<p>The Council's Corporate Strategy 2017-2019 outlines the means by which local stakeholders (including institutional stakeholders) will be engaged and how</p>

<p>outcomes are successfully achieved and sustainably.</p>	<p>constructive, challenging relationships will be built.</p> <p>The Council has put in place Committees / Boards with cross-party representation to ensure effective and robust discussion of issues.</p> <p>The Council also has an Overview and Scrutiny Committee to scrutinise decisions made by Cabinet.</p>
<p>Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively</p>	<p>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.</p>
<p>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</p>	<p>The Council is in the process of developing a partnership policy to guide these principles and ensure that any partnership adheres to these values.</p>
<p>2.3 Engaging with individual citizens and services users effectively.</p>	
<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>

	Public-facing staff receive training relevant to their roles to ensure that their community engagement roles are clear.
Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.	<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 engages with the Parishes and unparished areas through the Parish Partnership Panel and Tonbridge Forum. • 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. • The Council operates a petition scheme whereby matters of significant local interest can be raised for discussion at full Council.
Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account.	<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> <p>The Council also has in place a complaints procedure.</p>
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 2017-2019. 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 scrutinising strategic 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 scrutinising strategic 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.	
Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks, therefore	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

<p>ensuring best value is achieved however services are provided.</p>	<p>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>
<p>4.2 Planning Interventions</p>	
<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 Strategy) 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 recognises 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 Contracts 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 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 Council's 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 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</p>

	<p>and sustainable plan that reflects the Council's priorities and takes us into the future. Underneath the Strategy sits detailed 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.</p>
<p>4.3 Optimising achievement of intended outcomes</p>	
<p>Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints</p>	<p>The Medium Term Financial Strategy is aligned with the Corporate Strategy. Service priorities are aligned to the Corporate Strategy.</p>
<p>Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term</p>	<p>The budget monitoring process considers both revenue and capital budgets. 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. 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>
<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</p>	<p>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.</p>
<p>Ensuring the achievement of “social value” through service planning and commissioning</p>	<p>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.</p>

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 how resources are allocated so that defined outcomes are achieved effectively and efficiently	<p>The Council works towards improving value for money through:</p> <ul style="list-style-type: none"> • Exploration of innovative ways of working including potential for joint-working and shared services • Robust budgeting and financial monitoring arrangements including detailed reviews of budgets and potential savings opportunities • Internal and external audit • Publication of annual budget and accounts information
Recognizing the benefits of partnerships and collaborative working where added value can be achieved	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.
Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources	<p>The Council has an extensive training programme for 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>The HR Strategy incorporates the Council's Workforce Development Plan which is reviewed and updated annually.</p>
5.2. Developing the capability of the entity's leadership and other individuals.	
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	The Council examines the capability of its people with governance responsibilities through appraisals, identifying any training gaps – the relevant training programmes are updated accordingly.
Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body	The Council's Constitution sets out clearly the decision-making powers of the Council and its bodies and officers.
Ensuring the leader and the chief executive have clearly defined and distinctive	The ongoing 2017-18 review of the Constitution will seek to make

<p>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>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 organisation.</p> <p>The Council has a training programme for Members and holds regular training sessions (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
<p>Ensuring that there are structures in place to encourage public participation</p>	<p>Consultations are published on the Council's website. 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.</p>
<p>Holding staff to account through regular performance reviews which take account of training or development needs</p>	<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>
<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>	<p>The Council has a Health and Wellbeing statement of intent recognising that the Council's staff are its most valuable asset. The HR Strategy also recognises 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	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.
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 • Strategic Risk Register • Service Risk Registers • Audit Committee role in scrutinising strategic risk • Consideration of risk in all Committee reports • Annual Governance Statement <p>The strategic and service risk registers are updated as and when required on an ongoing basis.</p> <p>Risks associated with decisions are set out in 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 challenge and debate on policies and objectives to support balanced and effective decision making	The Overview and Scrutiny Committee is responsible for reviewing and scrutinising 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 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)	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. Capital schemes are subject to evaluation prior to the approval for implementation; the criteria of the evaluations are set by Council. 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.
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, Bribery 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	The Council has in place arrangements to effectively monitor and manage risks to its business through the: <ul style="list-style-type: none"> • Risk Management Strategy • Strategic 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 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 endorsed a Risk Management Strategy that sets out the roles of Officers and Members in the identification and minimisation of risk.
6.4 Managing Data	
Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data	The Council maintains a number of local policies which support and embed information processes. These include: <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
Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies	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>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 and Savings and Transformation Strategy supports the long-term achievement of outcomes and short-term financial and operational performance.</p>
<p>Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls</p>	<p>Annual budgets are set with involvement from budget holders across all council services. The MTFS is set considering longer-term risks.</p>
<p>7. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</p>	
<p>7.1 Implementing good practice in transparency</p>	
<p>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>	<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</p>

	be accessed through the Council's website.
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 auditor on value for money and adequate use of resources.</p> <p>Also included within the financial statements is the Annual Governance Statement which is approved by Members and signed by the Chief Executive and Leader of the Council and provides evidence on the Council's adherence to the Local Code of Corporate Governance.</p>
Ensuring members and senior management own the results reported	The Annual Governance Statement is approved by the Leader of the Council 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	Performance information is included as part of the budget setting process, in-year reports and closedown process as appropriate.

with other, similar, organisations.	
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 as appropriate.
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.

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

03 April 2018

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Recommendation to Cabinet

1 TREASURY MANAGEMENT UPDATE

This report provides an update on treasury management activity undertaken during the 2017/18 financial year within the context of the national economy and invites Members to endorse the action taken by officers and note the treasury position at the end of February 2018.

1.1 Introduction

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

1.2 Economic Background

1.2.1 The UK economy grew by 1.8% in 2017, its slowest rate of annual growth since 2012. Survey data released in February points to growth continuing at a slightly slower pace in the first quarter of 2018. However, the Bank of England's forecast for GDP growth for the 2018 was increased to 1.8% (previously 1.6%) at their meeting in February.

1.2.2 The unemployment rate at 4.4% in the three months to December 2017 (up 0.1% on November) is low by historic norms. CPI continued above target at 3% in January (RPI 4%). The elevated level, driven primarily by the post referendum fall in the value of sterling, is expected to ease as the year unfolds. Whilst total earnings (including bonuses) rose by an annual rate of 2.8% in the three months to December, nominal pay growth which takes account of inflation is still in negative territory. The worst of the pay squeeze is expected to pass in the near future paving the way for a recovery in consumer spending.

1.2.3 At their February 2018 meeting, the Monetary Policy Committee voted unanimously to leave the Bank Rate unchanged at 0.5%. However, the Committee indicated 'rates would be increasing sooner and at a greater rate than

was previously thought'. Recent market data suggests a 70% chance of a Bank Rate rise in May.

- 1.2.4 Elsewhere, the Eurozone recoded annual growth in GDP of 2.5% in 2017 (highest since 2007) and the US 2.3%.

1.3 Interest Rate Forecast

- 1.3.1 The Bank Rate having remained at a historic low of 0.5% for over seven years was cut to 0.25% in August 2016. In November 2017, the Bank of England returned the Bank Rate to 0.5%. Link's current forecast (February 2018) anticipates the Bank Rate rising to 0.75% in June 2018 and to 1.0% in December 2018.

Rate	Now	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
	%	%	%	%	%	%	%	%	%	%	%	%
Bank Rate	0.50	0.50	0.75	0.75	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.50
3 mth LIBID	0.40	0.40	0.70	0.70	0.90	0.90	0.90	0.90	1.20	1.20	1.20	1.40
6 mth LIBID	0.50	0.50	0.80	0.80	1.00	1.00	1.00	1.10	1.30	1.30	1.40	1.50
12 mth LIBID	0.74	0.80	1.10	1.20	1.20	1.20	1.20	1.30	1.40	1.40	1.50	1.75
25yr PWLB	2.80	2.80	2.90	3.00	3.20	3.20	3.30	3.30	3.40	3.50	3.50	3.50

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 The Council's investments are derived from cash flow surpluses, core cash balances and other long term cash balances.
- 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. Thus far in 2017/18 cash flow surpluses have averaged £15m.
- 1.4.4 The Authority also has £18m 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 £4m (down from £8m at the start of the financial year) to meet business rate appeals which are expected to be resolved in 2018/19.

1.4.5 Long term investment comprises £3m in property fund investments.

1.4.6 A full list of investments held on 28 February 2018 is provided at **[Annex 1]** and a copy of our lending list of 2 March 2018 is provided at **[Annex 2]**. The table below provides a summary of funds invested and interest earned at the end of February.

	Funds invested at 28 Feb 2018 £m	Average duration to maturity Days	Weighted average rate of return %	Interest earned April to February 2018	Gross annualised return %	LIBID benchmark (average since 1 April 2017) %
Cash flow	16.9	3	0.57	63,600	0.46	0.20 (7 Day)
Core cash	18.0	77	0.72	136,900	0.67	0.27 (3 Month)
Sub-total	34.9	41	0.65	200,500	0.59	0.24 (Average)
Long term	3.0			47,400	3.79	
Total	37.9					

Interest on long term investments is based on dividends declared by the Local Authorities' Property Fund, the Lothbury Property Trust and the Hermes Property Unit Trust to the end of December 2017.

1.4.7 **Cash flow and Core Cash investments.** Interest earned of £200,500 from cash flow surpluses and core cash balances to the end of February is £21,100 better than the revised estimate for the same period (£85,100 better when compared to the original 2017/18 estimate). The Authority also outperformed the LIBID benchmark by 35 basis points. The additional income is due primarily to the higher core cash balance attributed to business rate appeal provisions.

1.4.8 The Council takes advantage of Link Asset Services' (formerly Capita) benchmarking facility which enables performance to be gauged against Link's other local authority clients. An extract from the latest benchmarking data is provided in the form of a scatter graph at **[Annex 3]**. The graph shows the return (vertical scale) vs. the credit / duration risk (horizontal scale) associated with an authority's investments. At 31 December 2017, the Council's return at 0.63% (purple diamond) was above the local authority average of 0.53% and relative to the Council's exposure to credit / duration risk that return was above Link's predicted return (above the upper boundary indicated by the green diagonal line). The Council's risk exposure was slightly above the local authority average but not excessive by comparison.

1.4.9 **Long term investment.** 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 best suited to meet the Council's more immediate funding need (a sustainable, stable income stream). 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.

- 1.4.10 Link Asset Services were engaged to assist with the detailed analysis required to identify the most appropriate fund(s). The analysis produced a shortlist of four funds who were invited to attend an interview at the Council's offices in late May 2017. The process culminated in three funds being selected for immediate investment.
- 1.4.11 Of the Council's existing cash balances, £2m was identified for long term investment and has been applied to investment in property funds. A further £1m anticipated from the disposal of existing property assets has also been applied now, bringing the total investment in property funds to £3m. Applications were submitted and accepted by each of the: Local Authorities' Property Fund; Hermes Property Unit Trust and the Lothbury Property Trust. Investment was spread equally across the three funds to ensure, as far as is possible, stability of annual income and capital growth over time.
- 1.4.12 Funds issue / redeem primary units at a buy / sell price with the difference between the two prices reflecting the costs associated with buying and selling a property (legal and other fees, stamp duty etc.). The price spread varies from fund to fund but is typically in the region of 8% (6% on entry to a fund and 2% on exit). Where units are traded on a secondary market the impact of the spread can be reduced and delays in the purchase or redemption of units avoided. Secondary market activity in 'quality' funds is currently both limited and when it does arise, units are traded close to the standard entry price.
- 1.4.13 Primary units in the Local Authorities' Property Fund (LAPF) and Lothbury Property Trust (LPT) were acquired at the end of June 2017 from the fund managers at the standard entry price. The sale value of the units acquired was valued below the £1m cash sum paid to each manager by £77,750 for LAPF and £72,300 for LPT. Units in the Hermes Property Unit Trust (HPUT) were acquired at the end of September 2017 through an auction of secondary units arranged by the fund manager. The Council's participation in the auction delivered a saving of £7,000 against the standard entry price. At the end of September 2017 the sale value of HPUT units was £61,000 below the £1m cash sum paid.
- 1.4.14 The sale value of units in each fund has increased at a steady rate each month since they were acquired. Provided the economy / demand for commercial property continues at its current pace the sale value of units in each fund will exceed the cash sum paid sometime during next financial year (some 12 to 18 months from the start of each investment).

1.4.15 When the original budget for the current financial year was set (February 2017) no income from property funds was anticipated. Based on initial performance and the timing of each property fund investment, £80,000 (4% return excluding capital appreciation) has been included in this year's revised estimates. Actual performance to the end of December was 3.79% and compares well with the revised estimate assumption.

1.5 Borrowing

1.5.1 It is a statutory duty for the Council to determine and keep under review the 'Affordable Borrowing Limits' by way of the Prudential Indicators (affordability limits) set out in the approved Treasury Management Strategy Statement. In this regard it is confirmed that no borrowing was undertaken in the period April 2017 to February 2018.

1.6 Compliance with the Annual Investment Strategy

1.6.1 Throughout the period April 2017 to February 2018 the requirements set out in the 2017/18 Annual Investment Strategy which aim to limit the Council's exposure to investment risks (minimum counterparty credit criteria; sovereign, counter-party and group exposure limits; type of investment instrument; and investment duration limits) have been complied with.

1.7 Legal Implications

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

1.8 Financial and Value for Money Considerations

1.8.1 Investment income at the end of February 2018 (month eleven) from cash flow and core cash investments is £21,100 better than the revised budget for the same period. Income from property funds is broadly in-line with revised budget expectations.

1.8.2 The Bank Rate having remained at a historic low of 0.5% for over seven years was cut to 0.25% in August 2016. In November 2017, the Bank of England returned the Bank Rate to 0.5%. There is growing expectation that Bank Rate will be raised again summer 2018.

1.8.3 Performance is monitored against a benchmark return and against other local authorities in Kent and the broader local authority pool via Link's benchmarking service.

- 1.8.4 Whilst the annual income stream from a property fund exhibits stability (circa 4% 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. The duration of a property fund investment may need to be extended to avoid crystalizing a loss and as a consequence, the investment's duration cannot be determined with certainty.
- 1.8.5 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.
- 1.8.6 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.

1.9 Risk Assessment

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

1.10 Equality Impact Assessment

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

1.11 Recommendations

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

- 1) endorse the action taken by officers in respect of treasury management activity for the period April 2017 to February 2018; and
- 2) note the treasury position at the end of February 2018.

Background papers:

contact: Mike Withey

Nil

Sharon Shelton
Director of Finance and Transformation

Tonbridge and Malling Borough Council - Investment Summary 28 February 2018

Counterparty	Sovereign	Fitch Credit rating		Capita Suggested Post CDS Duration Limit	Investment						Instrument type / Product	Cash Flow Surpluses £	Core Cash Balances £	Long Term Investment Balances £
		Long Term	Short Term		Start Date	End Date	Duration	Amount Invested £	Return %	Proportion of total %				
Bank of Scotland	UK	A+	F1	12 months	23/03/2017	23/03/2018	12 months	500,000	0.80%		Fixed Term		500,000	
Bank of Scotland	UK	A+	F1	12 months	25/07/2017	25/07/2018	12 months	1,000,000	0.65%		Fixed Term		1,000,000	
Bank of Scotland	UK	A+	F1	12 months	01/09/2017	31/08/2018	12 months	1,000,000	0.65%		Fixed Term		1,000,000	
Bank of Scotland Total								2,500,000		6.60%				
Barclays Bank	UK	A	F1	6 months	30/03/2017	21/03/2018	12 months	1,000,000	0.86%		CD	1,000,000		
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	25/07/2017	25/05/2018	10 months	1,000,000	0.51%		Fixed Term		1,000,000	
Barclays Bank	UK	A	F1	6 months	01/09/2017	17/08/2018	12 months	1,000,000	0.60%		CD		1,000,000	
Barclays Bank Total								4,000,000		10.56%				
BNP Paribas MMF	n/a	AAA	mmf (Eq)	5 years	28/02/2018	01/03/2018	Overnight	6,000,000	0.45%		MMF	6,000,000		
BNP Paribas MMF Total								6,000,000		15.84%				
Danske Bank	Denmark	A	F1	6 months	31/10/2017	05/03/2018	4 months	1,000,000	0.49%		CD	1,000,000		
Danske Bank	Denmark	A	F1	6 months	23/11/2017	05/03/2018	3 months	1,000,000	0.47%		CD	1,000,000		
Danske Bank Total								2,000,000		5.28%				
Federated MMF	n/a	AAA	mmf	5 years	28/02/2018	01/03/2018	Overnight	1,879,000	0.44%		MMF	1,879,000		
Federated MMF Total								1,879,000		4.96%				
Goldman Sachs Int'l Bank	UK	A	F1	6 months	01/06/2017	01/03/2018	9 months	2,000,000	0.73%		Fixed Term	2,000,000		
Goldman Sachs Int'l Bank	UK	A	F1	6 months	21/06/2017	21/03/2018	9 months	2,000,000	0.79%		Fixed Term		2,000,000	
Goldman Sachs Int'l Bank	UK	A	F1	6 months	20/09/2017	20/06/2018	9 months	2,000,000	0.83%		Fixed Term		2,000,000	
Goldman Sachs Int'l Bank Total								6,000,000		15.84%				
Lloyds Bank	UK	A+	F1	12 months	23/03/2017	23/03/2018	12 months	500,000	0.80%		Fixed Term		500,000	
Lloyds Bank	UK	A+	F1	12 months	25/07/2017	25/07/2018	12 months	1,000,000	0.65%		Fixed Term		1,000,000	
Lloyds Bank Total								1,500,000		3.96%				
Morgan Stanley MMF	n/a	AAA	mmf	5 years	28/02/2018	01/03/2018	Overnight	1,000,000	0.41%		MMF	1,000,000		
Morgan Stanley MMF Total								1,000,000		2.64%				
Hermes Property Unit Trust	n/a	n/a	n/a	n/a	29/09/2017	n/a	n/a	1,000,000	3.63%		Property Fund			1,000,000
Hermes Property Unit Trust Total								1,000,000		2.64%				
Local Authorities' Property Fund	n/a	n/a	n/a	n/a	29/06/2017	n/a	n/a	1,000,000	4.56%		Property Fund			1,000,000
Local Authorities' Property Fund Total								1,000,000		2.64%				
Lothbury Property Trust	n/a	n/a	n/a	n/a	06/07/2017	n/a	n/a	1,000,000	3.05%		Property Fund			1,000,000
Lothbury Property Trust Total								1,000,000		2.64%				
NatWest Deposit Account	UK	BBB+	F2	12 months	02/03/2018	05/03/2018	Overnight	10,000	0.05%		Call	10,000		
National Westminster Bank Total								10,000		0.03%				
Royal Bank of Scotland	UK	BBB+	F2	12 months	28/03/2017	27/03/2018	12 months	2,000,000	0.73%		CD		2,000,000	
Royal Bank of Scotland	UK	BBB+	F2	12 months	28/06/2017	27/06/2018	12 months	1,000,000	0.66%		CD		1,000,000	
Royal Bank of Scotland	UK	BBB+	F2	12 months	25/07/2017	29/06/2018	11 months	1,000,000	0.61%		CD		1,000,000	
Royal Bank of Scotland Total								4,000,000		10.56%				
Santander Deposit Account	UK	A	F1	6 months	28/02/2018	01/03/2018	Overnight	6,000,000	0.80%		Call	3,000,000	3,000,000	
Santander UK Plc Total								6,000,000		15.84%				
Total invested								37,889,000		100.00%		16,889,000	18,000,000	3,000,000

Number of investments	25	Average investment value £			1,516,000
Number of counter parties	14	Average counter party investment £			2,706,000
Group exposures:		Core £	Cash £	Combined £	%
RBS + National Westminster (UK Nationalised 25%)		4,000,000	10,000	4,010,000	10.58
Bank of Scotland + Lloyds (20%)		4,000,000	-	4,000,000	10.56
Property Funds Total				£ 3,000,000	7.92

Total non-specified investments should be less than 60% of Core Cash and Long Term Investment balances 14.29%

Notes:

CD = Certificate of Deposit, MMF = Money Market Fund
Property Fund returns are indicative only and based on income distributed since the commencement of the investment. Capital appreciation / depreciation is recorded elsewhere.

This page is intentionally left blank

Tonbridge and Malling Borough Council Lending List

Checked against Link's Duration Matrix dated 02/03/18									
Minimum investment criteria is Link's 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			Link 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
Danske Bank	Denmark	AAA	A	F1	£3m	£3m	£6m	6 months	6 months
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	12 months	12 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	£1m	£5m	£6m	12 months	12 months
Barclays Bank	UK	AA	A	F1	£1m	£5m	£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	£1m	£5m	£6m	12 months	12 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	£2.6m	£5m	£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	£2.6m	£5m	£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 Link'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

Approved by Chief Financial Services Officer
5th March 2018

This page is intentionally left blank

Tonbridge And Malling Borough Council

Population Returns against Model Returns 31 December 2017



Page 55

	Actual WARoR	Model WARoR	Difference	Lower Bound	Upper Bound	Performance
Tonbridge And Malling Borough Council	0.63%	0.56%	0.07%	0.51%	0.61%	Above

This page is intentionally left blank

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

03 April 2018

Report of the Chief Audit Executive

Part 1- Public

Delegated

1 INTERNAL AUDIT AND FRAUD PLAN 2018/19

This report seeks Members approval of the Internal Audit and Fraud Plan for the year 2018/19.

1.1 Introduction

1.1.1 The professional standards for Internal Audit require the Chief Audit Executive to establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals. A risk-based Internal Audit Plan has been prepared for the 2018/19 financial year to fulfil this requirement.

1.1.2 The Internal Audit Plan includes the work plan of the Fraud Team. As a result the Plan is a combined Internal Audit and Fraud Plan.

1.2 Internal Audit and Fraud Plan 2018/19

1.2.1 A copy of the proposed Internal Audit and Fraud Plan for 2018/19 is attached at **[Annex 1]** of this report. This is intended to provide Members with a clear picture of how the Council will make use of its Internal Audit and Fraud Team, reflecting on all work to be undertaken by the Team during the financial year.

1.2.2 In accordance with the requirements of the Public Sector Internal Audit Standards and CIPFA's Local Government Application Note to the Standards information on the process for developing, resourcing and delivering the Plan is provided in the Plan itself rather than in the covering report.

1.2.3 The proposed Plan has been reviewed and endorsed by Management Team and shared with Grant Thornton LLP, the Council's External Auditor.

1.3 Legal Implications

1.3.1 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.

1.3.2 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.

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

1.4 Financial and Value for Money Considerations

1.4.1 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.

1.4.2 Fraud prevention and detection is an area subject to central government focus with initiatives such as the National Fraud Initiative and Fighting Fraud Locally. The message coming from these initiatives is that effective fraud prevention and detection releases resources and minimises losses to the Council through fraud.

1.5 Risk Assessment

1.5.1 The Internal Audit and Fraud Plan is intended to ensure that the work of the Internal Audit and Fraud Team is effectively directed. For this very reason, the process for preparing the Plan is itself informed by an assessment of the risks and audit needs of the Council. Members' endorsement of the Internal Audit and Fraud Plan for the year 2018/19 ensures that the status of the Plan is maintained.

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 **consider** and **approve** the Internal Audit and Fraud Plan for the year 2018/19.

Background papers:

contact: Samantha Buckland

Nil

Samantha Buckland
Chief Audit Executive

Tonbridge & Malling Borough Council Internal Audit and Fraud Plan 2018-19

1. Introduction

- 1.1 Section 151 of the Local Government Act 1972 and Regulation Six of the Accounts and Audit Regulations (England) set out the requirement for Local Authorities to have an Internal Audit function. The [Public Sector Internal Audit Standards](#) (PSIAS) define Internal Audit as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 1.2 Tonbridge & Malling Borough Council's Internal Audit and Fraud function contribute to the effective and efficient delivery of the Council's objectives and is delivered and developed in accordance with the PSIAS and the Council's Internal Audit Charter.
- 1.3 This Internal Audit and Fraud Plan (the Plan) is prepared in accordance with the Public Sector Internal Audit Standards (PSIAS), the Local Government Application Note and the CIPFA Code of Practice for Anti-Fraud and Corruption. The Plan aims to ensure that sufficient audit and fraud assurance work is carried out to enable the Chief Audit Executive to deliver an opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

2. Audit and Fraud Risk Assessment

- 2.1 The PSIAS require that the Chief Audit Executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. The 2018-19 Internal Audit and Fraud Plan has been based on review of the Council's Strategic Risk Register and available Directorate/Service risk registers together with an assessment of the Council's Audit and Fraud assurance needs.
- 2.2 The results of this process are used in conjunction with input from Senior Management on key service and strategic risks and knowledge of the wider risk environment including emerging risks. The aim is to help ensure that Internal Audit and Fraud resources are directed effectively to the key risk areas where they can add the most value in helping to ensure the achievement of objectives, the improvement of internal control and the efficiency of service delivery.

3. Resourcing

- 3.1 The PSIAS require that the Chief Audit Executive must ensure that resources are appropriate, sufficient and effectively deployed to achieve the approved Plan. Appropriate refers to the mix of knowledge, skills and other competencies needed to deliver the planned work. The Internal Audit and Fraud functions of Tonbridge & Malling Borough Council and Kent County Council have operated a shared management arrangement since May 2015. The 2018-19 Internal Audit and Fraud Plan will be delivered using the resource based at Tonbridge & Malling Borough Council which consists of the Audit & Assurance Manager (0.5fte), two full-time Internal Auditors (one post is currently vacant) and two Fraud Officers (1.6fte, the 0.6 post is also vacant) subject to any requirements for specialist skills (see 3.3 below). Additional days for 2018-19 are being sourced through use of a contractor pending any decision on recruitment to the vacant posts.

- 3.2 The total audit and fraud resource available in 2018-19 is approximately 630 days, which is considered sufficient to provide assurance over all high risk areas identified by the Audit and Fraud Risk Assessments and to deliver the annual audit opinion. The audit planning process considers the skills and experience of the team when programming audits, and all work planned is considered to be within the capability of the team.
- 3.3 The Internal Auditor or Fraud Officer assigned to each audit/fraud review is selected by the Audit & Assurance Manager based on their knowledge, skills, experience 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. The level and skills of audit resources available will remain under review throughout the year to ensure that they continue to be sufficient.
- 3.4 The Internal Audit and Fraud Plan contributes to the Council's overall assurance framework and as such, where possible, information will be shared and activities coordinated with other internal and external providers of assurance to the Council.

4. 2018-19 Internal Audit and Fraud Plan

- 4.1 The Plan is intended to provide a clear picture of how the Council will make use of its Audit and Fraud function, reflecting all work to be undertaken by the team during the financial year. The Plan includes assurance and consultancy work, proactive fraud work and time for investigations. For each area of planned work the Plan records the proposed high-level scope, the indicative number of days allocated and, where relevant, is cross referenced to the Strategic Risk Register.
- 4.2 The Internal Audit and Fraud Plan reflects the Council's focus on identifying financial savings and opportunities for generating efficiencies in services. The Plan also incorporates targeted proactive anti-fraud work intended to assist in ensuring that the Council has appropriate arrangements in place to prevent and detect fraud, and reduce its financial impact as far as possible. An example of this is the focus on Blue Badge Fraud included in the 2018-19 Plan. Use of a Blue Badge without entitlement is a specific offence and this is recognised nationally as an area for focus; in 2013 the National Fraud Authority estimate Blue Badge fraud costs the UK £46 million a year. Examples of the offence include use by someone other than the legitimate badge holder, a badge obtained through false representation (i.e. lying about having a disability) or creation of a counterfeit badge. For each Blue Badge used fraudulently it has been estimated that the cost to a Local Authority could be in the region of £550 per annum in lost parking income.
- 4.3 As in previous years it is intended that the Internal Audit and Fraud team will remain responsive to the needs of the Council, its Members and Senior Managers; this is reflected in the provision of contingencies within the Plan for responsive work, investigations and advice and information unknown at the time of planning. It should be recognised, however, that any requests for additional work which are not covered by these allowances may impact on the team's ability to achieve work specified in the Plan and will therefore be considered on a risk basis.

5. Monitoring & Reporting

- 5.1 The Internal Audit and Fraud Plan will remain under review throughout the year and be adjusted as necessary, in response to changes in the Council's business, risks, operations, programs, systems and controls. Any such changes will be reported to and agreed with Management Team and Audit Committee.

- 5.2 The performance of the Internal Audit and Fraud function is monitored and reported to the Audit Committee through regular reports including the overall opinion on the Council's governance, risk and control environment in the Annual Internal Audit Report.

Audit Area	Indicative Planned Days	Indicative Quarter	Assurance/ Consultancy	Directorate	Cross ref to Strategic Risk Register	Rationale/Proposed High Level Scope
Risk Management	10	4	A	All	N/a - assurance on RM Process	Following the review and refresh of the Risk Management Strategy and Guidance this audit will aim to provide assurance that risks are being robustly evaluated and escalated and that appropriate controls/residual actions have been identified
Safeguarding	10	3	A	All	Risk 1	Re-audit of safeguarding processes to measure direction of travel
Procurement	12	1	A	All	Risks 2, 4 & 8	Review of procurement processes including compliance with TMBC Policy and relevant legislation and value for money
Information governance - General Data Protection Regulations	15	Ongoing and Q4	A	All	Risk 8	Ongoing consultancy and assurance post implementation. Following consultancy work undertaken in 2017/18 in 'readiness' for the new legislation this review will provide assurance on compliance post implementation of the requirements
Business Continuity Plan inc Emergency Planning resilience	10	4	A	All/SSLT	Risks 12 and 17	A re-audit following revision and updating of the Council's Business Continuity Plan to provide assurance that the new Plan is fit for purpose and appropriately risk based. The review will also focus on actions taken to address emergency planning resilience
Public Safety	12	2	A	All	Risks 1 and 7	Assurance on key responsibilities in relation to public protection
Corporate Governance - the democratic process and decision making	15	2	A	CS	Risks 2, 4 and 16	A post implementation review to provide assurance on compliance with the new CIPFA/Solace Governance Framework, the review will also include focus on the revised constitution and informed decision making
Customer services and Tonbridge castle service review	10	Ongoing	C	CS	N/a	Consultancy/advisory work to support implementation of changes and achievement of required financial and service outcomes
Starters and Leavers Payroll and Personnel processes	10	2	A	F&T/CS	Risk 6 and Core Financial System	Assurance on core financial system, to include assurance on recruitment checks following findings of 2017/18 audits
IT Disaster Recovery Plan	10	4	A	F&T	Risks 10 and 12	A re-audit following revision and updating of the IT Disaster Recovery Plan to provide assurance that the new Plan is fit for purpose based on business criticality
Council Tax Administration	12	2	A	F&T	Core Financial System	Assurance on core financial system
Council Tax fraud and error - KCC Funding	10	1	C	F&T	N/a	Assurance on compliance with requirements of business case for KCC funding and achievement of savings
Benefits assessments - Change of Circumstance	12	2	A	F&T	Core Financial System	Assurance on core financial system
Counter Fraud Function	10	3	A	F&T	N/a	Independent review of fraud function, equivalent of Internal Audit EQA to provide assurance on compliance with Policy and legislation as well as good practice with a view to informing future focus
Creditors	12	1	A	F&T	Core Financial System	Assurance on core financial system inc VAT
Treasury Management	10	2	A	F&T	Core Financial System	Assurance on core financial system, to include assurance on implementation of new Treasury Management Code
IT - New Strategy - dependent on timing	12	TBC	A	F&T	Risk 10	Assurance post-implementation of new Strategy including deep dive on key projects where relevant, timing of the audit will be dependent on the date the Strategy is finalised. If this means the audit needs to move back to 2019/20 the time will be used to review another key IT risk area in agreement with management and the Audit Committee
Local Plan	8	3	A	PHEH	Risk 5	Following the 2016/17 audit and subsequent changes to the timeline and requirements ongoing work will be undertaken at key stages in the development
Development Management	10	2	A	PHEH	Risk 4	Post-implementation review of revised approach following consultancy work in 2016/17 to provide assurance on implementation and effectiveness of changes
Prevention of Homelessness Act	15	4	A	PHEH	Risk 15	Detailed scope to be confirmed but to include compliance with new duties and potential focus on emergency accommodation/impact of welfare reform
Contaminated Land	10	4	A	PHEH	Risk 18	Assurance on monitoring process and actions arising following identification of potential contamination risks
Contract management inc grounds maintenance and Leisure Trust	12	3	A	SSLT	Risks 4 and 14	Overall assurance on contract monitoring processes to ensure value for money and quality of service delivery. The audit will include deep dive on key contracts.
Waste Contract Tender including process for green waste charging	15	Ongoing	C	SSLT	Risks 2, 4 and 14	Consultancy work due to the financial materiality and public interest element of this key project, to include providing ongoing advice in relation to project and partnership governance and key risks including financial and reputational. Will include a focus on development of green waste charging processes
Parking methods of payment	5	TBC	C	SSLT	N/a	Service request - advisory work on methods of payment and future development
Follow-up - DHP	4	3	A	F&T		Follow-up of Limited assurance audit
Follow-up - NNDR	4	3	A	F&T		Follow-up of Limited assurance audit
Follow up of all recommendations agreed by management	10	Ongoing	A	All		Allowance for following up the implementation of actions agreed and reporting to Audit Committee
Proactive fraud activity						
National Fraud Initiative	100	Ongoing		F&T/All		Time for sifting results to inform whether referral to DWP and/or investigation by TMBC is required - results of the annual SPD to electoral roll match were received in January 2018 and work is ongoing
KIN and other data matching/analysis to reduce fraud	25	Ongoing		F&T/All		Time for attendance at and chairing the KIN Board as well as sifting results of data matches to inform whether investigation or other action is required and document outcomes, including savings. Will also include review of potential internal matches to detect and prevent fraud and any related data quality issues
Blue Badge Fraud	10	Ongoing		SSLT		Liaison with KCC to address risks in relation to fraudulent use of blue badges with the aim of increasing parking income to TMBC
Provision of training, advice and increasing fraud awareness	20	Ongoing		All		Rolling programme of fraud awareness training and ongoing provision of advice as required
Support to other enforcement activities	20	Ongoing		All		Ongoing provision of advice and support as required
Single Point of Contact for DWP investigations	40	Ongoing		F&T		To fulfil the role required by DWP - dealing with requests from the DWP for information held by TMBC to support DWP investigations of potential benefit fraud
Allowances for work unknown at the time of planning						
Responsive work	15	As required		All		Allowance for the provision of advisory or consultancy work during the year, for example in relation to system changes, key projects, partnership development or significant new contracts
Advice and information	15	As required		All		Allowance for the provision of advice in relation to governance, risk or controls during the year
Investigations	100	Ongoing		All		Includes investigation of potential fraud in relation to NNDR and Council Tax discounts and exemptions, Council Tax Reduction Scheme, joint working with DWP and investigating potential fraud in relation to other Council services as well as any investigations arising from data matches from NFI and KIN outputs
	630					

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

03 April 2018

Report of the Chair of the Audit Committee

Part 1- Public

Delegated

1 MEMBERS ASSURANCE ON COMPLIANCE WITH INTERNATIONAL STANDARDS ON AUDITING

Under International Standards on Auditing our external auditor asks those charged with governance, which for this purpose is the Audit Committee, to consider and formally respond to a set of questions.

1.1 Introduction

1.1.1 The International Standards on Auditing require the external auditor to be assured that those charged with governance (TCWG) which for this purpose is the Audit Committee, are fulfilling their role in relation to management processes for identifying the risk of fraud and breaches of internal control. Specifically this requires confirmation of:

- How TCWG oversee management processes to identify and respond to such risks.
- Whether TCWG have knowledge of any actual, suspected or alleged frauds affecting the Council.

1.1.2 Accordingly, our external auditor asks those charged with governance to consider and formally respond to a set of questions.

1.2 Assurance Evidence

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

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

1.2.3 Management Team are also required to provide assurance of compliance with International Standards on Auditing in a separate questionnaire which can be

found elsewhere on this agenda. This will provide the Audit Committee with additional evidence for their consideration.

- 1.2.4 There have not been any reported incidents of significant fraud or error to the Chief Audit Executive during 2017/18.

1.3 Legal Implications

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

1.4 Financial and Value for Money Considerations

- 1.4.1 Non-compliance with these Standards could result in additional work being required by the external auditor to satisfy them that fraud and error were being prevented.
- 1.4.2 Any incidents of fraud require in depth investigation and use considerable resources to resolve. Any cost effective action to prevent instances of fraud will result in better use of resources.

1.5 Risk Assessment

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

1.6 Equality Impact Assessment

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

1.7 Recommendations

- 1.7.1 Members are asked to **endorse** the responses to the questions set out at **[Annex1]** by way of giving assurance to the external auditor of compliance with International Standards on Auditing.

Background papers:

contact: Samantha Buckland

Council policies and records

Councillor Vivian Branson
Chair of the Audit Committee

Response from Audit Committee Chair

Fraud risk assessment

Auditor Question	Response
Has the Council assessed the risk of material misstatement in the financial statements due to fraud?	<p>The Accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the UK 2017/18. A Statement of Responsibilities for the Statement of Accounts is included in the Statement of Accounts which is approved by the Audit Committee and subsequently signed by the Chairman of the Committee and the Director of Finance and Transformation. This Statement of Responsibilities is supported by a detailed declaration from the Director of Finance and Transformation.</p> <p>The Accounts also contain the Annual Governance Statement which confirms compliance with the Local Code of Corporate Governance. It is signed by the Chief Executive and the Leader of the Council and confirms that there are no known breaches of laws and regulations.</p> <p>The Accounts are presented to Members with an accompanying report which explains significant items and movements.</p>
What are the results of this process?	<p>We consider that the potential for material misstatement within the financial statements due to fraud is negligible. This assessment is based upon the use of budgetary control, risk management and significant peer review by senior officers as part of the closure of accounts process. No material risks have been identified for 2017/18.</p>
What processes does the Council have in place to identify and respond to risks of fraud?	<p>The zero-tolerance culture of the organisation towards fraud is reinforced by use of Anti-Fraud, Bribery and Corruption Policies supported by a Whistleblowing Policy, all of which are reviewed annually, with outcomes being reported to Members. There is a comprehensive internal audit programme based upon a risk assessment that covers all of the main accounting systems on a regular basis. These reviews result in an assurance level being given to Members for each individual audit and this is used by the Chief Audit Executive to give an overall assurance level to Members in their Annual Report. In addition, all reports and recommendations are reported to relevant Chief Officers and management with comprehensive follow-up procedures that monitor improvement.</p> <p>The Council works with partners to identify and investigate fraud. The referrals made through the National Fraud Initiative (NFI) exercise are investigated and outcomes are reported to Members of the Audit Committee.</p> <p>The Counter Fraud function works closely with the Department of Work and Pensions (DWP) to investigate allegations of fraud. There is also participation in the Housing Benefit Matching System that uses data matching in order to identify incorrect benefit payments.</p>
Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?	<p>The Audit Committee is responsible for overseeing the risk management process in place. The Council acknowledge the inherent risk of fraud occurring within the organisation, however, while there are systems recognised as being more at risk of fraud than others no specific fraud risks have been</p>

	<p>identified by TCWG in relation to location or area. In addition, regular reporting of insurance claims takes place. This would include any claims that have arisen from fraud or breaches of internal control.</p> <p>When the Annual Audit Plan is considered by the Audit Committee it will have taken into account any areas identified as high risk. Members receive an Annual Fraud Report detailing the work of the Investigations Team into the Council's highest fraud risk areas. Members are updated on publications such as "Protecting the Public Purse", exercises such as the National Fraud Initiative and action taken to address any issues raised.</p>
Are internal controls, including segregation of duties, in place and operating effectively?	<p>Members are presented with an Annual Governance Statement that informs them of the procedures in place designed to minimise the risk of fraud and error.</p> <p>The Internal Audit process requires Internal Audit to give a level of assurance on the area audited. There are regular reports provided to the Audit Committee that inform Members of these assurance levels. Members are also given a summary of the audit with details of any recommendations made.</p> <p>The Committee are able to question the Chief Audit Executive on the contents of this report in order to satisfy themselves that adequate internal controls are in place to prevent fraud and breaches of internal control.</p> <p>Where there is a perceived weakness the report will contain steps recommended to strengthen the controls.</p> <p>Any reports addressed to the Council from the External Auditor are presented to the Audit Committee. The External Auditor and/or his representative/s regularly attend Audit Committee meetings and will present their findings to the Audit Committee as well as answering any questions on the reports.</p>
If not, where are the risk areas and what mitigating actions have been taken?	N/A
Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?	<p>We consider that the potential for override of controls or inappropriate influence is minimal. This assessment is based upon the use of budgetary control and significant peer review by senior officers as part of the closure of accounts process. No material risks have been identified for 2017/18.</p>
Are there any areas where there is a potential for misreporting?	None to the best of our knowledge.
How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud?	The Anti-Fraud and supporting policies are reviewed and agreed by Members on a regular basis. Any serious breaches are reported to Members with action taken to improve control weaknesses that were identified.
What arrangements are in place to report fraud issues and risks to the Audit Committee?	Update on the work of both the Internal Audit function and Counter Fraud function is a standing item on the Audit Committee agenda.
How does the Council communicate and encourage	In order to make sure that all staff are fully aware of the zero tolerance culture of the organisation to fraud the Anti-Fraud,

ethical behaviour of its staff and contractors?	<p>Bribery and Corruption Policy and the Whistleblowing Policy are circulated to staff annually via "Netconsent". This is software that requires staff to read policies and acknowledge understanding of them before they can log on to the Council's computer systems. Other relevant policies are also circulated as appropriate.</p> <p>All staff are required to abide by the Officer's Code of Conduct and this is provided on appointment to the Council. Housing Benefits and Internal Audit and Fraud staff are also required to sign annual declarations of interest.</p>
<p>How do you encourage staff to report their concerns about fraud?</p> <p>Have any significant issues been reported?</p>	<p>The Council has a Whistleblowing Policy for all Members, employees and contractors. This Policy enables concerns to be raised confidentially with an explanation of how concerns raised will be investigated and dealt with. It also gives guidance on the types of concerns to raise.</p> <p>The most recent version of this Policy was circulated to staff using "Netconsent".</p> <p>In addition, fraud awareness training is provided to staff. Training was given to staff in Revenues and Benefits, Housing and Customer Services in 2017/18. A briefing to the Procurement OSG was also undertaken.</p> <p>No significant issues have been reported.</p>
Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	None to the best of our knowledge.
Are you aware of any instances of actual, suspected or alleged, fraud, either within the Council as a whole or within specific departments since 1 April 2017?	The only frauds that have been reported to Members during 2017/18 related to Council Tax, Housing and Housing Benefit. No other significant concerns in 2017/18 have been reported to Members.

Laws and Regulations

Auditor Question	Response
What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?	The Director of Central Services fulfils the statutory Monitoring Officer role including the requirement to report any legislative breaches. Internal Audit considers compliance with legislation and statutory regulations in the work they undertake and report accordingly to Management Team and the Audit Committee.
How does management gain assurance that all relevant laws and regulations have been complied with?	All internal audit reports are issued to the relevant Director and the Chief Executive and findings are reported to the Audit Committee, any non-compliance issues found through audit work undertaken would be reported through these routes. The Monitoring Officer is a member of management team and all Member decision items include a section to draw out any legal implications pertaining to the subject matter.
How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	Assurance is provided by way of the Local Code of Corporate Governance which is ordinarily subject to annual review and the Annual Governance Statement. In addition, all Member decision items include a section to draw out any legal implications pertaining to the subject matter.
Have there been any instances of non-compliance or	None to the best of our knowledge. There have not been any instances of non-compliance with

suspected non-compliance with laws and regulations since 1 April 2017?	laws or regulations or any possible instances of non-compliance reported to the Monitoring Officer during the year.
What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	Any litigation or claims received are reviewed and progressed by the Service Director in liaison with the Monitoring Officer as appropriate.
Is there any actual or potential litigation or claims that would affect the financial statements?	We are not aware of any actual or potential litigation or claims that could materially affect the financial statements.
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance?	There have been no such reports.

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

03 April 2018

Report of the Management Team

Part 1- Public

Matters for Information

1 MANAGEMENT TEAM ASSURANCE ON COMPLIANCE WITH INTERNATIONAL STANDARDS ON AUDITING

Under International Standards on Auditing our external auditor asks Management Team to consider and formally respond to a set of questions. The Audit Committee is also asked to do so and this report provides supporting evidence for that purpose.

1.1 Assurance

1.1.1 Under International Standards on Auditing our external auditors need to establish an understanding of the management processes in place to prevent and detect fraud and to ensure compliance with laws and regulation. They are also required, amongst other things, to make inquiries of both Management and the Audit Committee as to their knowledge of actual, suspected or alleged fraud.

1.1.2 To assist our external auditors meet the requirements of International Standards on Auditing they ask Management to consider and formally respond to a set of questions. The questions and responses can be found at **[Annex 1]**.

1.2 Legal Implications

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

1.3 Financial and Value for Money Considerations

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

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

1.4 Risk Assessment

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

Background papers:

contact: Samantha Buckland

Council policies and records

Sharon Shelton

Director of Finance and Transformation on behalf of Management Team

Responses from Management:

Audit Query	Management Response
<p>Are you aware of any matters or events which occurred during the year that could impact the 2017/18 financial statements?</p>	<p>None to the best of our knowledge, other than the potential sale of Council owned assets in 2017/18.</p>
<p>Have you considered the appropriateness of the accounting policies to be used in the period? And whether any changes in the Council's activities that have occurred in the year that could require them to be updated?</p>	<p>Review of accounting policies recently undertaken with no major updates considered necessary. A change made to the accounting policies in 2017/18 in respect of valuing separately (componentisation) significant parts of an asset.</p>
<p>Are you aware of any laws, accounting standards, corporate governance and regulatory requirements (including changes in or new items) that could affect the 2017/18 financial statements?</p>	<p>None to the best of our knowledge. Management Team is kept informed of changes in accounting standards and regulatory requirements that could have a significant impact on the financial statements.</p>
<p>What are your views on the Council's control environment, including the process of reviewing the effectiveness of the system of internal control and the results of any review?</p>	<p>Internal Audit reviews the effectiveness of internal controls and report accordingly to Management Team. Recommendations are made to Chief Officers, and quarterly all actions agreed are circulated to Service Management Teams to obtain an update on implementation. Management Team is satisfied as to the effectiveness of internal controls.</p>
<p>What are your views on the Council's risk assessment process as it relates to financial reporting?</p>	<p>Risks which relate to financial reporting are mitigated by a robust financial planning and control framework including budgetary control and ensuring that staff involved in the process have the requisite skills and experience to fulfil their responsibilities.</p> <p>We consider that the potential for material misstatement within the financial statements due to fraud is negligible. This assessment is based upon the use of budgetary control, risk management and significant peer review by senior officers as part of the closure of accounts process. No material risks have been identified for 2017/18.</p>
<p>What are your views on fraud risks, including:</p> <ul style="list-style-type: none"> - The assessment process to identify and respond, including relevant controls and their monitoring of those controls - Results of this process - Accounts/Classes of transactions/disclosures where fraud risks were 	<p>The zero-tolerance culture of the organisation towards fraud is reinforced by use of Anti-Fraud, Bribery and Corruption Policies supported by a Whistleblowing Policy with outcomes being reported to Members. Any reported allegations of fraud will be investigated and dealt with according to the relevant policies.</p> <p>The Internal Audit planning process carries out a risk assessment in order to score against fraud and error and targets those areas where the risk is considered highest. The subsequent reviews result in an assurance level being given to Management and Members for each audit and this is used by</p>

<p>identified or are likely to exist</p>	<p>the Chief Audit Executive to give an overall assurance level to Members in their Annual Report. In addition, all reports and recommendations are reported to relevant Chief Officers and management with comprehensive follow-up procedures that monitor improvement.</p> <p>There is a strong risk management culture within the organisation. Management is required to consider fraud and error within their services as part of the risk management process. Management have a duty to report any changes in movement towards higher risk and are also required to report any concerns of fraud for investigation.</p>
<p>Are you aware of any whistleblower tips or complaints? If yes, what has been management's response?</p>	<p>There were no issues raised during the year 2017/18, the one issue raised in 2016/17 was concluded in 2017/18 following an investigation by management with no further action required.</p>
<p>How would you communicate with those charged with governance regarding business risks (including fraud)?</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.</p> <p>Management when completing their service risk registers are asked to consider those risks relevant to that service area including business risks.</p> <p>Anti-Fraud and supporting policies are reviewed and agreed by Members on a regular basis. Any serious breaches are reported to Members with action taken to improve control weaknesses that were identified.</p>
<p>How do you tend to communicate with other staff regarding their views on business practices and ethical behaviour?</p>	<p>In order to make sure that all staff are fully aware of the zero tolerance culture of the organisation to fraud the Anti-Fraud, Bribery and Corruption Policy and the Whistleblowing Policy are circulated to staff annually via "Netconsent". This is software that requires staff to read policies and acknowledge understanding of them before they can log on to the Council's computer systems. Other relevant policies are also circulated as appropriate.</p> <p>All staff are required to abide by the Officer's Code of Conduct and this is provided on appointment to the Council. Housing Benefits and Internal Audit and Fraud staff are also required to sign annual declarations of interest.</p>
<p>What policies and procedures are in place for identifying, evaluating and accounting for litigation claims and assessments?</p>	<p>Any claims received are reviewed by the Monitoring Officer and progressed according to the circumstances of the claim.</p>
<p>Has the Council made use of any financial instruments (including derivatives) in the year?</p>	<p>As part of its day to day treasury management activity the Council will hold financial instruments such as fixed term deposits and certificates of deposit during the year. The Council currently also has sums invested in three property investments funds.</p>
<p>What is the status of contingencies from the prior year?</p>	<p>There has been no material change in the status of contingent assets/liabilities from the prior year. Provisions held are reviewed annually as part of the closure of accounts process and balances held updated accordingly.</p>
<p>Are you aware of any significant transactions which have taken place that are</p>	<p>None to the best of our knowledge.</p>

outside the normal trading activities of the Council?	
Are you aware of any events or changes in circumstances that would cause an impairment of Non-current assets where applicable?	None to the best of our knowledge, other than as a result of the revaluation of Council owned assets as part of the closure of accounts process.
Are you aware of any guarantee contracts that the Council is party to?	The Council is acting as guarantor for the pension liability of Tonbridge and Malling Leisure Trust to permit its entry into the Kent County Council Superannuation Fund.
Are you aware of any allegations of fraud, errors, or other irregularities during the period?	There are no instances of internal fraud as far as we are aware and no other significant concerns in 2017/18 have been reported to Management Team.
Are you aware of any instances of non-compliance with laws or regulations or any possible instances of non-compliance?	None to the best of our knowledge. There have not been any instances of non-compliance with laws or regulations or any possible instances of non-compliance reported to the Monitoring Officer during the year.
Are you aware of any inquiries or examinations performed by licensing, tax or other authorities and other regulators?	There have been no such inquiries or examinations during the year which may give rise to a risk of material misstatement.
Are you aware of any transactions/events and conditions (or change in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement?	None to the best of our knowledge, other than those reported in prior years and ongoing (business rates appeals and embedded leases).
For significant accounting estimates, how are the accounting estimates made? What is the nature of the data used? What is the degree of estimate uncertainty inherent in the estimate?	External advice obtained on potential success of business rates appeals lodged and in respect of embedded leases make use of information as to purchase price of vehicles from a Kent district council with an in-house direct service organisation.
Are you aware of the existence of any loss contingencies and/or claims?	None to the best of our knowledge.
What are the results of the Council's preliminary going concern assessment, including awareness of the existence of other events or conditions that may cast doubt on the Council's ability to continue as a going concern?	Going concern status is maintained through the use of the Medium Term Financial Strategy (MTFS). The aim of the Strategy is to give us a realistic and sustainable plan that reflects the Council's priorities. The Council currently holds adequate levels of reserves that could be used in the event of emerging financial difficulties in the short term, allowing for more detailed plans to be considered and put in place for the longer term. Alongside the MTFS sits a Savings and Transformation Strategy (STS). Its purpose to provide focus, structure and direction in addressing the significant financial challenge faced by the Council. Management Team receive regular reports on the financial

	<p>position of the Council and, in turn, the impact on the Medium Term Financial Strategy (including a savings monitoring statement linked to the STS) and reserve balances.</p> <p>The assessment of going concern will also take into account the Council's status as a tax-raising body.</p>
If applicable, are there any areas where internal controls have been strengthened / implemented following external audit recommendations from prior year?	External audit recommendations following the audit of the 2016/17 accounts and certification of the Housing Benefit Subsidy Claim have been actioned.
Have there been any solicitors used by the Council during the year or who were working on open litigation or contingencies from prior years.	Blake Morgan. Bevan Brittan.
Were any other advisors consulted during the year? If yes, what was the purpose of this consultation?	Advisors used on other than what might be considered normal day to day business activities include Hartnell Taylor Cook, Blake Morgan and Oaks Consultancy to provide options appraisals or legal advice in respect of certain Council owned assets.
Are you aware of any reports which have been made under the Bribery Act?	No reports have been made during the year under the Bribery Act.
<p>Are you aware of any instances where the Council's service providers have reported any of the following items that would affect the financial statements:</p> <ul style="list-style-type: none"> - Fraud - Non-compliance with laws and regulations - Uncorrected misstatements 	None to the best of our knowledge.

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

03 April 2018

Report of the Chief Audit Executive

Part 1- Public

Matters for Information

1 INTERNAL AUDIT AND COUNTER FRAUD UPDATE

This report provides Members with an update on the work of both the Internal Audit function and the Counter Fraud function for the period April 2017 to February 2018.

Internal Audit Update

1.1 Introduction

1.1.1 The Accounts and Audit Regulations require the Council to *undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control*. Proper practice is defined by the Public Sector Internal Audit Standards (PSIAS) and CIPFA's Local Government Application Note to the PSIAS. The PSIAS requires Internal Audit to *report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan*.

1.2 Progress against the 2017/18 Plan

1.2.1 The Annual Internal Audit and Counter Fraud Plan (the Plan) for 2017/18 was approved by this Committee on the 3 April 2017. The purpose of this report is to provide Members with an update on the progress of the Internal Audit team in 2017/18 against the Plan.

1.2.2 The Plan reflects all work to be undertaken by the team during the financial year, containing both assurance work and consultancy work. Of the items on the original Plan, 20 were audits or proactive fraud reviews that would result in an assurance opinion; one of these was subsequently split into two separate pieces of work (Housing Payments and Grants split into Discretionary Housing Payments and Disabled Facilities & Housing Assistance Grants) and we have merged planned work on Data Sharing Agreements into ongoing work on General Data Protection Regulation (GDPR) readiness. Given this work is designed to support the organisation in undertaking work needed to comply with the changes GDPR

brings in no formal opinion will be given, however we will report on readiness at year-end. We agreed to defer the audit of Development Management to 2018/19 to allow changes follow the service review to embed and in addition, due to pressures in the relevant service, the audit of the Business Continuity Plan has been delayed to allow for recruitment of the additional resource needed to progress this; as a result the audit will be completed in 2018/19. Additional consultancy work on Corporate Policy Management and cemetery capacity has been added to the Plan. The remainder of the Plan is made up of consultancy items, follow-up of recommendations due and an allowance for the provision of advice, fraud awareness and investigations.

1.2.3 The team have issued final reports and agreed management action plans in respect of eleven 2017/18 audits. A draft report has been issued for a further three audits/reviews with ten currently underway; and consultancy work for change in banking arrangements was not required. A summary of the current status of all audits/reviews on the 2017/18 Plan, including a summary of findings where finalised, is attached to this report at **[Annex 1]**. Definitions of Audit Opinions are provided at **[Annex 2]**.

1.2.4 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 2017/18.

1.3 Quality Assurance and Improvement Programme and Conformance with the Public Sector Internal Audit Standards (the Standards)

1.3.1 The Quality Assurance and Improvement Programme summarises all of the measures in place to enable an evaluation of internal audit'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.

1.3.2 Internal Audit was subject to an independent External Quality Assessment (EQA) during 2016/17, this exercise is undertaken every five years in line with requirements. The overall opinion was that Internal Audit Generally Conforms to the Standards.

1.3.3 The results of the EQA undertaken in May 2016 were reported to the September 2016 Committee meeting and an action plan was prepared to address the eight areas assessed as 'partially conforms' with updates on progress reported to the April and September 2017 Committee meetings. At September action was complete for five of the eight partially conforms. Of the remaining three, two are ongoing and one is now complete barring an element on hold (this relates to

professional training for the audit team, given we currently have one person in post who is undertaking professional studies this will be re-visited if/when we recruit to the current vacancy). The Standards were updated from April 2017 and the amended Standards have been reviewed to assess their impact on current practice. While no substantial changes are required some enhancements to current practice would be helpful and a further update will be provided as part of the annual self-assessment of conformance in my annual report to this Committee in July 2018.

Counter Fraud Update

1.4 Prevention and Detection of Fraud and Corruption

- 1.4.1 This section of the report provides details of the Council's activity in preventing and detecting fraud and corruption in the year 2017/18.
- 1.4.2 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. The result of the exercise completed in October 2016 was that 1,751 matches were received in January 2017. To date 1,690 have been closed with no further action required and 32 have been closed with errors found. The remaining 29 are currently subject to further enquiries.
- 1.4.3 In 2017, for the first time, NFI conducted additional data matching using Council Tax Single Person Discount data to a myriad of other data sets held, including Blue Badges, Concessionary Fares, Pensions, Payroll and Parking Permits. This resulted in 2,311 matches; of these 2,264 have now been closed with no further action required, 7 were closed with errors found and 1 was closed with fraud found. The remaining 39 are subject to further enquiries.
- 1.4.4 Annual data matching is also undertaken through NFI between the Electoral Register and Council Tax Single Person Discount; the most recent results were received in January 2018. There were 967 matches received, 209 have been closed with no further action required. Of the remaining matches 4 are subject to further enquiries and 754 have yet to be reviewed.
- 1.4.5 The Kent Intelligence Network, a government funded partnership led by Kent County Council, went live in September 2016. The partnership's key aim is to prevent and detect fraud, reduce partner's fraud risk profiles and support development of fraud professionals in Kent. It 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 data analyst recruited by the KIN has recently resigned and the data matching software contract expired. This is being used as an opportunity to review progress to date and consider the way forward; KIN Board members have been meeting with leads of other fraud hubs and have attended data matching software presentations to inform decisions on procuring a new system. In addition the decision was made

to recruit a KIN manager to move the project forward at pace and this individual will have a key role in liaison across all partner organisations to agree project plans and ensure consensus. Once recruitment and procurement is complete work will recommence and updates will be provided to subsequent Committee meetings on progress made.

- 1.4.6 KCC recently provided part funding for the procurement of software and a temporary staff member to proactively identify high risk cases in relation to Council Tax and NNDR where information held elsewhere, including credit reference agencies, indicates a discount or exemption awarded may be erroneous. Reviews of high risk cases are now being undertaken and results will be reported to this Committee in July as part of my annual report.
- 1.4.7 Where a match is found through any of the routes above it does not necessarily indicate fraud in all instances; it does however highlight an inconsistency in the information held which requires further investigation and could be attributed to either fraud or error.
- 1.4.8 Meetings are being set up with key stakeholders to take forward other proactive work in the 2017/18 Audit and Fraud Plan, planned proactive work outside of the data matching through NFI and KIN addressed above includes training on fraud risks and working with services to support enforcement. In 2017/18 to date fraud awareness training has been provided to Revenues and Benefits staff, Customer Service Officers and Housing, further training is planned for the Procurement OSG. One area identified for focus in 2017/18 was Blue Badge fraud, we have undertaken some early liaison with Kent County Council who have been working successfully with other district councils and will continue this through 2018/19.

1.5 Investigating Fraud

- 1.5.1 The Fraud Team is responsible for investigating all allegations of fraud and corruption, whether this is through internal fraud or external stakeholders or customers, as well as assisting with disciplinary investigations as and when required.
- 1.5.2 In 2017/18 to end of February, the Counter Fraud Team have closed 396 cases and received a total of 391 referrals, 356 of which relate to NFI as detailed at 1.4; there are 60 current investigations that could result in fraud found. The total amount of income due as a result of completed investigations to end of February is £52,311.30 with increased annual liability of £45,842.80. A total of 68 civil penalties were issued in the amount of £4,760. **[Annex 3]** summarises the results of investigations concluded in 2017/18 to date.

1.6 Legal Implications

- 1.6.1 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.

- 1.6.2 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.
- 1.6.3 The Local Government Act 1972 provides the Council with the ability to investigate and prosecute offences committed against them.

1.7 Financial and Value for Money Considerations

- 1.7.1 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.
- 1.7.2 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. The message coming from these initiatives is that effective fraud prevention and detection releases resources and minimises losses to the Council through fraud.

1.8 Risk Assessment

- 1.8.1 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.
- 1.8.2 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

This page is intentionally left blank

2017-18 Internal Audit Reviews

Audit Review Title	Planned Quarter	Quarter Undertaken	Status	Audit Opinion	Scope of Audit and Findings
Payroll	1	1	Complete	Substantial	<p>The overall objective of the audit was to provide assurance that effective controls are in place to ensure that; salaries, wages, and third parties such as HMRC, Unison, and the Kent Pension Fund are paid correctly and on time. Payments are authorised, reconciled and transferred to the Council's financial management systems. We found that each stage of the payment run is recorded, with appropriate and accurate checks in place. At the time of the audit the team was experiencing high levels of absence and brought in help from other teams to provide support. The team is now returning to a full complement of staff over forthcoming months through a phased return to work programme. It was noted that the Exchequer Services Manager and the Payroll Officer have both been dedicated and flexible in their approach to covering absence to ensure that the work has been carried out.</p> <p>Strengths include that separation of duties are in place for the running of reports and reconciliations; a new user access report has been developed by IT to identify user access and privileges to the payroll system which had previously not been possible.</p> <p>Areas for development include that the BACS payment is made by the same officer who processed it; the user access report is somewhat limited and not yet embedded into the control system and there was a redundant stock of payment cheques retained.</p>
Serious and Organised Crime	1	1	Complete	Varied across	The objective of the audit was to provide assurance that the Council has an awareness of the potential to

Audit Review Title	Planned Quarter	Quarter Undertaken	Status	Audit Opinion	Scope of Audit and Findings
				service areas	<p>be targeted for Serious and Organised Crime, has sufficiently assessed the risks involved, and has adequate controls in place to mitigate against Serious and Organised Crime. We found that Management Team awareness is proportionate to the level of expected risk based on liaison with local police advice through the Community Safety Partnership, Chief Constable and Divisional Commander. There are varying degrees of awareness of how Serious and Organised Crime might affect service areas.</p> <p>Strengths were identified in that the Council has a robust procurement process which is proportionate with the value of the contracts. High value contracts have officer project groups with representatives from key areas which help to ensure that procurement is fair and transparent and the Council protected as far as possible. There are mechanisms within kiosks to prevent anyone depositing significant cash funds.</p> <p>Areas for development include that the Council's Anti-Money Laundering (AML) Policy and guidance have not been reviewed or circulated since 2011 and the fourth generation of AML legislation came into effect in June 2017. Awareness of the policy and guidance is limited. No official AML reports have been submitted and any enquiries have been related to payments from cash-oriented business such as taxi firms and car washing firms. We found gaps in evidence on file of right to work for employees, agency workers and self-employed consultants working for the Council. References were not available for all staff. The Home Office can impose substantial civil penalties if found that the Council had employed officers without a legal right to work in the UK.</p>

Audit Review Title	Planned Quarter	Quarter Undertaken	Status	Audit Opinion	Scope of Audit and Findings
Corporate Governance - compliance with new framework	1	1	Complete	Adequate	<p>The objective of the audit was to provide assurance on compliance with the revised Local Code of Corporate Governance. We found that overall the Council does comply.</p> <p>Strengths identified include that Members have been kept up to date on progress made by the Council to ensure compliance with the revised Local Code of Corporate Governance; officers have completed a self-assessment questionnaire and listed supporting evidence and suitable evidence is in place to support the Annual Governance Statement.</p> <p>Areas for development include ensuring completeness of Officer and Member declarations of interests; lack of corporate enforcement and partnership policies and localised performance management rather than corporate reporting.</p>
S106 agreements	1	2	Draft Report	TBC	
Housing Payments and Grants -Housing Discretionary Payments	2	2	Complete	Limited	<p>The overall objective of the audit was to provide assurance that the fraud and error risks associated with Discretionary Housing Payments (DHP's) are reduced to an acceptable level. Overall we found that staff awareness of DHP and Benefit legislation is strong, however controls need to be improved.</p> <p>Areas for development include that all decisions should be made within the normal DHP decision making process ensuring payment is appropriate and Housing Benefit is in payment correctly; decisions made should be supported by relevant and sufficient evidence, for example bank & rent statements, and appeals should be undertaken in accordance with DHP policy.</p>

Audit Review Title	Planned Quarter	Quarter Undertaken	Status	Audit Opinion	Scope of Audit and Findings
<p>Housing Payments and Grants</p> <p>-Disabled Facilities and Housing Assistance Grants</p>	2	2	Complete	Substantial *(Excluding contractor DBS checks)	<p>The objective of the audit was to give assurance on the adequacy, effectiveness and reliability of the controls in place to manage the risks of operating the Disabled Facilities and Housing Assistance Grants</p> <p>Strengths included that the Housing Assistance policy was found to have been appropriately approved, although it was not available on the TMBC website. Suitable checks are in place confirm the accuracy of information provided to support applications and all are supported by a referral from an Occupational Therapist. Applications are not processed until officers have undertaken a visit to the property to confirm that it is possible to undertake the adaptations required within the funding. Good use is being made of the grant funding by officers to advertise and promote the availability of the DFG process and to make the application process better for the client. All applications tested were found to have been subject to regular inspections during and after the work has been completed and payments are only being made to contractors upon completion of the work to a satisfactory standard.</p> <p>Areas for development include that more detailed performance information could be reported. We identified one case where a charge should have been applied and was not, however as soon as this oversight was identified officers took action. Testing identified that while there are controls in place to ensure that contractors provide evidence of insurance policies and qualifications, there are no controls in place to ensure that all contractors undertaking adaptations in the homes of potentially vulnerable persons have been DBS</p>

Audit Review Title	Planned Quarter	Quarter Undertaken	Status	Audit Opinion	Scope of Audit and Findings
					checked. *As a result of the above although the overall assurance level is substantial we are unable to give assurance in relation to DBS checks on contractors.
Savings and Transformation Strategy	3	4	Fieldwork		
Risk Management	4	4	Fieldwork		
Bribery & Corruption	1	3	Fieldwork		
Safeguarding follow-up	3	3	Complete	N/a	Internal Audit has recently undertaken a follow-up review to the audit of Safeguarding which was originally completed June 2017. The follow-up audit has established that 12 from the original 14 recommendations have been fully implemented. Two recommendations with a high priority rating are outstanding. Management have agreed revised implementation dates for those recommendations and we will undertake further testing as part of our 2018/19 audit of safeguarding to confirm that each of the outstanding recommendations has been fully implemented.
General Data Protection Regulations	Ongoing	Ongoing	Ongoing consultancy work	N/a	
Information Governance including data sharing agreements	3	Merged with above	As above	N/a	

Audit Review Title	Planned Quarter	Quarter Undertaken	Status	Audit Opinion	Scope of Audit and Findings
IR35	1	4	Fieldwork	TBC	
Licensing	3	3	Complete	<p>Substantial for Fraud & Safeguarding</p> <p>Limited for Data & Information Security</p>	<p>The objective of the audit was to provide assurance that fraud and safeguarding risks are appropriately managed in relation to taxi and alcohol licensing. However during the course of the audit the scope was expanded due to issues being identified regarding data privacy and information security.</p> <p>Overall the licensing section is organised, aware of the risks and have adequate control processes in place to mitigate fraud and safeguarding risks. However issues relating to data privacy and retention of Disclosure Baring Service certificates were identified.</p> <p>Strengths include that staff are knowledgeable and experience; a daily licensing surgery is held; processes for verifying identity, residency, right to work and DBS are in place and adhered to and Members are given sufficient information for licensing appeal panels.</p> <p>Areas for development identified include that procedures are not updated; Data Privacy issues including that DBS certificates are retained; there is a lack of accountability in relation to evidence checking; no process to ensure that all mid-year certificates of compliance are received and a no contracts, service level agreements or inspections with garages</p>
Help desk	2	4	Fieldwork		
IT Disaster Recovery Plan	4	4	Fieldwork		
Cyber attacks	2	2	Complete	Substantial	<p>The overall objective of the audit was to provide assurance that the Council is able to identify whether suspicious activity is occurring, protect the Council's computer infrastructure and electronic data against</p>

Audit Review Title	Planned Quarter	Quarter Undertaken	Status	Audit Opinion	Scope of Audit and Findings
					<p>attack as far as is reasonable/practicable, detect whether an incident has occurred, respond and recover, as well as reviewing the adequacy of information and training available to all users of the Council's computer systems. We found that the Council has adequate policies, procedures, and systems in place to minimise vulnerabilities to cyber-attacks and mitigate damage should a virus or malware be detected.</p> <p>Strengths were identified in relation to easily accessible, comprehensive, recently reviewed and updated Information Security policies; the identification and correction of viruses and malware, including re-imaging of infected PCs; a recent positive IT Health Check and penetration testing; phased system patch releases permitting easier roll-back in case of issue and access to information security guidance, network, and training for IT management.</p> <p>Areas for development include the lack of current capability to passively detect unusual levels of internet traffic; no specialist forensic resource (this is currently being tendered for jointly with other Kent authorities) and difficulty demonstrating release and prioritisation of patch maintenance.</p>
Change in banking arrangements	1	N/a	Cancelled		
Local Plan – follow-up	3	3	Complete	N/a	The objective of this audit was to provide assurance on progress in developing the Local Plan in line with government guidance and to required timescales. It was intended to do further testing of progress against milestones, however this has been delayed by changes to requirements and therefore we focussed on

Audit Review Title	Planned Quarter	Quarter Undertaken	Status	Audit Opinion	Scope of Audit and Findings
					following up implementation of the issues raised in the 2016/17 audit. Our testing confirmed that all recommendations have been addressed with appropriate action taken.
Development Management	4	Deferred to 18/19	N/a	N/a	This audit was deferred as completion of the service review has been delayed. It will be undertaken in Q2 of 2018/19
Building control resilience	3	3	Draft Report	TBC	
Planning enforcement	3	4	Fieldwork	TBC	
Health and Safety	2	2	Complete	Substantial	<p>The objective of the audit was to provide assurance that the Council, its Officers, Members and visitors are adequately protected by the policies and practices in place to manage Health and Safety. Overall, good progress has been made covering a breadth of areas including review of Council policies, implementing changes that are suitable for the organisation, identifying issues and correcting, and streamlining processes. Work has been appropriately prioritised, and where relevant work has been conducted with partner organisations.</p> <p>Strengths include that the revised policies are easy to understand, as succinct as possible, and contain appropriate roles and responsibilities; professional advice from the Council's qualified Health and Safety Officer is provided timely and an annual work programme and schedule in place for assurance work and planning reviews.</p> <p>Some areas for development remain operationally, Fire Wardens are not consistently completing checklists; fire evacuation testing has not been held in line with policy and not all new officers are receiving Health and</p>

Audit Review Title	Planned Quarter	Quarter Undertaken	Status	Audit Opinion	Scope of Audit and Findings
					Safety inductions.
Air Quality Management	3	3	Complete	Substantial	<p>The objective of the audit was to provide assurance that processes in place meet statutory guidance, support environmental objectives, and ensure air quality is considered in relevant decisions. Overall it is considered that the Air Quality (AQ) function within Environmental Health is operating effectively and efficiently, including liaison with Development Control on planning matters.</p> <p>Strengths include the testing regime and continuous monitoring, including regular calibration, is in line with DEFRA guidance; location of monitoring stations reflects AQ Monitoring Areas and other appropriate areas; pollution results are recorded accurately; AQ is considered with planning applications and concerns incorporated into decisions; prompt and full payment for the majority of Environmental Protection Regulation (EPR) premises and risk rating of EPR premises.</p> <p>Areas for development included a small number of record keeping issues; EPR inspections behind schedule and recording of planning advice provided.</p>
Business Continuity Plan	4	TBC	Deferred	N/a	
Waste Contract Tender	Ongoing	Ongoing	Ongoing consultancy	N/a	
Corporate Policy Management	4	4	Draft Report		Consultancy
Cemetery Capacity	4	4	Fieldwork		Consultancy

This page is intentionally left blank

Definitions of Audit Opinions

High	<p>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.</p>
Substantial	<p>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.</p>
Adequate	<p>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.</p>
Limited	<p>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.</p>
No Assurance	<p>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.</p>

This page is intentionally left blank

Fraud Type	Cases Closed	No Evidence of Fraud	Customer Error / Incorrect Discount	Fraud Proven/ Prevented*	Total due to be repaid to TMBC	Increase In liability (annual amount)	No of Penalty Charges	Total £ Penalty charge
Housing	6	5	0	1	£0.00	£0.00	0	£0.00
Council Tax Reduction	14	8	5	1	£9,856.80	£6,526.51	2	£140.00
SPD	366	275	89	2	£42,454.50	£39,316.29	66	£4,620.00
SPD & CTR	4	3	0	1	£0.00	£0.00	0	£0.00
NNDR	1	1	0	0	£0.00	£0.00	0	£0.00
DHP	1	0	0	1	£0.00	£0.00	0	£0.00
New HB Claim	2	0	0	2	£0.00	£0.00	0	£0.00
Chargebacks	2	2	0	0	£0.00	£0.00	0	£0.00
	396	294	94	8	£52,311.30	£45,842.80	68	£4,760.00

For the 8 cases where fraud was proven or prevented 4 cautions were issued, the remaining cases were prevented and therefore no sanction can be applied, we do not currently place a monetary value on these. The 2 chargeback cases resulted in the original liability for Council Tax being re-paid by the account holder.

This page is intentionally left blank

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

03 April 2018

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Information

1 GRANT THORNTON – EXTERNAL AUDIT PLAN

The report presents the External Audit Plan for year ending 31 March 2018.

1.1 External Audit Plan 2017/18

1.1.1 Our external auditor is required to prepare an Audit Plan setting out the proposed approach to the audit of the Council's financial statements. The paper identifies a number of risks which the external auditor will consider as part of the audit, none of which are specific to this Council, but applicable to local authorities more generally; and no issues have arisen from their interim work to date which I need to draw to your attention. On the VFM conclusion work, the area of focus will be the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

1.1.2 The Audit Plan can be found at **[Annex 1]** and a verbal update on progress in delivering their responsibilities as the Council's external auditor will be provided at the meeting.

1.2 Legal Implications

1.2.1 As set out in the documents.

1.3 Financial and Value for Money Considerations

1.3.1 As set out in the documents.

1.4 Risk Assessment

1.4.1 As set out in the documents.

Background papers:

contact: Paul Worden

Nil

Sharon Shelton
Director of Finance and Transformation

This page is intentionally left blank

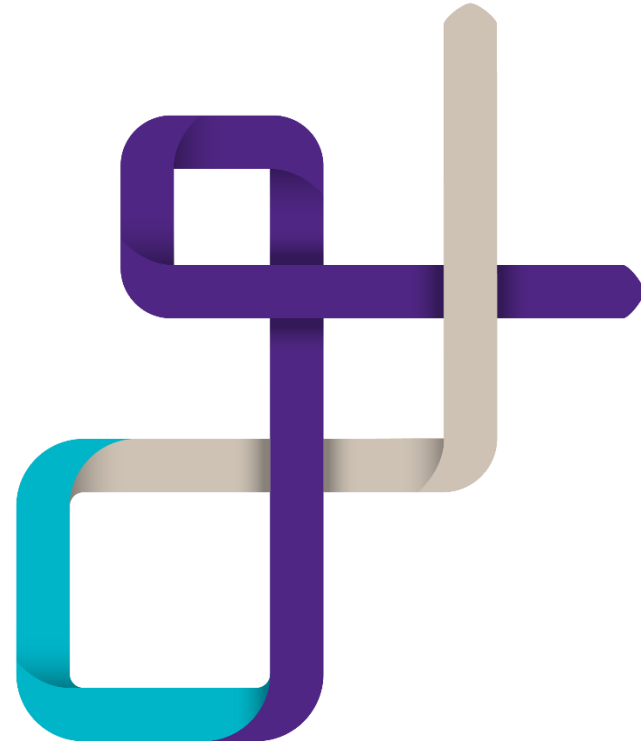
External Audit Plan

Year ending 31 March 2018

Tonbridge and Malling Borough Council

April 2018

Page 97



Contents



Your key Grant Thornton
team members are:

Page 98

Ciaran McLaughlin

Director

T: +44 (0)20 7728 2936

E: ciaran.t.mclaughlin@uk.gt.com

Andy Ayre

Audit Manager

T: +44 (0)20 7728 2328

E: andy.j.ayre@uk.gt.com

Section	Page
1. Introduction & headlines	3
2. Deep business understanding	4
3. Significant risks identified	5
4. Reasonably possible risks identified	7
5. Other matters	8
6. Materiality	9
7. Value for Money arrangements	10
8. Audit logistics, team & audit fees	11
9. Early close	12
10. Independence & non-audit services	13

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

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Tonbridge and Malling Borough Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Council. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- financial statements (including the Annual Governance Statement) that have been prepared by management with the oversight of those charged with governance (the Audit Committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Significant risks

Those risks requiring specific audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Valuation of property, plant & equipment
- IAS 19 valuation of pension fund liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £1.212m (PY £1.236m), which equates to 2% of your forecast gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.061m (PY £0.062m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- Financial Health

Audit logistics

Our interim visit will take place in February and March 2018 and our final visit will take place in June & July 2018. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our fee for the audit will be no less than £45,776 (PY: £45,776) for the Council.

Independence

We have complied with the Financial Reporting Council's Ethical Standards and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements

Page 99

Deep business understanding

Changes to service delivery	Changes to financial reporting requirements	Key challenges
<p>Commercialisation The scale of investment activity, primarily in commercial property, has increased as local authorities seek to maximise income generation. These investments are often discharged through a company, partnership or other investment vehicle. The Council has agreed a number of property and land disposals, which will generate significant income for it and also help to deliver on the Council's wider development plans for the area. Local authorities need to ensure that their commercial activities are presented appropriately, in compliance with the CIPFA Code of Practice and Statutory framework.</p>	<p>Income Generation and Treasury Management The Council has invested £3m in three property investment funds, including Local Authorities' Property Fund; Hermes Property Unit Trust and the Lothbury Property Trust. In 2017/18 these funds have provided a return on investment of nearly 4%. The Council is also looking to invest up to £2m in diversified income (multi asset) fund(s) which is designed to help diversify its investment strategy and generate additional income.</p> <p>Accounts and Audit Regulations 2015 (the Regulations) The Ministry of Housing, Communities & Local Government (MHCLG) is currently undertaking a review of the Regulations, which may be subject to change. The date for any proposed changes has yet to be confirmed, so it is not yet clear or whether they will apply to the 2017/18 financial statements.</p> <p>Changes to the CIPFA 2017/18 Accounting Code CIPFA have introduced other minor changes to the 2017/18 Code which confirm the going concern basis for local authorities, and updates for Leases, Service Concession arrangements and financial instruments.</p>	<p>Business rates pilot In September 2017, the government launched a prospectus inviting local authorities to submit proposals to pilot 100% business rates retention in 2018/19. Kent councils worked together to submit a bid proposing 70% of the monies being retained to support financial sustainability of the authorities involved and 30% being used to fund future growth initiatives. It was announced in December 2017 that Kent will be one of the 10 new pilots. The retained monies will be distributed to each authority on the basis of their population and growth.</p> <p>Financial pressures The December 2017 provisional Local Government financial settlement to 2019/20 anticipates a £1.6m (56%) decrease in the Settlement Funding Assessment and a £0.4m (12%) decrease in New Homes Bonus grant funding compared to 2016/17. Based on the above, amongst other things, latest projections point to a funding gap of circa £1m to be addressed over the short to medium term.. As you have already saved around £3.0m in the last 4-5 years, identifying the additional savings will become increasingly difficult.</p> <p>Earlier Accounts Close The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 July for the 2017/2018 financial year. The Council has been meeting this deadline for a number of years.</p>

Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to uncertainty about the going concern assumption and will review any related disclosures in the financial statements.
- We will keep you informed of changes to the Regulations and any associated changes to financial reporting or public inspection requirements for 2017/18 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2017/18 CIPFA Code, and the impact of impairment assessments and the adequacy of provisions in relation to essential work on high rise buildings.

Significant risks identified

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration because they have a higher risk of material misstatement. Such risks often relate to significant non-routine transactions and judgmental matters. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: <ul style="list-style-type: none">• there is little incentive to manipulate revenue recognition• opportunities to manipulate revenue recognition are very limited• the culture and ethical frameworks of local authorities, including Tonbridge and Malling Borough Council, mean that all forms of fraud are seen as unacceptable Therefore we do not consider this to be a significant risk for the Council.
Management over-ride of controls	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. Management over-ride of controls is a risk requiring special audit consideration.	We will: <ul style="list-style-type: none">• gain an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness• obtain a full listing of journal entries, identify and test unusual journal entries for appropriateness• evaluate the rationale for any changes in accounting policies or significant unusual transactions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Valuation of property, plant and equipment</p>	<p>The Council revalues its land and buildings on a rolling quinquennial basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> Review of management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work Consideration of the competence, expertise and objectivity of any management experts used. Discussions with the valuer about the basis on which the valuation is carried out and challenge of the key assumptions. Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding. Testing of revaluations made during the year to ensure they are input correctly into the Council's asset register Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.
<p>Valuation of pension fund net liability</p>	<p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> Identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement Evaluate the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out Undertake procedures to confirm the reasonableness of the actuarial assumptions made. Check the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary

Reasonably possible risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Employee remuneration</p>	<p>Payroll expenditure represents a significant percentage (18.4%) of the Council's operating expenses.</p> <p>As the payroll expenditure comes from a number of individual transactions and an interface with a sub-system there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention.</p>	<p>We will</p> <ul style="list-style-type: none"> • evaluate the Council's accounting policy for recognition of payroll expenditure for appropriateness; • gain an understanding of the Council's system for accounting for payroll expenditure and evaluate the design of the associated controls; • re-perform the year end payroll reconciliation and test whether year-end payroll accruals, e.g. tax and pension creditors, unpaid leave accrual) have been recognised and are not understated; • perform a substantive analytical review of payroll expenditure to analyse movements year-on-year.
<p>Operating expenses</p>	<p>Non-pay expenses on other goods and services also represents a significant percentage (20.1%) of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of non- pay expenses as a risk requiring particular audit attention.</p>	<p>We will</p> <ul style="list-style-type: none"> • evaluate the Council's accounting policy for recognition of non-pay expenditure for appropriateness; • gain an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls; • document the accruals process and the controls management have put in place, challenging any key underlying assumptions, the appropriateness of the source of data used and the basis for calculations; and • select a sample of non-pay cash payments after year end to test that they have been charged to the correct year.

Page 103

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued and consistent with our knowledge of the Council.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under the Act and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2017/18 financial statements, consider and decide upon any objections received in relation to the 2017/18 financial statements;
 - issue of a report in the public interest; and
 - making a written recommendation to the Council, copied to the Secretary of State.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

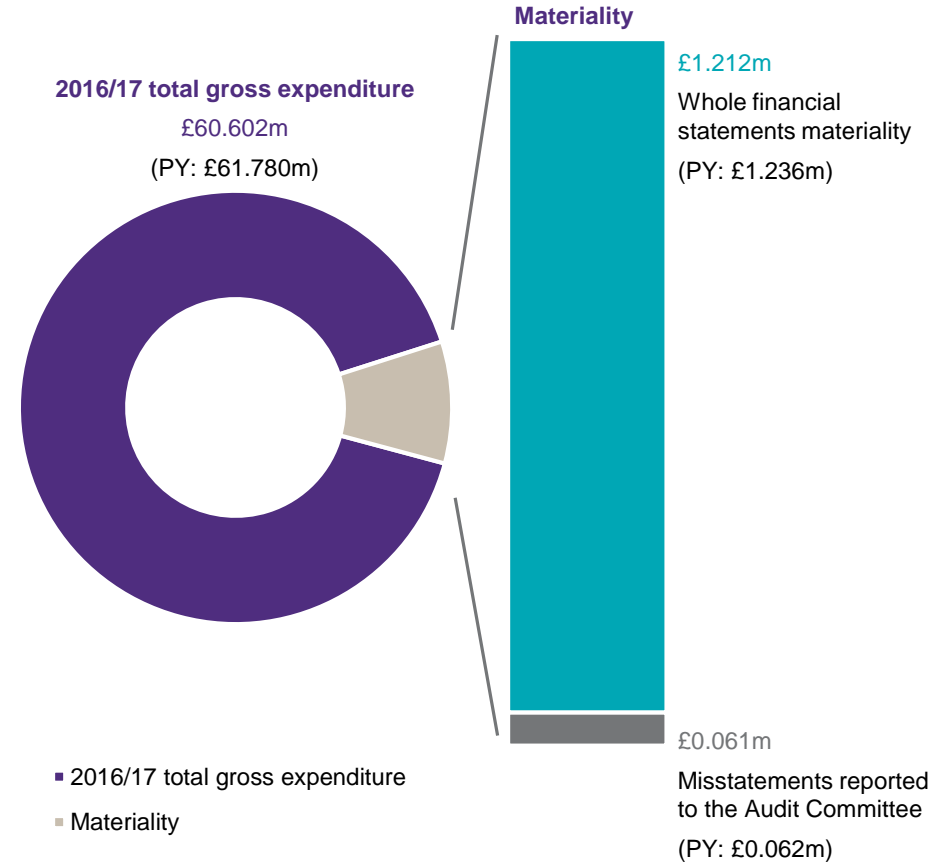
We propose to calculate financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. We have determined planning materiality (the financial statements materiality determined at the planning stage of the audit) to be £1.212m (PY £1.236m), which equates to 2% of your forecast gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality

Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.061m (PY £0.62m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.



Value for Money arrangements

Background to our VFM approach

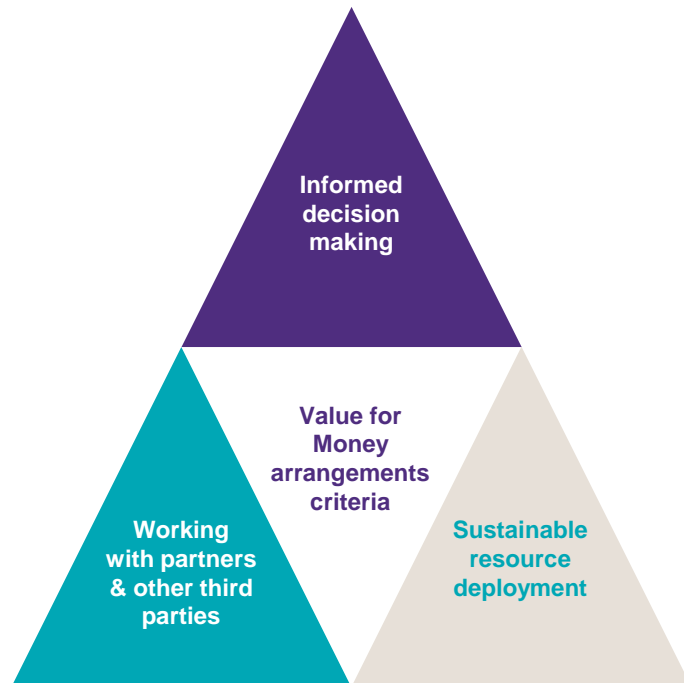
The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

This is supported by three sub-criteria, as set out below:

Page 106



Significant VFM risks

Those risks requiring specific audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Council to deliver value for money.



Financial Health

The December 2017 provisional Local Government financial settlement to 2019/20 anticipates a £1.6m (56%) decrease in the Settlement Funding Assessment and a £0.4m (12%) decrease in New Homes Bonus grant funding compared to 2016/17. Based on the above, amongst other things, latest projections point to a funding gap of circa £1m to be addressed over the short to medium term. You have already delivered around £3.0m in savings over the last 4-5 years. The Council will need to manage its financial position and savings targets closely during the medium term period to avoid a negative impact on the long term financial stability of the Council.

We will review your Medium Term Financial Plan, including the robustness of assumptions. We will review savings plans and revenue generating schemes. We will discuss your plans and outcomes with management, as well as reviewing how finances are reported to Councillors.

Audit logistics, team & audit fees



Ciaran McLaughlin, Engagement Lead



Andy Ayre, Audit Manager

Audit fees

The planned audit fees are no less than £45,776 (PY: £45,776) for the financial statements audit and £18,084 (PY: £15,950*) for grant certification. Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

In setting your fee, we have assumed that the scope of the audit, and the Council and its activities, do not significantly change.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

* Additional fee for £2,000 in respect of the Housing Benefit certification for 2016/17 is awaiting approval by PSAA.

Early close

Meeting the early close timeframe

Bringing forward the statutory date for publication of audited local government accounts to 31 July this year, across the whole sector, is a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts is curtailed, while, as auditors we have a shorter period to complete our work and face an even more significant peak in our workload than previously.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans (as detailed on page 11). Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Non-audit services

No non-audit services were identified.

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

60169

Appendices

Page 110
A. Revised ISAs



Appendix A: Revised ISAs

Detailed below is a summary of the key changes impacting the auditor's report for audits of financial statement for periods commencing on or after 17 June 2016.

Section of the auditor's report	Description of the requirements
Conclusions relating to going concern	We will be required to conclude and report whether: <ul style="list-style-type: none">• The directors use of the going concern basis of accounting is appropriate• The directors have disclosed identified material uncertainties that may cast significant doubt about the Council's ability to continue as a going concern.
Material uncertainty related to going concern	We will need to include a brief description of the events or conditions identified that may cast significant doubt on the Council's ability to continue as a going concern when a material uncertainty has been identified and adequately disclosed in the financial statements. Going concern material uncertainties are no longer reported in an Emphasis of Matter section in our audit report.
Other information	We will be required to include a section on other information which includes: <ul style="list-style-type: none">• Responsibilities of management and auditors regarding other information• A statement that the opinion on the financial statements does not cover the other information unless required by law or regulation• Reporting inconsistencies or misstatements where identified
Additional responsibilities for directors and the auditor	We will be required to include the respective responsibilities for directors and us, as auditors, regarding going concern.
Format of the report	The opinion section appears first followed by the basis of opinion section.

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

03 April 2018

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Information

1 SCALE OF AUDIT FEES FOR 2018/19

The report informs Members of the scale of audit fees for the audit of the 2018/19 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 auditor's work at authorities that have opted into PSAA national auditor appointment arrangements.

1.1.2 Following consultation, PSAA has published the fee scale for the audit of the 2018/19 accounts. The scale of audit fees for 2018/19 can be found at the following link:

<https://www.psa.co.uk/audit-fees/201819-work-programme-and-scales-of-fees/>

1.1.3 PSAA has set the 2018/19 fee scale on the basis that individual scale audit fees for all opted-in bodies have been reduced by 23 per cent from the fees applicable for 2017/18. This gives opted-in bodies the benefit of the cost savings achieved in the recent audit procurement, and continues the practice of averaging firms' costs so that all bodies benefit from the same proportionate savings, irrespective of the firm appointed to a particular audited body. It also passes on the benefit of economies which PSAA is making in its own operating costs.

1.1.4 The fee reduction does not mean there will be a change in the scope, volume or quality of audit work required at opted-in bodies. Auditors must undertake sufficient work to comply with the requirements of the Code of Audit Practice issued by the National Audit Office and relevant professional standards, and to enable them to discharge their statutory responsibilities under the Local Audit and Accountability Act 2014 and their contractual obligations to PSAA.

1.2 Legal Implications

1.2.1 PSAA has a statutory duty to prescribe a scale of fees for the audit of accounts for authorities that have opted into its national auditor appointment arrangements.

1.3 Financial and Value for Money Considerations

1.3.1 The fee scale for the audit of the 2018/19 accounts is £35,248 representing a reduction of 23% compared to the fee applicable for 2017/18.

1.4 Risk Assessment

1.4.1 None.

Background papers:

contact: Neil Lawley

Nil

Sharon Shelton
Director of Finance and Transformation

Agenda Item 13

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

This page is intentionally left blank

Agenda Item 14

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

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

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

Agenda Item 16

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

This page is intentionally left blank