

TONBRIDGE & MALLING BOROUGH COUNCIL



EXECUTIVE SERVICES

Chief Executive

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

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

22 March 2019

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

Dear Sir/Madam

Your attendance is requested at a meeting of the Audit Committee to be held in the Civic Suite, Gibson Building, Kings Hill, West Malling on Monday, 1st April, 2019 commencing at 7.30 pm

Yours faithfully

JULIE BEILBY

Chief Executive

A G E N D A

PART 1 - PUBLIC

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To confirm as a correct record the Minutes of the meeting of Audit Committee held on 21 January 2019

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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. It is recommended that the report is presented to the Council to support this assurance.

5. Local Code of Corporate Governance 21 - 22

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7. Members Assurance on Compliance with International Standards on Auditing 29 - 32

Under International Standards on Auditing the external auditor has asked those charged with governance, which for this purpose is the Audit Committee, as to knowledge of any actual, suspected or alleged fraud affecting the entity.

Matters submitted for Information

8. Management Team Assurance on Compliance with International Standards on Auditing 33 - 38

Under International Standards on Auditing the 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.

9. Treasury Management Performance Update 39 - 48

The report provides details of investments undertaken and return achieved in the first eleven months of the current financial year.

10. Internal Audit and Counter Fraud Update 49 - 66
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11. Scale of Audit Fees for 2019/20 67 - 68
The report informs Members of the scale of audit fees for 2019/20.
12. Grant Thornton - Progress Report and Sector Update 69 - 92
A progress report and update from Grant Thornton on emerging national issues and developments that may be relevant to a local authority.
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14. Exclusion of Press and Public 95 - 96
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16. Urgent Items 105 - 106
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MEMBERSHIP

Cllr V M C Branson (Chairman)

Cllr R P Betts (Vice-Chairman)

Cllr O C Baldock

Cllr T Bishop

Cllr T Edmondston-Low

Cllr B T M Elks

Cllr S R J Jessel

Cllr Mrs F A Kemp

Cllr T C Walker

Apologies for absence

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Declarations of interest

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TONBRIDGE AND MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 21st January, 2019

Present: Cllr V M C Branson (Chairman), Cllr R P Betts (Vice-Chairman), Cllr O C Baldock, Cllr T Bishop and Cllr Mrs F A Kemp

Grant Thornton, External Auditors: Mr P Dossett (Partner) and Mr A Ayre (Manager)

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

An apology for absence was received from Councillor S R J Jessel

PART 1 - PUBLIC

AU 19/1 DECLARATIONS OF INTEREST

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

AU 19/2 MINUTES

RESOLVED: That the Minutes of the meeting of the Audit Committee held on 1 October 2018 be approved as a correct record and signed by the Chairman.

MATTERS FOR RECOMMENDATION TO THE CABINET

AU 19/3 RISK MANAGEMENT STRATEGY

The report of the Management Team invited Members to review the Risk Management Strategy and accompanying Risk Management Guidance 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.

RECOMMENDED: That the Risk Management Strategy and accompanying Risk Management Guidance be commended to Cabinet for adoption by Council.

AU 19/4 TREASURY MANAGEMENT UPDATE AND TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY FOR 2019/20

The report of the Director of Finance and Transformation provided details of investments undertaken and return achieved in the first nine

months of the current financial year and introduced the 2019/20 Treasury Management and Annual Investment Strategy.

RECOMMENDED: That the following be commended to the Council

- (1) the treasury management position as at 31 December 2018 and the higher level of income incorporated in the 2018/19 revised estimates be noted; and
- (2) the Treasury Management and Annual Investment Strategy for 2019/20, as set out at Annex 4 to the report, be adopted.

DECISIONS TAKEN UNDER DELEGATED POWERS IN ACCORDANCE WITH PART 3 OF THE CONSTITUTION (RESPONSIBILITY FOR COUNCIL FUNCTIONS)

AU 19/5 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.

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 19/6 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 19/7 ANNUAL REVIEW OF ANTI-MONEY LAUNDERING POLICY

The report of the Director of Finance and Transformation set out details of the annual review of the Council's Anti-Money Laundering Policy and associated guidance notes. 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 supporting guidance notes, as set out at Annexes 1 and 2 to the report, be approved.

AU 19/8 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 2018/19 Financial Statements.

RESOLVED: That the Accounting Policies to be used in the preparation of the 2018/19 Financial Statements, as set out at Annex 1 to the report, be approved.

AU 19/9 PROPOSED SCALE OF AUDIT FEES 2019/20

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 2019/20 financial statements. It was noted that the scale was the same as that set for 2018/19.

RESOLVED: That the proposed scale of audit fees for 2019/20 be noted.

MATTERS SUBMITTED FOR INFORMATION

AU 19/10 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 2018.

RESOLVED: That the report be received and noted.

AU 19/11 GRANT THORNTON CERTIFICATION LETTER 2017/18

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 2017/18. It was noted that no amendments were required to the subsidy claim after the audit and Members congratulated the team for their performance record.

RESOLVED: That the report be received and noted.

AU 19/12 GRANT THORNTON - 2018/19 AUDIT PLAN AND PROGRESS REPORT

The report of the Director of Finance and Transformation introduced two papers from the external auditors, the 2018/19 Audit Plan and Audit Progress Report and Sector Update. The Committee had earlier

welcomed to the meeting Mr Paul Dossett, a Partner at Grant Thornton, together with Andy Ayre (Audit Manager), who presented the reports.

RESOLVED: That the report be received and noted.

AU 19/13 EXCLUSION OF PRESS AND PUBLIC

There were no items considered in private.

The meeting ended at 8.10 pm

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

01 April 2019

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 2018. 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 Auditor 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 (England) 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 2018 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) “Delivering Good Governance in Local Government Framework 2016”.
- 1.2.2 The Committee is required to consider and approve the contents of the Annual Governance Statement (AGS), which took place in July 2018. 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 2018 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 and Fraud Plan for 2018/19 was presented to the Audit Committee in April 2018 and they were able to consider the content prior to recommending approval.
- 1.3.4 In July 2018 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 2018 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 It is a requirement of the Public Sector Internal Audit Standards (PSIAS) that periodic self-assessments are conducted to evaluate conformance with the PSIAS Code of Ethics and Standards. A self-assessment was undertaken in 2018 which established that we continue to generally conform to the Code of Ethics and Standards that constitute the PSIAS. Some minor areas for development were identified that relate to changes made to the Standards in April 2017 where existing processes should be documented/formalised; only two areas were identified for specific action and therefore assessed as Partially Conforms. The action plan to address these two areas was reported to Committee in October 2018.
- 1.3.7 The Audit Committee was given a report in July 2018 on the work completed by Internal Audit and Fraud 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 2019 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 and Fraud against the Annual 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.

1.5 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 2019.
- 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 biannually with changes highlighted. In 2018/19 the Committee received the Strategic Risk Register in July 2018, and were asked to note the emergence of a new strategic risk concerning the procurement of the waste services contract, and in January 2019.
- 1.5.5 The strategy states that Audit Committee Members will receive risk management training during their term of office. This training was last undertaken in April 2017 with further training planned for after the May 2019 Local Elections.
- 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 2018. 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 2018 which was presented to the Audit Committee at their meeting of October 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 2018.
- 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, Bribery 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. In March 2019 an independent review of the fraud team was undertaken, results will be reported to the July 2019 Committee as part of the Annual Report.
- 1.8.2 The Audit Committee is responsible for the review of the policies relating to countering fraud, bribery and corruption and anti-money laundering. In January 2019 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 2018/19 to March 12th 2019 included amounts to be repaid to the Council due to fraud and error of £71,387.68 with an increased annual liability of £76,799.67; a total of 109 civil penalties were issued in the amount of £7,630.
- 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 2018. 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. This was accompanied by the Audit Findings Report from the external auditor on the outcome of the audit of the accounts, and subsequently they issued an unqualified audit opinion on the financial statements and value for money conclusion.

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. In 2018/19 there was one substantial new partnership entered into; the South West Kent Waste Partnership (comprising Tonbridge and Malling Borough Council, Tunbridge Wells Borough Council and Kent County Council). This was included in the 2018/19 Audit Plan as a watching brief with any issues/concerns to be escalated to the Audit Committee as appropriate, this escalation was not required.

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 2019 Members of the Audit Committee reviewed the Treasury Management Strategy Statement and Investment Strategy for 2019/20 and recommended it be adopted by the 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. The next round of training will be undertaken after the May 2019 Local Elections to ensure any new Members of the Committee are included.

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.

1.14.2 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

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

1.16 Financial and Value for Money Considerations

1.16.1 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 the Audit Committee

Report to follow

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TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

01 April 2019

Report of the Chief Audit Executive

Part 1- Public

Delegated

1 INTERNAL AUDIT AND FRAUD PLAN 2019-20

This report seeks Members approval of the Internal Audit and Fraud Plan for the year 2019/20.

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 2019/20 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 2019/20

1.2.1 A copy of the proposed Internal Audit and Fraud Plan for 2019/20 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 Local Government Counter Fraud and Corruption Initiative. 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 2019/20 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 subject to any amendments required to **approve** the Internal Audit and Fraud Plan for the year 2019/20.

Background papers:

contact: Samantha Buckland

Nil

Samantha Buckland
Chief Audit Executive

Tonbridge & Malling Borough Council Internal Audit and Fraud Plan 2019-20

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.’ It states Internal Audit’s mission as being ‘To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.
- 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 2019-20 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 2019-20 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), one part-time Senior Internal Auditor (0.6fte) and one Fraud Officer and one Fraud and Audit Assistant. Subject to any requirements for specialist skills (see 3.3 below). Additional days for 2019-20 are being sourced through use of contractors.

- 3.2 The total audit and fraud resource available in 2019-20 is approximately 650 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. 2019-20 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 timing and 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.
- 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 the 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 Title	Indicative Planned Days	Indicative Quarter	Assurance/ Consultancy	Directorate	Cross ref to Strategic Risk Register	Rationale for inclusion/High-level Scope
Risk Management	10	4	A	All	N/a - assurance on RM Process	Annual review of risk management process to provide assurance on compliance with process and effectiveness in identifying and mitigating key risks
Corporate Governance	12	4	A	CS	N/a - Core Assurance	Scope to be confirmed but an element of governance is audited cyclically to inform the annual opinion on governance, risk and internal control
Delivery of Corporate Strategy	12	4	A	All	Risk 4	The Corporate Strategy set Strategy Measures as indicators of success, this review would give assurance that progress is in line with expectations and outcomes are being achieved. The timing and scope of the audit will be informed by the organisation's mid-year review of progress that is currently planned
Enforcement	12	4	A	All	Risk 2	Themed review across enforcement functions in line with corporate policy to provide assurance on consistency, use of sanctions, etc.
GDPR	8	4	A/C	All	Risk 8	Rather than undertake a separate audit GDPR implications will be considered as part of all audits undertaken with a themed report produced at year-end, in addition attendance at the IGOSG will continue in an advisory capacity
Business Continuity Plan inc Emergency Planning resilience	12	3	A	All/SSLT	Risk 3, 12 & 14	B/f from 2018/19 - 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
Land charges	10	2	A	CS	Risk 2	A review to provide assurance on mitigation of organisational impact, including financial impact, pre-transfer of responsibility for elements of the process to the Land Registry
Facilities Management	15	2	A/C	CS	Risk 7	Scope to be confirmed but likely to include building maintenance, reactive work and support services such as security (inc CCTV and panic alarms), etc. We understand some elements may be subject to a service review and the potential for audit to assist will be considered
Property - Asset utilisation inc disposals	12	1	A	CS	Risks 2& 7	Assurance that asset utilisation is effective and disposals undertaken timely to achieve best value for money
Property - Capital Projects	18	2	A	CS/All	Risk 2	A review to provide assurance that key capital projects are effectively managed to mitigate risks in relation to timely completion, costs and quality of works
Debtors - debt recovery focussing on NNDR and HB	12	1	A	F&T	Core Financial System	Core financial audit to provide assurance on debt collection in key risk areas
Budget Setting and Monitoring	12	2	A	F&T	Core Financial System	Following potential issues identified with budget monitoring in particular areas in 2018/19 this audit will give assurance as to whether budget setting and monitoring is adequate and effective to minimise the risk of overspends
IT Security - network and access	12	3	A	F&T	Risk 9 & 10	A review to provide assurance on this key risk area as the gateway to IT systems, the scope will include access for new starters and processes for leavers
IT - New Strategy and Infrastructure	12	2	A	F&T	Risk 9	Assurance on implementation of new IT strategy and benefits realisation in relation to IT infrastructure. Scope will be clarified with the new Head of IT once in post
IT Disaster Recovery Plan	12	3	A	F&T	Risk 12	B/f from 2018/19 - 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
Food Safety	10	1	A	PHEH	N/a - cyclical	A review to provide assurance that processes are adequate to minimise the risk of fraud and error
Public Health	12	1	A	PHEH	Risk 2	A review to provide assurance on resilience against reductions in funding and on achievement of outcomes
Housing - reduction of Homelessness	15	3	A	PHEH	Risk 15	A review to provide assurance on use of temporary accommodation including use of 47 High Street to inform future decisions on approach
Empty properties	12	4	A	PHEH	Risk 15	Re-audit to provide assurance on return of properties to use, timing will be dependent on the expected update on the New Homes Bonus
Waste Contract Tender and roll out of new service	15	Ongoing	C	SSLT	Risk 19	Ongoing consultancy through attendance at working groups, assurance work will be undertaken early in 2020/21
Follow-up - Discretionary Disabled Facilities Grant	4		A	F&T		Follow-up of the 2018/19 audit to provide assurance that recommendations have been addressed, this work may be merged with the Budget Setting and Monitoring Audit at 12 above
Follow-up of specific audits	4		A	All		Requirement for any additional follow-ups will be confirmed once 2018/19 work is complete and assurance levels known
Follow up of all recommendations agreed by management	8	Ongoing	A	All		Time to follow-up on implementation of agreed actions
	261					
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 December 2018 and results of the biennial exercise were received in January 2018/19 - work is ongoing
KIN and other data matching/analysis to reduce fraud	20	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
Proactive - other	20	Ongoing		All		TBC - a separate report to MT is being produced and will be brought to the Audit Committee's July meeting
Provision of training, advice and increasing fraud awareness	10	Ongoing		All		Rolling programme of fraud awareness training and ongoing provision of advice 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
	190					
Allowances for work unknown at the time of planning						
Responsive work	12	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	12	As required		All		Allowance for the provision of advice in relation to governance, risk or controls during the year
Investigations	175	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
	199					
	650					

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

01 April 2019

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 has asked those charged with governance, which for this purpose is the Audit Committee, as to knowledge of any actual, suspected or alleged fraud affecting the entity.

1.1 Introduction

1.1.1 The external auditor has asked those charged with governance which for this purpose is the Audit Committee:

- Do you have knowledge of any actual, suspected or alleged fraud affecting the entity?

1.2 Assurance Evidence

1.2.1 The question and the accompanying response to the question is attached at **[Annex 1]**. The response to the question has been prepared and agreed with the Chair of the Audit Committee. Members of the Audit Committee are asked to consider and endorse the response given.

1.2.2 Management Team are also required to provide assurance under 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.

1.2.3 There have not been any reported incidents of significant fraud or error to the Chief Audit Executive during 2018/19.

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 response to the question set out at **[Annex1]**.

Background papers:

contact: Samantha Buckland

Council policies and records

Councillor Vivian Branson
Chair of the Audit Committee

Area	Question	Those Charged with Governance Response
Fraud	Do you have knowledge of any actual, suspected, or alleged fraud affecting the entity?	There are no instances of internal fraud as far as we are aware and no other significant concerns in 2018/19 to date have been reported to Members. Frauds reported to Members during 2018/19 include council tax discounts and exemptions, housing and housing benefit entitlement.

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TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

01 April 2019

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 auditor is required 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 auditor 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

Paul Worden

Sharon Shelton

Director of Finance and Transformation on behalf of Management Team

Area	Question	Management Response
Fraud	Please provide your assessment of how your financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments	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 2018/19.
	What are your processes for identifying and responding to the risks of fraud. Have you identified any specific risks of fraud and/ or areas where the risks of fraud likely to exist?	The duty to ensure that there are appropriate systems in place to prevent and detect fraud is discharged in part by the Council's Constitution including its Financial Procedure Rules and Contracts Procedure Rules. 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 identified. 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 reported to Members. Any reported allegations of fraud will be investigated and dealt with according to the relevant policies. The Internal Audit planning process carries out a risk assessment in order to scope against fraud and error and target those areas where the risk is considered highest. The subsequent reviews result in an assurance level being given to Management and Members for each audit and this is used by the Chief 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. Management is required to consider fraud and error within their services as part of the risk management process and to report any concerns of fraud for investigation. No instances of alleged or suspected internal fraud were raised during the year 2018/19 to date. The Council works with partners, e.g. the Cabinet Office and Department for Work and Pensions to identify and investigate fraud including the Housing Benefit Matching System that uses data matching in order to identify incorrect benefit payments.

	How do you communicate with those charged with governance regarding your processes for identifying and responding to the risks of fraud?	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. Update on the work of both Internal Audit function and Counter Fraud function is a standing item on the Audit Committee agenda. Members are updated on exercises such as the National Fraud Initiative and action taken to address any issues raised.
	How do you communicate with your employee regarding business practices and ethical behaviour?	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 Whistleblowing Policy are circulated to staff annually via "Net consent". 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 circulated as appropriate. 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 Counter Fraud staff are also required to sign annual declarations of interest.
	Do you have knowledge of any actual, suspected or alleged fraud affecting the entity?	There are no instances of internal fraud as far as we are aware and no other significant concerns in 2018/19 to date have been reported to Management Team.
Related parties	Please list your related parties, highlighting any changes from the prior period	There are no changes in respect of related parties from the prior year, i.e. United Kingdom Central Government; Members and Chief Officers; and appointments of Councillors to local outside bodies.
	Please provide a summary of the nature of the relationships between the entity and these related parties	Central Government is responsible for the statutory framework within which the Council operates, provides grant funding and prescribes the terms of many of the transactions that the Council has with other parties. All Members and Chief Officers are required to disclose where they or any member of their family or household has an interest in an entity that has had transactions with the Council. The Council make a number of appointments to local outside bodies and some of these bodies receive grant aid.

	Has the entity entered into any transactions with these related parties during the 2018/19 period, if so, what was the type and purpose of the transaction(s)?	The Council has received both general and specific Central Government grant funding for its day to day business activity; and grant aided a number of charitable and voluntary and community organisations.
Going Concern	Is the going concern basis of accounting a fundamental principle in the preparation of your financial statements?	Yes.
	Has a preliminary assessment of the entity's ability to continue as a going concern been performed?	Going concern status is assessed and maintained through the use of a Medium Term Financial Strategy covering a rolling ten-year period. The aim of the Strategy is to give us a realistic and sustainable plan that reflects the Council's priorities. The assessment of going concern will also take into account the Council's status as a tax-raising body.
	Have you identified events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern? If so, what are your plans to address them?	No events or conditions identified that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern.
	What is your basis for the intended use of the going concern assumption? Do events or conditions exist that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern?	Use of the Medium Term Financial Strategy covering a rolling ten-year period. Supplemented by the fact that the Council holds adequate levels of reserves that could be used in the event of emerging difficulties over and above that assumed in the short term to allow for more detailed plans to be considered and put in place for the longer term.
	If applicable, please document your basis for concluding that the going concern basis of accounting is not a fundamental principle in the preparation of the financial statements	Not applicable.
Litigation & claims	Are you aware of possible litigation and/ or claims which may give rise to a risk of material misstatement?	We are not aware of any actual or potential litigation or claims that could materially affect the financial statements.
Accounting estimates	How do you identify transactions, events, and conditions that may give rise to the need for accounting estimates to be recognised or disclosed in your financial statements?	This is part of the closure of accounts process and in recent years includes business rates appeals and embedded leases.
	Are there any changes in circumstances that may give rise to new, or the need to revise existing, accounting estimates?	None to the best of our knowledge.

Laws and regulations	Are you aware of any non-compliance with any laws and regulations?	None to the best of our knowledge. There have not been any instances of non-compliance with any laws and regulations reported to the Monitoring Officer during the year other than GDPR notifications in his role as the Council's Data Protection Officer.
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TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

01 April 2019

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Information

1 TREASURY MANAGEMENT PERFORMANCE UPDATE

The report provides details of investments undertaken and return achieved in the first eleven months of the current financial year.

1.1 Introduction

1.1.1 The Council's investments are derived from cash flow surpluses, core cash balances and other long term cash balances.

1.2 Performance 1 April 2018 to 28 February 2019

1.2.1 A full list of investments held on 28 February 2019 is provided at **[Annex 1]** and a copy of our lending list is provided at **[Annex 2]**. The table below provides a summary of funds invested and income earned at the end of February.

	Funds invested at 28 Feb 2019 £m	Average duration to maturity Days	Weighted average rate of return %	Interest / dividends earned to 28 Feb 2019 £	Annualised return %	LIBID benchmark (average from 1 April) %
Cash flow	15.3	3	0.80	104,500	0.72	0.50 (7 Day)
Core cash	24.0	113	0.99	189,000	0.90	0.67 (3 Mth)
Sub-total	39.3	70	0.91	293,500	0.83	0.60 (Ave)
Long term	5.0			117,900	3.54	
Total	44.3	<i>Long term (Property funds) return based on dividends to Dec 2018.</i>				

1.2.2 **Cash flow and core cash investments.** Interest earned of £293,500 from cash flow surpluses and core cash balances to the end of February is £37,000 better than the revised estimate for the same period (£127,000 better when compared to the original estimate for 2018/19). The authority also outperformed the LIBID benchmark by 23 basis points. The additional income is due in part to higher core cash balances (unspent business rate appeals provisions) and in part due to an

improvement in investment rates banks offered in the lead-up to and are now offering following the August 2018 Bank Rate rise.

- 1.2.3 The benchmarking service provided by the Council's treasury advisor enables our performance to be gauged against Link's other local authority clients. An extract from the latest benchmarking data is provided 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 2018 the Council's return at 0.91% (purple diamond) was above the local authority average of 0.83%. Based on the Council's exposure to credit / duration risk that return was also above Link's predicted return (above the upper boundary indicated by the green diagonal line). The Council's risk exposure was broadly in-line with the local authority average.
- 1.2.4 **Long term investment.** Some 20% (£3m) of the Council's expected long term cash balances together with new money derived from the sale of assets and other windfalls is being invested in externally managed property funds. These investments generate an annual income stream and an expectation of capital appreciation over time sufficient to recoup fund entry and exit costs circa 8%.
- 1.2.5 Income from property funds of £117,900 has been received thus far in 2018/19 (quarter ending December 2018) which represents an annualised return of 3.54%.
- 1.2.6 Capital appreciation is recorded in the table below. The economy has slowed in recent months and so has the rate at which fund sale values have been appreciating. Since inception, progress towards breakeven is still encouraging.

Property fund (Primary = units in the fund purchased from the fund manager. Secondary = units purchased from another investor at a discount. Date = first month the investment attracted dividends)	Purchase price (a) £	Sale value at date of purchase (b) £	Current sale value February 2019 (c) £	Current sale value above (below) purchase price (c-a) £
LAPF (Primary, July 2017)	1,000,000	922,200	975,100	(24,900)
Lothbury (Primary, July 2017)	1,000,000	927,700	985,400	(14,600)
Hermes (Secondary, October 2017)	1,000,000	939,000	1,009,900	9,900
LAPF (Primary, June 2018)	1,000,000	922,200	935,000	(65,000)
Lothbury (Secondary, July 2018)	1,000,000	973,000	966,400	(33,600)
Total	5,000,000	4,684,100	4,871,800	(128,200)

1.3 Legal Implications

- 1.3.1 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.

1.4 Financial and Value for Money Considerations

- 1.4.1 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.
- 1.4.2 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.
- 1.4.3 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.
- 1.4.4 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.

1.5 Risk Assessment

- 1.5.1 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.

Background papers:

contact: Mike Withey

Link Asset Services - benchmarking data.

Sharon Shelton
Director of Finance and Transformation

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Tonbridge and Malling Borough Council
Investment Summary as at 28 February 2019

Counterparty	Sovereign	Fitch Credit rating		Link 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	1 year	23/05/2018	23/05/2019	1 year	1,000,000	1.00%		Fixed Term		1,000,000	
Bank of Scotland	UK	A+	F1	1 year	03/09/2018	03/09/2019	1 year	1,000,000	1.05%		Fixed Term		1,000,000	
Bank of Scotland Total								2,000,000		4.51%				
Barclays Bank	UK	A+	F1	6 months	20/06/2018	20/03/2019	9 months	1,000,000	0.73%		Fixed Term		1,000,000	
Barclays Bank	UK	A+	F1	6 months	07/08/2018	07/05/2019	9 months	3,000,000	0.89%		Fixed Term		3,000,000	
Barclays Bank Total								4,000,000		9.02%				
Blackrock MMF	n/a	AAA	mmf (Eq)	5 years	28/02/2019	01/03/2019	Overnight	1,000,000	0.76%		MMF	1,000,000		
Blackrock MMF Total								1,000,000		2.25%				
BNP Paribas MMF	n/a	AAA	mmf (Eq)	5 years	28/02/2019	01/03/2019	Overnight	3,000,000	0.78%		MMF	3,000,000		
BNP Paribas MMF Total								3,000,000		6.76%				
Deutsche MMF	n/a	AAA	mmf	5 years	28/02/2019	01/03/2019	Overnight	500,000	0.76%		MMF	500,000		
Deutsche MMF Total								500,000		1.13%				
Federated MMF	n/a	AAA	mmf	5 years	28/02/2019	01/03/2019	Overnight	3,537,000	0.79%		MMF	3,537,000		
Federated MMF Total								3,537,000		7.98%				
Goldman Sachs Int'l Bank	UK	A	F1	6 months	20/06/2018	20/03/2019	9 months	2,000,000	0.97%		Fixed Term		2,000,000	
Goldman Sachs Int'l Bank Total								2,000,000		4.51%				
Lloyds Bank	UK	A+	F1	1 year	15/05/2018	15/05/2019	1 year	2,000,000	1.00%		Fixed Term		2,000,000	
Lloyds Bank	UK	A+	F1	1 year	03/09/2018	04/03/2019	6 months	2,000,000	0.85%		Fixed Term	2,000,000		
Lloyds Bank Total								4,000,000		9.02%				
Morgan Stanley MMF	n/a	AAA	mmf	5 years	28/02/2019	01/03/2019	Overnight	3,000,000	0.80%		MMF	3,000,000		
Morgan Stanley MMF Total								3,000,000		6.76%				
Hermes Property Unit Trust	n/a	n/a	n/a	n/a	29/09/2017	n/a	n/a	1,000,000	3.49%		Property Fund			1,000,000
Hermes Property Unit Trust Total								1,000,000		2.25%				
Local Authorities' Property Fund	n/a	n/a	n/a	n/a	29/06/2017	n/a	n/a	1,000,000	4.32%		Property Fund			1,000,000
Local Authorities' Property Fund	n/a	n/a	n/a	n/a	30/05/2018	n/a	n/a	1,000,000	3.98%		Property Fund			1,000,000
Local Authorities' Property Fund Total								2,000,000		4.51%				
Lothbury Property Trust	n/a	n/a	n/a	n/a	06/07/2017	n/a	n/a	1,000,000	3.08%		Property Fund			1,000,000
Lothbury Property Trust	n/a	n/a	n/a	n/a	02/07/2018	n/a	n/a	1,000,000	2.97%		Property Fund			1,000,000
Lothbury Property Trust Total								2,000,000		4.51%				
National Westminster Bank	UK	A+	F1	1 year	20/06/2018	20/03/2019	9 months	2,000,000	0.85%		CD		2,000,000	
National Westminster Bank	UK	A+	F1	1 year	29/06/2018	29/03/2019	9 months	2,000,000	0.88%		CD		2,000,000	
National Westminster Bank	UK	A+	F1	1 year	25/07/2018	25/04/2019	9 months	2,000,000	0.95%		CD		2,000,000	
National Westminster Bank	UK	A+	F1	1 year	28/02/2019	01/03/2019	Overnight	309,000	0.20%		Call	309,000		
National Westminster Bank Total								6,309,000		14.23%				
Nordea Bank Abp	Finland	AA-	F1+	1 year	14/12/2018	14/03/2019	3 months	2,000,000	0.89%		CD	2,000,000		
Nordea Bank AB Total								2,000,000		4.51%				
Rabobank	Netherlands	AA-	F1+	1 year	15/01/2019	14/01/2020	1 year	2,000,000	1.16%		CD		2,000,000	
Rabobank Total								2,000,000		4.51%				
Santander UK	UK	A+	F1	1 year	23/11/2018	23/08/2019	9 Months	2,000,000	1.13%		Fixed Term		2,000,000	
Santander UK	UK	A+	F1	1 year	05/12/2018	05/09/2019	9 Months	2,000,000	1.13%		Fixed Term		2,000,000	
Santander UK Plc Total								4,000,000		9.02%				
Toronto Dominion Bank	Canada	AA-	F1+	1 year	11/10/2018	11/10/2019	1 year	2,000,000	1.03%		CD		2,000,000	
Toronto Dominion Bank Total								2,000,000		4.51%				
Total invested								44,346,000		100.00%		15,346,000	24,000,000	5,000,000

Number of investments	26	Average investment value £		1,706,000	
Number of counter parties	17	Average counter party investment £		2,609,000	
Group exposures:		Core £	Cash £	Combined £	%
Royal Bank of Scotland + National Westminster (UK Nationalised 20%)		6,000,000	309,000	6,309,000	14.23
Bank of Scotland + Lloyds (20%)		4,000,000	2,000,000	6,000,000	13.53
Property Funds Total				£	%
				5,000,000	11.27

Total non-specified investments should be less than 60% of Investment balances 11.27%

Notes:

CD = Certificate of Deposit, MMF = Money Market Fund

Property fund returns are based on dividends distributed from the start of each investment. Capital appreciation / depreciation is recorded elsewhere. Last update February 2019.

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Tonbridge and Malling Borough Council Lending List

Checked against Link's Duration Matrix dated 22/02/19

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	UK Classification	Exposure Limit	Link Duration [2]	
							Credit Rating	Post CDS
Bank of Montreal	Canada	AAA	AA-	F1+	n/a	£6m	1 year	1 year
Toronto Dominion Bank	Canada	AAA	AA-	F1+	n/a	£6m	1 year	1 year
Danske Bank	Denmark	AAA	A	F1	n/a	£6m	6 months	6 months
Nordea Bank Abp	Finland	AA+	AA-	F1+	n/a	£6m	1 year	1 year
Rabobank (Cooperatieve Rabobank U.A.)	Netherlands	AAA	AA-	F1+	n/a	£6m	1 year	1 year
ING Bank	Netherlands	AAA	AA-	F1+	n/a	£6m	1 year	1 year
Svenska Handelsbanken AB (Group Limit with Handelsbanken Plc £6m)	Sweden	AAA	AA	F1+	n/a	£6m	1 year	1 year
Bank of Scotland (Group limit BOS & Lloyds £6m)	UK	AA	A+	F1	Ring-fenced	£6m	1 year	1 year
Barclays Bank (Group Limit Barclays and Barclays UK £6m)	UK	AA	A+	F1	Non-RF	£6m	6 months	6 months
Barclays Bank UK (Group Limit Barclays and Barclays UK £6m)	UK	AA	A+	F1	Ring-fenced	£6m	6 months	6 months
Goldman Sachs Int'l Bank	UK	AA	A	F1	Exempt	£6m	6 months	6 months
Handelsbanken Plc (Group Limit with Svenska Handelsbanken AB £6m)	UK	AA	AA	F1+	Exempt	£6m	1 year	1 year
HSBC UK Bank	UK	AA	AA-	F1+	Ring-fenced	£6m	1 year	1 year
Lloyds Bank (Group limit BOS & Lloyds £6m)	UK	AA	A+	F1	Ring-fenced	£6m	1 year	1 year
Santander UK	UK	AA	A+	F1	Ring-fenced	£6m	1 year	1 year
Standard Chartered Bank	UK	AA	A+	F1	Exempt	£6m	6 months	6 months
Coventry Building Society	UK	AA	A	F1	Exempt	£6m	6 months	6 months
Nationwide Building Society	UK	AA	A	F1	Exempt	£6m	6 months	6 months
National Westminster Bank (Group limit Nat West and RBS £8m). UK Nationalised.	UK	AA	A+	F1	Ring-fenced	£8m	1 year	1 year
The Royal Bank of Scotland (Group limit Nat West and RBS £8m). UK Nationalised.	UK	AA	A+	F1	Ring-fenced	£6m	1 year	1 year
UK Debt Management Office including Treasury Bills	UK	AA	n/a	n/a	n/a	No limit	5 years	5 years
UK Treasury Sovereign Bonds (Gilts)	UK	AA	n/a	n/a	n/a	£15m (£7.5m)	5 years	5 years
UK Local Authority (per authority)	UK	AA	n/a	n/a	n/a	£6m	5 years	5 years

[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 sovereign limit of 20% or £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.

Money Market Funds
Minimum investment criteria AAA

Fund Name	Moody	Fitch	S&P	Exposure Limit
Blackrock	AAA	-	AAA	£6m
BNP Paribas	-	-	AAA	£6m
Deutsche Fund	AAA	AAA	AAA	£6m
Federated	-	AAA	AAA	£6m
Insight Liquidity (Group limit IL & ILP of £6m)	-	AAA	AAA	£6m
Morgan Stanley	AAA	AAA	AAA	£6m

Enhanced Cash Funds
Minimum investment criteria AAA

Fund Name	Moody	Fitch	S&P	Exposure Limit
Insight Liquidity Plus (Group limit IL & ILP £6m)	-	-	AAAf /S1	£3m

Temporary increase in National Westminster Bank limit to £8m 18/2/2019 to 22/3/2019. Exposure on any one day must be less than 20% of available investment balances.

Approved by Director of Finance and Transformation 25th February 2019	No Change
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Tonbridge And Malling Borough Council

Population Returns against Model Returns 31 December 2018



	Actual WARoR	Model WARoR	Difference	Lower Bound	Upper Bound	Performance
Tonbridge And Malling Borough Council	0.91%	0.85%	0.06%	0.80%	0.90%	Above

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TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

01 April 2019

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 2018 to February 2019.

1.1 Introduction

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

1.2 Internal Audit Update

Progress against the 2018/19 Plan

- 1.2.1 The Annual Internal Audit and Counter Fraud Plan (the Plan) for 2018/19 was approved by this Committee on the 3 April 2018. The purpose of this report is to provide Members with an update on the progress of the Internal Audit team in 2018/19 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 Plan, 23 were audits or proactive fraud reviews that will result in an assurance opinion. This includes 1 audit postponed from the 2017/18 Audit Plan. The remainder of items on the plan relate to four consultancy items (two of which are no longer required by the service) follow-up of recommendations due or allowances for the provision of control advice, etc.

- 1.2.3 Progress in completion of the 2018/19 Plan has been effected by the vacancy of the senior auditor post earlier in the year. The post was vacant for 3 months and has now been filled on a part-time basis. To address this a number of actions have been undertaken. Firstly additional contractor resource was bought in, funded by the vacancy saving. This was a previous staff member who returned in January to complete three audits in Q4. In addition, three audits have been postponed to 2019/20 (two of these, Local Plan and IT Strategy were reported to the January Committee meeting). The third is Business Continuity Planning which we have agreed to delay given the pressure on relevant officers due to Brexit; this audit will now be undertaken in quarter 4 of 2019/20. We also have two follow-up audits planned which will now be undertaken in April.
- 1.2.4 The team have issued eight final reports and seven draft reports, with four audits currently underway and the two follow-up audits above are at planning and due to start imminently. Two pieces of consultancy work are in progress. A summary of the current status of all audits on the 2018/19 Plan, including a summary of findings where finalised, is attached to this report at **[Annex 1]**. Definitions of Audit Opinions are given at **[Annex 2]**.

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

- 1.2.5 The Quality Assurance and Improvement Programme summarises all of the measures in place to enable an evaluation of the internal audit activity's conformance with the Public Sector Internal Audit Standards (PSIAS) including the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement and learning for the team. In 2018/19 to date no instances of non-conformance have been identified.
- 1.2.6 At the Committee in January 2019 new audit and fraud KPIs were approved and these will be implemented and reported to Committee for 2019/20.

1.3 Counter Fraud Update

Prevention and Detection of Fraud, Bribery and Corruption

- 1.3.1 This section of the report provides details of the Council's activity in preventing and detecting fraud, bribery and corruption in the year 2018/19 to date.
- 1.3.2 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 current biennial exercise commenced in October 2018 and required data sets were provided in line with set timescales. In January 2019 1106 matches were received. To date 76 have been closed with no further action and 18 have been opened to undertake further enquiries. In March 2019 a further 483 matches were received, which are awaiting review.

- 1.3.3 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 December 2018. There were 814 matches received and to date 604 have been closed with no further action required. 55 have been closed as errors resulting in underpayments totalling £9,398.21. A further 38 have been opened to undertake further enquiries. Of the 117 to be reviewed 73 relate to rising 18s and therefore will be prioritised according to date of birth.
- 1.3.4 The Kent Intelligence Network (KIN), 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. A KIN Operations Manager was recruited in October 2018; significant progress has been made since his appointment including training on and implementation of a new data matching software solution. Next steps in terms of data sets to match are being progressed with an initial focus on Business Rates and an update report will be provided to Kent Finance Officers Group (KFOG) in May and to this Committee in July.
- 1.3.5 In 2018 KFOG agreed to fund the procurement of a software solution that focuses on data matching businesses in receipt of Small Business Rates Relief (SBRR) nationally. Data matches received through this route have been reviewed and an overall saving to date of £10,864.63 has been achieved against a cost contribution from TMBC of £1,000. A number of SBRR matches remain subject to review and data matches are refreshed monthly resulting in potential for further savings. The software providers are now working in partnership with the KIN, this partnership has been shortlisted for the 2019 Public Finance Awards in the Solutions Partner category with results to be announced 1st May 2019.
- 1.3.6 In June 2017 KCC 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 business rates where information held elsewhere, including credit reference agencies, indicates a discount or exemption awarded may be erroneous. Reviews of high risk Single Person Discount cases are now being undertaken by the Revenues Team and this has identified a number of cases where they have removed the discount. For 2018/19 to date 53 discounts have been removed resulting in an amount of £40,453.95 to be recovered. Current funding arrangements expire at 31 March 2019 and KCC have yet to formally confirm what if any element of funding will be continued.
- 1.3.7 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.

1.3.8 We continue to review areas of fraud risk and direct our work accordingly. In 2018/19 to date this has included:

- Working with the parking team on a number of investigations identified from Parking Permit applications. This will be explored further over the year with an exercise to undertake periodic matching of SPD to Residents Parking Permits. In addition a Blue Badge enforcement day has been discussed, with exact timing to be confirmed once this is formally agreed.
- Discussions with two Housing Associations with regard to Joint Working which could result in recovery of properties with 100% nomination rights for TMBC and we are considering whether there is other work that would be of mutual benefit including data matching and a key amnesty.
- The Fraud Team undertook a proactive review of Student Discounts currently in place which identified £1,335.44 of underpayments based on incorrect discounts.

1.3.9 Fraud awareness training continues to be provided to services, targeted at those where risk of fraud is greatest. In 2018/19 to date we have provided training to new staff in Revenues and Benefits and to Customer Service staff at Tonbridge Castle. In addition we have training planned for Housing and a briefing to provide to the Procurement OSG carried forward from last year. In addition, following recruitment of a Fraud/Audit Assistant, we will be looking at formalising a plan for additional proactive work and raising awareness of fraud more broadly. This work is likely to be undertaken in 2019/20.

Investigating Fraud

1.3.10 The Counter Fraud Team is responsible for investigating all allegations of fraud, bribery and corruption, whether this is through internal fraud or external stakeholders or customers, as well as assisting with disciplinary investigations as and when required. Investigation of Housing Benefit Fraud transferred to the Department of Work and Pensions (DWP) in February 2016 however the DWP are now requesting that local authorities work with them to jointly investigate cases where claimants are in receipt of both Housing Benefit and Council Tax Reduction; this went live 25th February 2019 and will increase the number of investigations currently undertaken. The impact of this on the team will be closely monitored.

1.3.11 In 2018/19 to March, the Counter Fraud Team have closed 404 cases and received a total of 319 referrals; there are 24 ongoing investigations. The total amount of income due as a result of investigations closed to 12th March is £71,387.68 (this includes the £10,864.63 referred to in paragraph 1.3.5 above) with increased annual liability of £76,799.67. **[Annex 3]** summarises the results of investigations concluded in 2018/19 to date.

Independent Review of Counter Fraud

1.3.12 As part of the 2018/19 Internal Audit and Counter Fraud Plan it was agreed that an independent review of the Counter Fraud function would be undertaken to provide assurance that fraud risk is appropriately recognised and addressed at an organisational level and that referrals, investigations and sanctions are dealt with appropriately in line with Council Policy and relevant legislation. We agreed that this work would be undertaken in March 2019 and the results of the review will be reported to this Committee in July with any resultant action plan.

1.4 Legal Implications

1.4.1 The Accounts and Audit Regulations place a statutory requirement on local 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.

1.4.2 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.

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

1.5 Financial and Value for Money Considerations

1.5.1 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.

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

1.6 Risk Assessment

1.6.1 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 framework for governance, risk management and control.

1.6.2 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

Audit Review Title	Planned Quarter	Current Status	Audit Opinion	Scope of Audit and Findings
Risk Management	4	Draft Report	TBC	
Safeguarding	3	Draft Report	TBC	
Procurement	2	Complete	Adequate	<p>The overall objective of the audit was to provide management and Members with an assurance as to the adequacy and reliability of the controls in place to manage the risks associated with Procurement.</p> <p>A number of strengths were found including that there are several procurement policies and procedures which provide guidance to staff with an overarching Procurement Strategy which was appropriately approved, although it was noted that policies and procedures are not version controlled with review dates and owners. The Council's Constitution was revised and approved in July 2018 which included a revision to the Contract Procedure Rules. The contracts register published on the Council's website complies with the Local Government Transparency Code 2015, with the exception of omitting a few start/end dates for contracts let in 2016/17. The majority of contracts tested within the £5k to £100k had obtained three quotes in line with the Council's expected procedure and for most of the sample tested justification was given for the rational for choosing the preferred supplier, a ratio of price/quality, 30/70 had been set in the evaluation criteria.</p> <p>However, discussions confirmed that there is no proactive monitoring or consideration given to entering into contracts based on cumulative spend that contract expiry dates are not formally monitored or recorded. There is a monthly process for updating purchase order (PO) spend to the contracts register but limited monitoring of non-PO spend. The responsibility of updating the contracts register has recently changed and monitoring to ensure completion is not yet in place. In addition, testing found examples of suppliers that were omitted from the contracts register which may be due to there being no PO exception list in place.</p>
Information Governance – General Data Protection Regulations	4	Consultancy - Ongoing		<p>We continue to provide ongoing advice in a consultancy capacity with regard to GDPR compliance and this includes attendance at the Information Governance Officer Group, an assurance based audit is in progress.</p>

Audit Review Title	Planned Quarter	Current Status	Audit Opinion	Scope of Audit and Findings
Information Governance – General Data Protection Regulations	4	In progress		
Business Continuity Plan including Emergency Planning	4	Postponed		This audit has been postponed to 2019/20 in recognition of resource pressure caused by work being undertaken to prepare for Brexit.
Public Safety	2	In progress		
Corporate Governance – Democratic Process and Decision Making	2	Complete	High	<p>The Constitution has been subject to review by a number of different committees prior to being approved by Full Council. It is widely published and therefore readily available to Members, Officers and members of the public. The Constitution contains sufficiently detailed guidance on the decision-making process. Suitably detailed Terms of Reference are in place for all Committees and testing established that all Committees are working in accordance with their Terms of Reference. Similarly, there is an approved scheme of officer delegations in place.</p> <p>Accurate and timely information is provided to members where decisions or recommendations are required. Recommendations made by Advisory Boards and any other Committees are accurately conveyed as part of the decision making and approvals process. This ensures that Cabinet and Full Council are making informed decisions based on items which have already been discussed, reviewed and considered by other Committees.</p> <p>Member attendance at meeting is subject to review by the Monitoring Officer. Testing identified that attendance for the period 01 January 18 to 31 January 19 varied from 96% to 13%. While the majority of Members achieve attendance in excess of 50%, a small number are approaching the point whereby they have not attended a meeting for 6 months. Section 85 of the Local Government Act requires all members to attend a meeting at least every 6 months, or otherwise they will cease to be a Member of the authority. Discussions with the Monitoring Officer established that this requirement could be better communicated to all members as part of the new member induction process.</p>

Audit Review Title	Planned Quarter	Current Status	Audit Opinion	Scope of Audit and Findings
Starters and Leavers Payroll and Personnel processes	3	Complete	Substantial (Payroll) Limited (Personnel)	<p>The overall objective of the audit was to provide assurance that robust controls are in place within the Payroll and Personnel function to effectively manage the Starters and Leavers process.</p> <p>All new starters and leavers in our sample had been appropriately authorised and had been promptly processed by Payroll. Paperwork received by Payroll is scrutinised for errors and an example was found where an overpayment had been identified and was promptly resolved by the Payroll Team. Employee's pro-rated first and last pay had been calculated accurately, including any required deductions or payments.</p> <p>However testing to confirm if the required ID and right to work checks had been completed prior to employment identified occasions where either there was no evidence of the required checks being performed and/or dates checks were undertaken were not documented; one case was identified where checks made by an agency had been accepted without further verification when the individual became a permanent member of staff. In addition, testing identified a number of instances where references for new starters did not comply with policy, including one where a verbal reference had been deemed acceptable and one with no references evident on file.</p> <p>There are limited policies and procedures to provide guidance to officers regarding the starter and leaver processes. A review identified that policies are either not up to date or do not reflect current practice and highlighted instances where no documented procedures exist.</p>
IT Disaster Recovery Plan	4	Draft Report	TBC	
Council Tax Administration	3	Draft Report	TBC	
Benefits – Change of circumstances	3	Draft Report	TBC	
Counter Fraud Function	3	Draft Report	TBC	

Audit Review Title	Planned Quarter	Current Status	Audit Opinion	Scope of Audit and Findings
Creditors, including VAT	1	Complete	Creditors – Adequate VAT - High	<p>A number of areas for development were identified for Creditors with recommendations made accordingly. In particular Financial Procedure Rules require Purchase Orders to be raised in advance of goods or services being received from the supplier. Although there are legitimate exceptions, testing identified numerous instances where expenditure incurred on goods and services had no purchase order raised or where the order had been raised after the invoice was received.</p> <p>Review/rationalisation of authorising officers and suppliers on the system is required; we identified instances where staff have authorisation limits in excess of need and a number of officers with ability to authorise had not done so. A large number of suppliers have duplicate accounts and a significant number of suppliers are inactive and need to be removed. It is understood that ‘purging’ these suppliers has been difficult to date due to how the system works, but an update is being tested with a view to carrying out the purge in the short term. In addition the ability to create or amend new supplier accounts is not limited to staff from Exchequer meaning that a large number of staff from across the authority are able to set up supplier bank details. Exchequer staff do however check the newly set up bank details against the invoice received from the supplier. Further changes to existing suppliers made by staff across the Council generate a report which is checked by Exchequer staff.</p> <p>Review of the payment process identified that, mainly due to the size of the Exchequer team, there is no separation of duties in the process, and no independent checks are undertaken on payment reports before being sent to the bank for processing. All approvals for BACS payment are obtained after the payment has been sent. We did note that there are a number of retrospective compensating controls that would ensure identification of errors after the payment file had been sent and there is the opportunity to recall the file provided it is checked timely.</p> <p>Three duplicate payments were made during the year. One payment has been repaid by the supplier but the other two are outstanding; the amounts are not material. It was established that in all 3 cases, staff outside of Exchequer had used different invoice numbers thereby circumventing inbuilt system controls which allowed the duplicate invoices to be processed.</p> <p>In relation to VAT our review found sound procedures for processing VAT invoices from suppliers and for the recovery of input VAT. Review of procedures for the raising of invoices established that VAT is being correctly applied. Some minor technical</p>

Audit Review Title	Planned Quarter	Current Status	Audit Opinion	Scope of Audit and Findings
				issues were identified where staff are on occasion raising invoices as exempt or zero rated when in fact they should be raised as being outside the scope of VAT. No errors were identified with the most recent VAT partial exemption calculation.
Treasury Management	2	Complete	High	<p>The audit established a number of key strengths. The Treasury Management Strategy is subject to regular review and approval by full Council. All investment decisions were undertaken in accordance with the Strategy, were recorded on a suitably detailed cashflow which forms the basis for all investment decisions and were approved by Senior Management prior to being made. Staff responsible for undertaking the treasury management function are well trained, and fully understand the priorities for the Council as being firstly security and liquidity of funds, and then return on investment. Financial Services staff responsible for treasury management receive regular updates from Treasury Management advisors, and only make investment decisions after having considered the most recent information provided by those advisors.</p> <p>It was noted that the Audit Committee are responsible for the review of treasury management activities; only 3 members of the current Committee have been provided with Treasury Management training and that training was received in 2014. However, in light of the May 2019 elections, it would make sense to provide training after any new Committee Members have been appointed. In addition The Council re-appointed its existing Treasury Management advisors in April 2016 for a further term of 5 years, the total cost of the contract being around £40,000. Officers undertook informal market testing and subsequently obtained 3 quotes however further market testing in compliance with Contract Procedure Rules as part of the process for appointing new treasury management advisors is advised when the current contract is near expiry.</p>
IT – New Strategy	TBC	Postponed	N/a	The new IT Strategy was agreed in May 2018, as such we believe there would be limited value in undertaking an audit at this stage, the audit will now be undertaken in Q1 of 2019/20 to allow progress in implementation.
Local Plan	4	Postponed	N/a	The Plan has now been to consultation and will be submitted to the Secretary of State for approval, as such there is limited value that audit can add at this stage. The Local Plan audit has been replaced by an audit of the Discretionary Disabled Facilities Grant.

Audit Review Title	Planned Quarter	Current Status	Audit Opinion	Scope of Audit and Findings
Development Management	3	Draft Report	TBC	
Prevention of Homelessness Act	4	In Progress		
Contaminated Land	3	Complete	Adequate	<p>The overall objective of the audit was to provide assurance that adequate controls exist to manage risks in relation to contaminated land. There is an approved Contaminated Land Strategy which has been subject to regular review. The Strategy was found to detail the approach the Council takes to identify, assess, record and remediate land across the Borough in accordance with the Environmental Protection Act 1990.</p> <p>A suitably detailed electronic register was found to be in place to record all potentially contaminated land across the Borough. However, testing established that over 300 from 667 sites listed on the database had not been given a prioritisation score resulting in the risk that a site requiring a more detailed land inspection may go undetected. Consequently, the Council is unable to determine the level of risk at each site. We did however establish that robust procedures are in place to undertake monitoring and recording of contaminated gas readings from boreholes at the three sites across the Borough. The application of those procedures for borehole monitoring identified potential concerns at the Joco Pit site in early 2018. Local residents were kept suitably informed on the position as new information became available. There is a risk however that lessons learnt will not be captured and shared for future reference.</p> <p>Testing identified that not all contaminated land conditions requested by the Contaminated Land Officer are being added to planning decision notices. We were informed that there are valid reasons why the conditions requested had not been added although this was not documented with no evidence that discussions had taken place to arrive at a mutually agreeable outcome. In recognition the Development Control Manager has already acted to ensure that the Contaminated Land officer is consulted where it is anticipated that a condition originally requested is varied or not included in the final planning application decision notice.</p>
Contract Management including grounds maintenance	4	In progress		

Audit Review Title	Planned Quarter	Current Status	Audit Opinion	Scope of Audit and Findings
and Leisure Trust				
Waste Contract Re-let	Ongoing	Consultancy – Ongoing		The requirement for an assurance element relating to the contract re-let in 2018/19 is to be confirmed, we are provided ongoing advice in a consultancy capacity and it may be that an assurance based audit is better placed in 2019/20. The Committee will be updated at the July meeting.
Follow-up DHP	4	Planning		
Follow-up NNDR	3	Planning		
Council Tax fraud and error – KCC Funding	2	Complete	n/a	This piece of consultancy work was undertaken on the Call Credit project, which is aimed at increasing the council tax yield. The work was undertaken to act as a self-assessment for the Council prior to the mid-year review scheduled for October 2018 by KCC. A number of recommendations were raised with the business
Discretionary Disabled Facilities Grant	N/a	Complete	Limited	<p>This audit was undertaken at the request of the Section 151 Officer in her statutory capacity following identification of an overspend on the Discretionary Disabled Facilities Budget with the objective of establishing root causes. The overall budget set for Disabled Facility Grants (DFGs) for 2018/19 was £800k with the split being £775k for mandatory grants and £25K for Discretionary payments.</p> <p>The overall root cause initially appears to be a fundamental misunderstanding; the service's understanding was that the budget allocation for Discretionary payments was flexible and could be managed in conjunction with the mandatory element. Although this was the case, any movement in budgets should have been managed through a virement process; this indicates a lack of knowledge or awareness of financial procedures possibly due to lack of training. An email notification from Finance of a projected overspend was sent in September. There has now been a halt to the discretionary payments and 3-month delay on processing mandatory payments. Notwithstanding this both DFG budgets are forecast to overspend; with commitments the total forecast position in the Capital Plan at the end of October was an overspend of £406k. At the time this meant that there was no future funding available for the ongoing Occupational Therapist, Housing and Health Coordinator and Handy Person pilot schemes. This has been rectified for 2018/19 by increased funding from central government.</p>

Audit Review Title	Planned Quarter	Current Status	Audit Opinion	Scope of Audit and Findings
				<p>A number of issues were identified including that the Discretionary Housing Assistance Policy in place sets the financial limit for discretionary payments made as top-ups to mandatory grants as £30,000. This exceeds the total annual budget set for discretionary payments. It was noted that all of the Discretionary DFGs reviewed were awarded in line with the conditions set out in this policy. Demand for discretionary grants has increased. There were 10 grants paid in 2017/18 and 36 in 2018/19 this appears to be due to an increase in top-up cases, both in numbers and value. Of the cases reviewed at least 50% of high value top up cases were identified as Housing Association properties. This indicates that Clarion no longer contributing toward adaptation to their properties and promotion of the Local Housing Authority's responsibilities for funding housing adaptations may be a factor.</p> <p>A review of reports from the Uniform system identified several gaps in information, which would make it difficult to manage the DFG budgets effectively. Including that reports do not differentiate between mandatory or discretionary DFGs or between DFGs and other Housing Assistance payments. There is no single report to show approved grants (committed spend) where payment is still outstanding. Discussion with officers established that regular monitoring and forecasting of activity and budget has not been taking place in part due to Uniform reporting being difficult and time consuming and there is reliance on the capital monitoring sheets sent by Finance. There has been a new reporting system implemented and work is ongoing with IT development to develop a new suite of reports.</p> <p>The lack of available monitoring, especially the lack of monitoring with regard to commitments, prevented the potential budget pressures being identified even earlier than above. We established that the high number/value of grants approved in 2017/18 led to a substantial commitment carried forward into this year and therefore the pressure already existed at budget set-up.</p> <p>Reconciliation of DFG payments occurs between Housing and Finance at year end. A review of Discretionary cases on the uniform system found that 3 (totalling £4,047) out of the 13 payments reviewed were not discretionary payments. These had been miscoded due to manual input errors and the report development stated above is also planned to automate the process for raising payment from finance. Review of Discretionary payments on Uniform also identified a number of grants where relevant referral documents had not been uploaded onto the system.</p>

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>

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Fraud Type	Cases Closed	No Evidence of Fraud	Customer Error or Incorrect benefit/Discount	Fraud Proven /Prevented	Reduction In Weekly Benefit	Total Overpayments	Increase In liability	No of Penalty Charges	Total £ Penalty charge
NNDR	4	1	3	0	£101.74	£10,864.63	£5,290.48	N/a	£0.00
SPD	373	226	146	1	£1,276.92	£51,556.71	£67,040.31	109	£7,630.00
CTR	14	7	4	2	£105.76	£7,490.57	£4,468.88	0	£0.00
Housing Benefit	5	3	0	2	£129.13	£1,475.77	N/a	N/a	£0.00
Housing	3	3	0	0					
Parking	4	3	0	2					
Planning	0	0	0	0					
Licencing	0	0	0	0					
Other	1	1	0	0					
	404	244	153	7*	£1,613.55	£71,387.68	£76,799.67	109	£7,630.00

*In relation to the 6 cases proven 4 cautions were issued and 2 parking permits were revoked, the remaining case prevented benefits being put into payment

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TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

01 April 2019

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Information

1 SCALE OF AUDIT FEES FOR 2019/20

The report informs Members of the scale of audit fees for 2019/20.

1.1 Introduction

1.1.1 From 2018/19, Public Sector Audit Appointments Limited (PSAA) became an appointing person for principal local government authorities under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015.

1.1.2 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.

1.1.3 Following consultation, PSAA has published the fee scale for the audit of the 2019/20 accounts. The scale of audit fees for 2019/20 can be found at the following link:

<https://www.psa.co.uk/audit-fees/2019-2020scaleoffees/>

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 scale of audit fees for 2019/20 is £35,248 and is the same as the fee set for 2018/19.

1.4 Risk Assessment

1.4.1 None.

Background papers:

contact: Neil Lawley

Nil

Sharon Shelton
Director of Finance and Transformation

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

01 April 2019

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Information

1 GRANT THORNTON PROGRESS REPORT AND SECTOR UPDATE

A progress report and update from Grant Thornton on emerging national issues and developments that may be relevant to a local authority.

1.1 Introduction

1.1.1 Attached at **[Annex 1]** is a progress report and sector update from Grant Thornton covering information on a number of areas including the following:

- Progress in delivering our responsibilities as your external auditors.
- Public Sector Audit Appointments – Report on the result of auditors' work 2017/18.
- National Audit Office – Local authority governance.
- National Audit Office – Planning for new homes.
- CIPFA – Financial Resilience Index plans revised.
- Grant Thornton's External Audit commitment.

1.2 Legal Implications

1.2.1 As set out in the paper.

1.3 Financial and Value for Money Considerations

1.3.1 As set out in the paper.

1.4 Risk Assessment

1.4.1 As set out in the paper.

Background papers:

Nil

contact: Neil Lawley

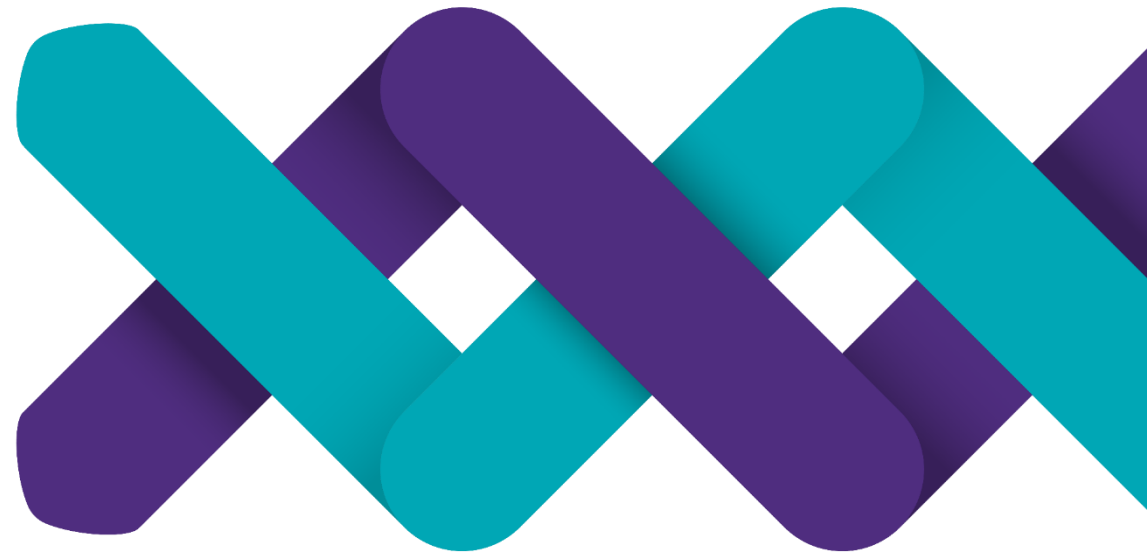
Paul Worden

Sharon Shelton

Director of Finance and Transformation

Audit Progress Report and Sector Update

Tonbridge and Malling Borough Council
Year ending 31 March 2019
Page 71
March 2019



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Introduction



Paul Dossett

Partner

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This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

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Andy Ayre

Audit Manager

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Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk ..

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

PSAA Contract Monitoring

Tonbridge and Malling Borough Council opted into the Public Sector Audit Appointments (PSAA) Appointing Person scheme which starts with the 2018/19 audit. PSAA appointed Grant Thornton as auditors. PSAA is responsible under the Local Audit (Appointing Person) Regulations 2015 for monitoring compliance with the contract and is committed to ensuring good quality audit services are provided by its suppliers. Details of PSAA's audit quality monitoring arrangements are available from its website, www.psaa.co.uk.

Our contract with PSAA contains a method statement which sets out the firm's commitment to deliver quality audit services, our audit approach and what clients can expect from us. We have set out commitment to deliver a high quality audit service in the document at Appendix A. We hope this is helpful. It will also be a benchmark for you to provide feedback on our performance to PSAA via its survey in Autumn 2019.

Progress at March 2019

Financial Statements Audit

We have started planning for the 2018/19 financial statements audit and have issued a detailed audit plan, setting out our proposed approach to the audit of the Council's 2018/19 financial statements.

We commenced our interim audit in February 2019. Our interim fieldwork includes:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues, including on the new waste services contract
- Early substantive testing

There are no issues that we need to bring to the Committee's attention from the work we have completed to date.

The statutory deadline for the issue of the 2018/19 opinion is 31 July 2019. We are discussing our plan and timetable with officers.

The final accounts audit is due to begin on the 19 June with findings reported to you in our Audit Findings Report. We will present our report at the July Audit Committee meeting and issue our audit opinion by the 31 July deadline.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment to determine our approach were included in our Audit Plan. We identified one significant Value for Money Risk – Brexit – and are currently carrying out our audit work on this.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2019.

Other areas

Certification of claims and returns

We certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. The certification work for the 2018/19 has not yet started. We will agree our overall project plan for completing this work with officers.

Meetings

We met with the Finance Officers in January as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We also met with your Chief Executive in January to discuss the Council's strategic priorities and plans.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers attended our Financial Reporting Workshop in February, which helps to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Deliverables

2018/19 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2018/19.	April 2018	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2018-19 financial statements.	January 2019	Complete
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2019	Complete
Audit Findings Report The Audit Findings Report will be reported to the July Audit Committee.	July 2019	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2019	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2019	Not yet due

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Council responsibilities

In our Audit Plan presented to the Audit Committee in January 2019 we have communicated our expectations around the Council's responsibilities for timely production of the draft accounts supported by appropriate working papers. Should delays be experienced in the provision of these requirements or should additional work be required on our part due to complex technical issues, new arrangements and delays in response to queries additional costs will be incurred.

Any additional fees are subject to approval by PSAA.

Results of Interim Audit Work

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

	Work performed	Conclusions and recommendations
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. We have obtained an understanding of the control environment through inquiries of management and internal audit, and also knowledge obtained through our knowledge of the entity and prior year audits. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We have also reviewed internal audit's work up to January 2019 on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment. Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements. This corresponds with our knowledge of the entity and work completed on prior year audits.</p>

	Work performed	Conclusions and recommendations
Review of information technology controls	We will perform a high level review of the general IT control environment, as part of the overall review of the internal controls system during week commencing 18 th March 2019.	We will verbally update the committee on any control findings.
Walkthrough testing	<p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements. We also reviewed the internal audit reports on the controls operating at the Council's shared service providers.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding. We completed testing on all items which were consisted a Significant Class of Transaction, with process notes completed for other processes so that we can gain an understanding.</p> <p>The work completed was on Accounts Payable, Accounts Receivables, Grants, Investments, PPE, Payroll and Cash.</p>	Our work has not identified any weaknesses which impact on our audit approach, with no control deficiencies identified.
Journal entry controls	<p>In week commencing 18th March 2019 we will review the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>At the same time we will undertake detailed testing on journal transactions recorded for the first 11 months of the financial year, by extracting 'unusual' entries for further review.</p>	We will verbally update the committee on any control findings.
Early substantive testing	<p>We are completing substantive testing on the operating expenditure and the payroll cycle. This was undertaken during the last week of January and is due to be completed week commencing the 18th of March.</p> <p>Details of testing includes starters and leavers testing for Months 1-9 and the operating expenditure testing for Months 1-9.</p>	<p>The operating expenditure M1-9 testing is due to be completed week commencing 18th of March. The audit team is due to be on-site and will be able to clear any queries on this date.</p> <p>There were no issues noted on the Starters and Leavers M1-9 testing which was completed in late January.</p>

Sector Update

Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Public Sector

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

Public Sector Audit Appointments – Report on the results of auditors’ work 2017/18

This is the fourth report published by Public Sector Audit Appointments (PSAA) and summarises the results of auditors’ work at 495 principal local government and police bodies for 2017/18. This will be the final report under the statutory functions from the Audit Commission Act 1998 that were delegated to PSAA on a transitional basis.

The report covers the timeliness and quality of financial reporting, auditors’ local value for money work, and the extent to which auditors used their statutory reporting powers.

For 2017/18, the statutory accounts publication deadline came forward by two months to 31 July 2018. This was challenging for bodies and auditors and it is encouraging that 431 (87 per cent) audited bodies received an audit opinion by the new deadline.

The most common reasons for delays in issuing the opinion on the 2017/18 accounts were:

- technical accounting/audit issues;
- various errors identified during the audit;
- insufficient availability of staff at the audited body to support the audit;
- problems with the quality of supporting working papers; and
- draft accounts submitted late for audit.

All the opinions issued to date in relation to bodies’ financial statements are unqualified, as was the case for the 2016/17 accounts. Auditors have made statutory recommendations to three bodies, compared to two such cases in respect of 2016/17, and issued an advisory notice to one body.

The number of qualified conclusions on value for money arrangements looks set to remain relatively constant. It currently stands at 7 per cent (32 councils, 1 fire and rescue authority, 1 police body and 2 other local government bodies) compared to 8 per cent for 2016/17, with a further 30 conclusions for 2017/18 still to be issued.

The most common reasons for auditors issuing qualified VFM conclusions for 2017/18 were:

- the impact of issues identified in the reports of statutory inspectorates, for example Ofsted;
- corporate governance issues;
- financial sustainability concerns; and
- procurement/contract management issues.

All the opinions issued to date in relation to bodies’ financial statements are unqualified, as was the case for the 2016/17 accounts.

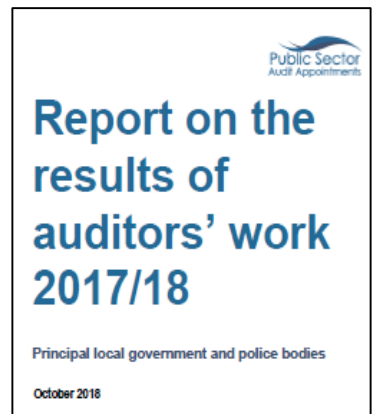
The report is available on the PSAA website:

<https://www.psa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

PSAA Report

Challenge question:

Has your Authority identified improvements to be made to the 2018/19 financial statements audit and Value for Money Conclusion?



National Audit Office – Local auditor reporting in England 2018

The report describes the roles and responsibilities of local auditors and relevant national bodies in relation to the local audit framework and summarises the main findings reported by local auditors in 2017-18. It also considers how the quantity and nature of the issues reported have changed since the Comptroller & Auditor General (C&AG) took up his new responsibilities in 2015, and highlights differences between the local government and NHS sectors.

Given increasing financial and demand pressures on local bodies, they need strong arrangements to manage finances and secure value for money. External auditors have a key role in determining whether these arrangements are strong enough. The fact that only three of the bodies (5%) the NAO contacted in connection with this study were able to confirm that they had fully implemented their plans to address the weaknesses reported suggests that while auditors are increasingly raising red flags, some of these are met with inadequate or complacent responses.

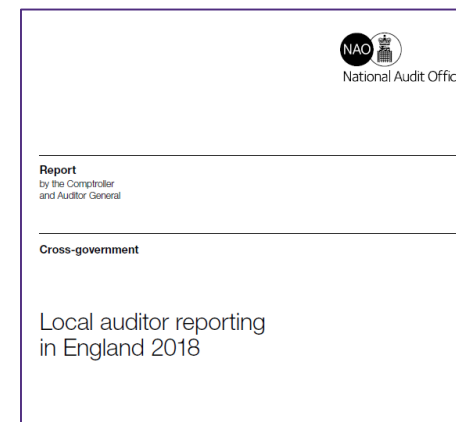
Qualified conclusions on arrangements to secure value for money locally are both unacceptably high and increasing. Auditors qualified their conclusions on arrangements to secure value for money at an increasing number of local public bodies: up from 170 (18%) in 2015-16 to 208 (22%) in 2017-18. As at 17 December 2018, auditors have yet to issue 20 conclusions on arrangements to secure value for money, so this number may increase further for 2017-18.

The proportion of local public bodies whose plans for keeping spending within budget are not fit-for-purpose, or who have significant weaknesses in their governance, is too high. This is a risk to public money and undermines confidence in how well local services are managed. Local bodies need to demonstrate to the wider public that they are managing their organisations effectively, and take local auditor reports seriously. Those charged with governance need to hold their executives to account for taking prompt and effective action. Local public bodies need to do more to strengthen their arrangements and improve their performance.

Local auditors need to exercise the full range of their additional reporting powers, where this is the most effective way of highlighting concerns, especially where they consider that local bodies are not taking sufficient action. Departments need to continue monitoring the level and nature of non-standard reporting, and formalise their processes where informal arrangements are in place. The current situation is serious, with trend lines pointing downwards.

The report is available on the NAO website:

<https://www.nao.org.uk/report/local-auditor-reporting-in-england-2018/>



NAO Report

Challenge question:

Has your Authority responded appropriately to any concerns or issues raised in the External Auditor's report for 2017/18?



National Audit Office – Local authority governance

The report examines whether local governance arrangements provide local taxpayers and Parliament with assurance that local authority spending achieves value for money and that authorities are financially sustainable.

Local government has faced considerable funding and demand challenges since 2010-11. This raises questions as to whether the local government governance system remains effective. As demonstrated by Northamptonshire County Council, poor governance can make the difference between coping and not coping with financial and service pressures. The Department (Ministry of Housing, Communities and Local Government) places great weight on local arrangements in relation to value for money and financial sustainability, with limited engagement expected from government. For this to be effective, the Department needs to know that the governance arrangements that support local decision-making function as intended. In order to mitigate the growing risks to value for money in the sector the Department needs to improve its system-wide oversight, be more transparent in its engagement with the sector, and adopt a stronger leadership role across the governance network

Not only are the risks from poor governance greater in the current context as the stakes are higher, but the process of governance itself is more challenging and complex. Governance arrangements have to be effective in a riskier, more time-pressured and less well-resourced context. For instance, authorities need to:

- maintain tight budgetary control and scrutiny to ensure overall financial sustainability at a time when potentially contentious savings decisions have to be taken and resources for corporate support are more limited; and
- ensure that they have robust risk management arrangements in place when making commercial investments to generate new income, and that oversight and accountability is clear when entering into shared service or outsourced arrangements in order to deliver savings.

Risk profiles have increased in many local authorities as they have reduced spending and sought to generate new income in response to funding and demand pressures. Local authorities have seen a real-terms reduction in spending power (government grant and council tax) of 28.6% between 2010-11 and 2017-18. Demand in key service areas has also increased, including a 15.1% increase in the number of looked after children from 2010-11 to 2017-18. These pressures create risks to authorities' core objectives of remaining financially sustainable and meeting statutory service obligations. Furthermore, to mitigate these fundamental risks, many authorities have pursued strategies such as large-scale transformations or commercial investments that in themselves carry a risk of failure or under-performance.

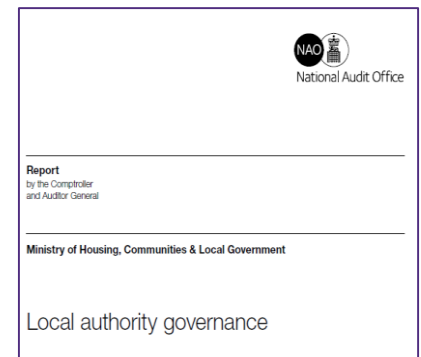
The report is available on the NAO website:

<https://www.nao.org.uk/report/local-authority-governance-2/>

NAO Report

Challenge question:

Has your Authority got appropriate governance and risk management arrangements in place to address the risks and challenges identified in the NAO report?



National Audit Office – Planning for new homes

The National Audit Office (NAO) has recently published a report on *Planning for new homes*. This report is part of a series on housing in England, including *Housing in England: overview (2017)* and *Homelessness (2017)*. The latest report focuses on the Ministry of Housing, Communities and Local Government's (MHCLG's) objective for housing in England to deliver a million homes by the end of 2020; half a million by the end of 2022; and to deliver 300,000 net additional homes a year on average.

The report recognises that increasing the supply of new homes is a complex task and one of the measures MHCLG has introduced to help achieve the objective is reforming the planning system. The report notes that the planning system is fundamental to providing new homes and it assesses how effectively MHCLG supports the planning regime to provide the right homes in the right places through:

- supporting local authorities to produce plans for how the supply of new homes will meet need in their area;
- supporting local authorities and the Planning Inspectorate in having effective and sufficiently resourced planning processes and teams to deal with planning applications and appeals; and
- working effectively with local authorities, other government departments and developers to ensure infrastructure to support new homes is planned and funded.

The report finds that at present, the system is not providing value for money and that the supply of new homes has failed to meet demand. It notes that a number of factors have contributed to the planning system not working and some of these include:

- the process of setting the need for new homes;
- the reductions in local authority capability;
- the under-performing Planning Inspectorate; and
- failures in the system to ensure adequate contributions for infrastructure.

The report recognises that MHCLG's new National Planning Policy Framework is an important step, but it is too early to tell whether the changes it introduces will be effective. The report also makes a number of recommendations for MHCLG to implement alongside the framework to help the planning systems work more effectively.

The report concludes that the Department and government more widely need to take this much more seriously and bring about improvement if they are to meet their ambition of 300,000 new homes per year by the mid-2020s.

The report is available on the NAO website:

<https://www.nao.org.uk/report/planning-for-new-homes/#>



NAO Report

Challenge question:

Has your Authority got a robust plan in place to deliver the additional houses needed over the next five years?



National Audit Office – Pressures on children’s social care

The Local authorities in England have statutory responsibility for protecting the welfare of children and delivering children’s social care. In extreme cases they may use their statutory powers to place children in need on protection plans or even take them into care. Local authorities are also responsible for delivering non-statutory services for all children and young people, such as children’s centres. The Department for Education (the Department) provides statutory guidance on delivering these functions. It also has overall policy responsibility for children’s services, and has the strategic vision that all vulnerable children, no matter where they live, should have access to high-quality support by 2022.

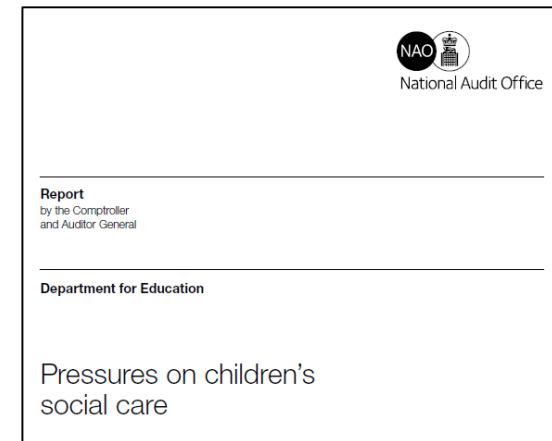
The report sets out recent trends in pressures on children’s social care demand and activity and the response of both national and local government to these pressures. It also sets out analysis the NAO conducted about what is causing variations in children’s social care demand and activity between different local authorities. The report covers:

- the pressures on children’s social care;
- the response of national and local government to increasing demand for children’s social care; and
- NAO analysis of what is causing variations in demand for children’s social care between local authorities.

The report notes that, while the Department has put in place a programme of reform, it still does not fully understand what is driving demand for children’s social care or why there is such wide variation between local authorities in their children’s social care activity and costs. It has not yet done the work to tie together available sources of information and therefore lacks a well-informed pathway to achieve its goal. While the Department has recognised the need for this analysis, it will not complete the work until summer 2019. Even if its analysis is completed successfully it will be a tall order for the Department to achieve its goal within three years.

The report is available on the NAO website:

<https://www.nao.org.uk/report/pressures-on-childrens-social-care/>



NAO Report

Challenge question:

Has your Authority considered the NAO report, and how any local variations in demands can be addressed?



CIPFA – Financial Resilience Index plans revised

The Chartered Institute of Public Finance and Accountancy (CIPFA) has refined its plans for a financial resilience index for councils and is poised to rate bodies on a “suite of indicators” following a consultation with the sector.

CIPFA has designed the index to provide reassurance to councils who are financially stable and prompt challenge where it may be needed. To understand the sector’s views, CIPFA invited all interested parties to respond to questions it put forward in the consultation by the 24 August.

CIPFA has also responded to concerns about the initial choice of indicators, updating the selection and will offer authorities an advanced viewing of results.

Plans for a financial resilience index were put forward by CIPFA in the summer. It is being designed to offer the sector some external guidance on their financial position.

CIPFA hailed the “unprecedented level of interest” in the consultation.

Responses were received from 189 parties, including individual local authorities, umbrella groups and auditors. Some respondents called for a more “forward-looking” assessment and raised fears over the possibility of “naming and shaming” councils.

CIPFA chief executive Rob Whiteman said with local government facing “unprecedented financial challenges” and weaknesses in public audit systems, the institute was stepping in to provide a leadership role in the public interest.

“Following the feedback we have received, we have modified and strengthened the tool so it will be even more helpful for local authorities with deteriorating financial positions,” he said.

“The tool will sit alongside CIPFA’s planned Financial Management Code, which aims to support good practice in the planning and execution of sustainable finances.”

CIPFA is now planning to introduce a “reserves depletion time” category as one of the indicators. This shows the length of time a council’s reserves will last if they deplete their reserves at the same rate as over the past three years.

The consultation response document said this new category showed that “generally most councils have either not depleted their reserves or their depletion has been low”.

“The tool will not now provide, as originally envisaged, a composite weighted index but within the suite of indicators it will include a red, amber, green (RAG) alert of specific proximity to insufficient reserve given recent trajectories,” it said.

It also highlighted the broad support from the sector for the creation of the index. “There was little dissent over the fact that CIPFA is doing the right thing in drawing attention to a matter of high national concern,” it said.

“Most respondents agreed to the need for transparency – but a sizable number had concerns over the possibly negative impacts of adverse indicators and many councils wanted to see their results prior to publication.”

As such, CIPFA plans to provide resilience measurements first to the local authorities and their auditors via the section 151 officer rather than publishing openly.

CIPFA Consultation

Challenge question:

Has your Chief Financial Services Officer briefed members on the Council’s response to the Financial Resilience Index consultation?



ICAEW Report: expectations gap

The Institute of Chartered Accountants in England and Wales (ICAEW) has published a paper on the 'expectation gap' in the external audit of public bodies.

Context:

The expectation gap is the difference between what an auditor actually does, and what stakeholders and commentators think the auditors obligations might be and what they might do. Greater debate being whether greater education and communication between auditors and stakeholders should occur rather than substantial changes in role and remit of audit.

What's the problem?

- **Short-term solvency vs. Longer-term value:**
 - LG & NHS: Facing financial pressures, oversight & governance pressures
- **Limited usefulness of auditors reports:** 'The VFM conclusion is helpful, but it is more about the system/arrangements in place rather than the actual effectiveness of value for money'
- **Other powers and duties:** implementing public interest reports in addition to VFM
- **Restricted role of questions and objections:** Misunderstanding over any objections/and or question should be resolved by the local public auditor. Lack of understanding that auditors have discretion in the use of their powers.
- **Audit qualification not always acted on by those charged with governance:** 'if independent public audit is to have the impact that it needs, it has to be taken seriously by those charged with governance'
- **Audit committees not consistently effective:** Local government struggles to recruit external members for their audit committees, they do not always have the required competencies and independence.
- **Decreased audit fees:** firms choose not to participate because it is considered that the margins were too tight to enable them to carry out a sufficient amount of work within the fee scales.
- **Impact of audit independence rules:** new independence rules don't allow for external auditors to take on additional work that could compromise their external audit role
- **Other stakeholders expectations not aligned with audit standards**

- **Increased auditor liability:** an auditor considering reporting outside of the main audit engagement would need to bill their client separately and expect the client to pay.

Future financial viability of local public bodies

Local public bodies are being asked to deliver more with less and be more innovative and commercial. CFOs are, of course, nervous at taking risks in the current environment and therefore would like more involvement by their auditors. They want auditors to challenge their forward-looking plans and assumptions and comment on the financial resilience of the organisation..

The ICAEW puts forward two solutions:

Solution a) If CFO's want additional advisory work, rather than just the audit, they can separately hire consultants (either accountancy firms not providing the statutory audit or other business advisory organisations with the required competencies) to work alongside them in their financial resilience work and challenging budget assumptions.

Solution b) Wider profession (IFAC, IAASB, accountancy bodies) should consider whether audit, in its current form, is sustainable and fit for purpose. Stakeholders want greater assurance, through greater depth of testing, analysis and more detailed reporting of financial matters. It is perhaps, time to look at the wider scope of audit. For example, could there be more value in auditors providing assurance reports on key risk indicators which have a greater future-looking focus, albeit focused on historic data?

More information can be found in the link below (click on the cover page)



The expectations gap

Challenge question:

How effectively is the audit meeting client expectations?



Brexit Room - Increasing readiness and resilience within your locality

Local authorities have always navigated uncertainty and faced challenges on behalf of communities and this role has never been more important than now. Whilst the outcome of Brexit remains uncertain at a national level, it is essential for councils to set a path to ensure the continued delivery of vital services and the best possible outcomes for their local communities and economies.

Whatever happens over the coming weeks and months, it is important that councils identify key Brexit scenarios and use these to frame robust local contingency plans.

From our conversations with the sector we know that local authorities are at different stages in their preparation for this big change.

Here's a brief summary of the issues that we are seeing:

Organisations

- Engaging non-EEA nationals within the workforce to ensure they understand their residency rights and are not receiving incorrect information from other sources
- Loss of access to key EU databases on policing and trading standards and changes to data sharing arrangements
- Uncertainty around continuation of EU funding beyond 2020 and the implementation of the UK Shared Prosperity Fund.

Services and suppliers

- Engaging with key suppliers to assess their risk profiles and resilience
- Dealing with the immediate strain on key services such as social care and trading standards
- Potential disruption to live procurement activities and uncertainty around the national procurement rulebook post OJEU.

Place

- Considering scenarios for economic shock, the associated social impact in the short, medium and long-term and the potential impact on local authority financial resilience
- Potential impacts on major local employers, key infrastructure investment programmes and transport improvements
- Civil contingencies and providing reassurance and support to residents and businesses.

Our approach

The Brexit Room is a flexible and interactive half-day workshop designed to sharpen your thinking on the impact Brexit could have on:

Your organisation – including considerations on workforce, funding, and changes to legislation

Your services and suppliers – ensuring that critical services are protected and building resilience within supply chains

Your place – using our proprietary Place Analytics tools we will help you to understand potential impacts on your local communities and economy and develop a place-based response, working with partners where appropriate.

We can work with you to identify key risks and opportunities in each of these areas whilst building consensus on the priority actions to be taken forward. You will receive a concise and focused write-up of the discussion and action plan to help shape the next stages of your work on Brexit.

For more information, follow the link below:

<https://www.grantthornton.co.uk/insights/brexit-local-leadership-on-the-front-line/>

Brexit

Challenge question:

How well advanced are your Authority's plans for Brexit?



Brexit Update

On 12th March the Brexit Withdrawal Agreement was rejected by the UK Parliament for a second time.

With less than two weeks to go before the UK is due to leave the EU, this means that:

- We are unlikely to know for sure what will happen on 29 March until 21 March at earliest.
- There is an increased possibility of a delay to Brexit, but any extension will be on the EU's terms.
- The chances of no-deal Brexit have significantly increased.

It is more important than ever to develop and action a no-deal contingency plan. We have put together a 'No-deal Essentials' guide to help you plan for No Deal - highlighting six things to look at between now and 29 March to ensure business continuity, compliance and cost management. The full article is available at <https://www.grantthornton.co.uk/en/insights/brexit-essentials-compliance-continuity-and-cost/>.

To summarise the essentials to include in your Brexit plan are:

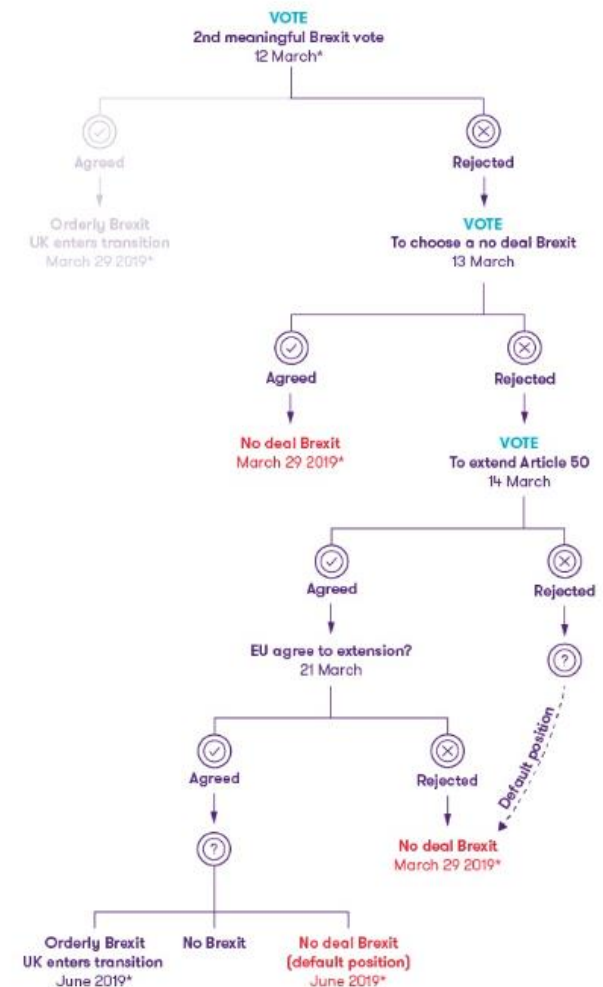
Compliance - ensure your organisation, products and services comply with new rules and processes

Continuity - Minimise disruption during Brexit through focussing on the effect on people and supply chains

Cost - Take action to mitigate costs and protect cashflow

 For further guidance on Brexit, please visit [grantthornton.co.uk/brexit/](https://www.grantthornton.co.uk/brexit/)
Or contact us at brexit@gt.uk.com

Road to Brexit What might happen next?



*Date may change

Links

Grant Thornton

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

National Audit Office

<https://www.nao.org.uk/report/local-auditor-reporting-in-england-2018/>

<https://www.nao.org.uk/report/local-authority-governance-2/>

<https://www.nao.org.uk/report/planning-for-new-homes/#>

<https://www.nao.org.uk/report/pressures-on-childrens-social-care/>

Ministry of Housing, Communities and Local Government

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728722/BRR_Pilots_19-20_Prospectus.pdf

Institute for Fiscal Studies

<https://www.ifs.org.uk/uploads/publications/comms/R148.pdf>

Public Sector Audit Appointments

<https://www.psaa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

CIPFA

<https://www.cipfa.org/cipfa-thinks/health/articles/social-care-risk-tool>

Local Government audits 2018/19 and beyond

Grant Thornton's External Audit commitment

Audit 2018/19

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Our team



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"I have always been extremely pleased with the work done by colleagues from Grant Thornton, there is continuity of staff delivering the team who presented the bid. This continuity remains through the cycle of work that takes place during the year; allowing the team to continue to understand the corporate objectives whilst allowing us to ensure we comply with the required standards. The team are very friendly and approachable with an accommodating style".

Director of Finance, local audited body

Our commitment to our local government clients

- Senior level investment
- Local presence enhancing our responsiveness, agility and flexibility.
- High quality audit delivery
- Collaborative working across the public sector
- Wider connections across the public sector economy, including with health and other local government bodies
- Investment in Health and Wellbeing, Social Value and the Vibrant Economy
- Sharing of best practice and our thought leadership.
- Invitations to training events locally and regionally – bespoke training for emerging issues
- Further investment in data analytics and informatics to keep our knowledge of the areas up to date and to assist in designing a fully tailored audit approach

Our relationship with our clients—why are we best placed?

- We work closely with our clients to ensure that we understand their financial challenges, performance and future strategy.
- We deliver robust, pragmatic and timely financial statements and Value for Money audits
- We have an open, two way dialogue with clients that support improvements in arrangements and the audit process
- Feedback meetings tell us that our clients are pleased with the service we deliver. We are not complacent and will continue to improve further
- Our locally based, experienced teams have a commitment to both our clients and the wider public sector
- We are a Firm that specialises in Local Government, Health and Social Care, and Cross Sector working, with over 25 Key Audit Partners, the most public sector specialist Engagement Leads of any firm
- We have strong relationships with CIPFA, SOLCAE, the Society of Treasurers, the Association of Directors of Adult Social Care and others.
- We propose a realistic fee, based on known local circumstances and requirements.

New opportunities and challenges for your community

The Local Government economy

Local authorities face unprecedented challenges including:

- Financial Sustainability – addressing funding gaps and balancing needs against resources
- Service Sustainability – Adult Social Care funding gaps and pressure on Education, Housing, Transport
- Transformation – new models of delivery, greater emphasis on partnerships, more focus on economic development
- Technology – cyber security and risk management

At a wider level, the political environment remains complex:

- The government continues its negotiation with the EU over Brexit, and future arrangements remain uncertain.
- 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 keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.

Delivering real value through:

- Early advice on technical accounting issues, providing certainty of accounting treatments, future financial planning implications and resulting in draft statements that are 'right first time'
- Knowledge and expertise in all matters local government, including local objections and challenge, where we have an unrivalled depth of expertise.
- Early engagement on issues, especially on ADMs, housing delivery changes, Children services and Adult Social Care restructuring, partnership working with the NHS, inter authority agreements, governance and financial reporting
- Implementation of our recommendations have resulted in demonstrable improvements in your underlying arrangements, for example accounting for unique assets, financial management, reporting and governance, and tax implications for the Cornwall Council companies
- Robust but pragmatic challenge – seeking early liaison on issues, and having the difficult conversations early to ensure a 'no surprises' approach – always doing the right thing
- Providing regional training and networking opportunities for your teams on technical accounting issues and developments and changes to Annual Reporting requirements
- An efficient audit approach, providing tangible benefits, such as releasing finance staff earlier and prompt resolution of issues.

Grant Thornton in Local Government

Our client base and delivery



- We are the largest supplier of external audit services to local government
- We audit over 150 local government clients
- We signed 95% of our local government opinions in 2017/18 by 31 July
- In our latest independent client service review, we consistently score 9/10 or above. Clients value our strong interaction, our local knowledge and wealth of expertise.

Our connections



- We are well connected to MHCLG, the NAO and key local government networks
- We work with CIPFA, Think Tanks and legal firms to develop workshops and good practice
- We have a strong presence across all parts of local government including blue light services
- We provide thought leadership, seminars and training to support our clients and to provide solutions

Our people



- We have over 25 engagement leads accredited by ICAEW, and over 250 public sector specialists
- We provide technical and personal development training
- We employ over 80 Public Sector trainee accountants

Our quality



- Our audit approach complies with the NAO's Code of Audit Practice, and International Standards on Auditing
- We are fully compliant with ethical standards
- Your audit team has passed all quality inspections including QAD and AQR

Our technical support



- We have specialist leads for Public Sector Audit quality and technical
- We provide national technical guidance on emerging auditing, financial reporting and ethical areas
- Specialist audit software is used to deliver maximum efficiencies

"I have found Grant Thornton to be very impressive.....they bring a real understanding of the area. Their insights and support are excellent. They are responsive, pragmatic and, through their relationship and the quality of their work, support us in moving forward through increasingly challenging times. I wouldn't hesitate to work with them."

Director of Finance, County Council

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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.

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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**

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of the Local Government Act 1972.

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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.

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